CalHFA BOARD OF DIRECTORS

California Housing Finance Agency
Board of Directors

September 20, 2012

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

9:30 a.m.

1. Roll Call.

2. Approval of the minutes of the May 17, 2012 Board of Directors meeting **..................................**1

3. Chairman/Executive Director comments.

4. Review and discuss major components, issues and concerns of the Governor's Reorganization Plan (GRP): (Claudia Cappio)**..**83

   A. Review of Initial Recommendations and Findings of Little Hoover Commission

   B. Overview of Implementation Efforts, Process and Schedule

   C. Overview of Key Opportunities and Recommendations for Alignment and Collaboration

5. Update on Multifamily Portfolio Preservation Program using HUD Risk Share. (Jim Morgan)

6. Discussion, recommendation and possible action regarding final loan commitment for the following project(s): (Jim Morgan)

NUMBER	DEVELOPMENT	LOCALITY	UNITS
12-041-R/N	Woodbridge Village Apartments	St. Helena/ Napa	50

Resolution 12-09 103

Bd.Table:#237081v1
BdMtg:09-20-12

15. Adjournment

16. Handouts

NOTES**

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

FUTURE MEETING DATES: Next CalHFA Board of Directors Meeting will be November 13, 2012, at the Burbank Airport Marriott, Burbank, California.

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STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

BOARD OF DIRECTORS

PUBLIC MEETING

Holiday Inn Capitol Plaza
300 J Street
Sacramento, California

Thursday, May 17, 2012
10:00 a.m.

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

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A P P E A R A N C E S

Board of Directors Present

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

CLAUDIA CAPPIO
Executive Director
California Housing Finance Agency
State of California

KATIE CARROLL
for Bill Lockyer
State Treasurer
State of California

MICHAEL A. GUNNING
Vice President
Personal Insurance Federation of California

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

JAN LYNN OWEN
for BRIAN KELLY, Undersecretary
Business, Transportation & Housing Agency
State of California

JACK SHINE
Chairman
American Beauty Development Co.

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

LINN WARREN
Director
Department of Housing and Community Development
State of California

A P P E A R A N C E S

Participating CalHFA Staff

MARGARET ALVAREZ
Director of Asset Management

LORI HAMAHASHI
Deputy Comptroller
Fiscal Services

HOWARD IWATA
Director of Administration

VICTOR J. JAMES
Deputy General Counsel

LIANE MORGAN
Acting Chief Information Officer

JOJO OJIMA
Office of the General Counsel

DIANE RICHARDSON
Director of Legislation

L. STEVEN SPEARS
Chief Deputy Director

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Public Testimony

CAROLYN THOMAS
Director of Housing Programs
Greater Sacramento Urban League

WARREN QUANN
Neighborhood Assistance Corporation of America
NID-Housing Counseling Agency

MARTIN WHITE
Neighborhood Assistance Corporation of America

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BE IT REMEMBERED that on Thursday, May 17, 2012, commencing at the hour of 10:06 a.m., at Holiday Inn Capitol Plaza, 300 J Street, Sacramento, California, before me, DANIEL P. FELDHAUS, CSR #6949, RDR and CRR, the following proceedings were held:

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ACTING CHAIR CAREY: Welcome everybody to the May 17th meeting of the California Housing Finance Agency Board of Directors.

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Item 1. Roll Call

ACTING CHAIR CAREY: Our first item of business is roll call.

MS. OJIMA: Thank you.

Mr. Gunning?

MR. GUNNING: Here.

MS. OJIMA: Mr. Hunter?

(No response)

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

MS. CARROLL: Katie Carroll for State Treasurer Bill Lockyer.

MS. OJIMA: Thank you.

Mr. Shine?

MR. SHINE: Here.

MS. OJIMA: Mr. Smith?

MR. SMITH: Here.

MS. OJIMA: Ms. Owen for Mr. Kelly?

MS. OWEN: Here.

MS. OJIMA: Mr. Warren?

MR. WARREN: Here.

MS. OJIMA: Mr. Alex?

MR. ALEX: Here.

MS. OJIMA: Mr. Reyes for Ms. Matosantos?

MR. REYES: Pedro Reyes for Director Ana Matosantos, present.

MS. OJIMA: Thank you.

Ms. Cappio?

MS. CAPPIO: Here.

MS. OJIMA: Mr. Carey?

ACTING CHAIR CAREY: Here.

MS. OJIMA: We have a quorum.

ACTING CHAIR CAREY: Thank you.

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Item 2. Approval of the minutes of the March 14, 2012, Board of Directors Meeting

ACTING CHAIR CAREY: The second order of business is approval of the minutes of the meeting of March 14th.

MR. SHINE: Move to approve.

MS. OWEN: Second.

ACTING CHAIR CAREY: A motion and a second. Roll call, please.

MS. OJIMA: Thank you.

Mr. Gunning?

MR. GUNNING: Aye.

MS. OJIMA: Ms. Carroll?

MS. CARROLL: Yes.

MS. OJIMA: Mr. Shine?

MR. SHINE: Yes.

MS. OJIMA: Mr. Smith?

MR. SMITH: Aye.

MS. OJIMA: Ms. Owen?

MS. OWEN: Yes.

MS. OJIMA: Mr. Warren?

MR. WARREN: Yes.

MS. OJIMA: Mr. Carey?

ACTING CHAIR CAREY: Yes.

MS. OJIMA: The minutes have been approved.

ACTING CHAIR CAREY: Thank you.

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Item 3. Chairman/Executive Director Comments

ACTING CHAIR CAREY: Next, Chair and Executive Director comments.

I'd like to simply note for the record that we have restructured the Audit Committee. And the current members of the Audit Committee will be: Mr. Smith as Chair; and Ms. Owen, Mr. Gunning, and Mr. Warren as members of the committee. It's a great group.

Okay, Ms. Cappio?

MS. CAPPIO: Great. Good morning.

I just wanted to relate to you that the single-family reorganization continues to go well, so that we can respond to mortgage modification with a stronger focus on servicing.

The New Issue Bond Program preservation program for multiple family was launched earlier this month. So we're right on schedule with that. And we're very excited to be lending.

The Governor's budget revised last -- actually, it was only Monday -- contains news that we obviously need to respond to, and need to be kept aware of.

The redevelopment low-mod income funds, much to no one's surprise, are proposed to be swept. And the Attorney General discretionary settlement money is also proposed to be committed to related housing purposes, but my guess is not how the Attorney General thought they were going to be spent.

We continue to closely follow a number of bills in the Legislature, and closely follow the A.G's mortgage relief bills because they could conceivably affect us.

And the cost study that I might have mentioned in an ongoing way, has been launched as well. We have chosen a consultant, and are off and running to look at the cost components of affordable housing, and how we may affect them in the future.

And that ends my comments.

ACTING CHAIR CAREY: Ms. Cappio, what’s the time-line for that cost study?

MS. CAPPIO: We are going to get started right away. And we are working with an advisory committee of the stakeholders.

We will likely have preliminary data by sometime this fall, October or November. And we will see the final set of data analysis and recommendations early in 2013.

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Item 5. *Keep Your Home California* Update

(Public Testimony)

ACTING CHAIR CAREY: Okay. Okay, with that, we’ll move on to Item 5 on the agenda, which is the *Keep Your Home California* update.

We have three speakers from the public who have requested time to speak on this. And I know they have schedules for themselves. So we’re going to ask them if they would lead off and take just a few minutes to make their comments, and that will let them keep their own schedules.

And so first up, Mr. White?

MR. WHITE: Yes.

ACTING CHAIR CAREY: Great.

MR. WHITE: We are all together on this.

ACTING CHAIR CAREY: Great. So we have Martin White, David DeLuz, and Warren Quann, I believe.

MR. WHITE: David has gotten prettier looking.

ACTING CHAIR CAREY: And I know we don’t need to say this because we’ve been through this before, but to the extent you can be concise and to the point, that would be great, because we all have schedules at one o’clock, including flights to catch, so…

MR. WHITE: Yes, we’d only ask for about 15 minutes or less.

ACTING CHAIR CAREY: Okay.

MR. WHITE: I want to thank you guys for admitting NACA to your process. We came before you before, to tell you that we were going to make some major influence on helping you get out the money. And we’re still committed to that.

We also want to -- I want to read something to you. And this comes from Attachment 1 of your agenda, Item 6 is, “Continue to aggressively market programs to eligible homeowners, community groups, media, and media to expand awareness. Continue to aggressively pursue on-board additional services."

We are excited about that. We think that CalHFA is moving in the right direction in terms of looking at the continual expansion of what they need to make sure that every household that has been mistreated in this housing fiasco is taken care of.

We come just to simply ask a simple request of you. We know that there is still innovation funds available for making the program more viable and reaching out more. NACA is going to be using much of its resources, but it -- and NACA has agreed to work with the Urban League -- it's been working with the Urban League, and to work with NID, in consolidating our efforts on a statewide basis.

So what my comment is -- only one little comment -- is that we would request that the Board or the staff, invite us to submit a proposal of how we would improve the process.

And I know that there is not going to be an RFP on any of those funds going forward. However, we would like to have an invitation to do an unsolicited proposal to you as a consortium of three organizations.

Thank you.

MS. THOMAS: And I would agree with that.

I just want to make you aware, and also to thank NACA in a public forum for allowing the Urban League to participate in their Keep Your Home -- or, sorry, Dream Home Save --

MR. WHITE: Home Save, right.

MS. THOMAS: -- tools.

We were able to participate in three of them in the state of California.

And within that format, they were able to segregate a section that, you know, specifically identified our agency. And we were also given the opportunity to do our own orientation.

And it worked out very, very well. We were able to see in excess of 500 people aggregately from those sessions, and were able to get some on-the-spot loan modifications right there.

We also, because we are already a participant in the *Keep Your Home Californi*a program, we are able to assess people on the spot if they were eligible or not.

So we fully support the request that they're making here. We think that it's a good one. And we feel like, as a consortium, that we work well together.

ACTING CHAIR CAREY: Could I ask your name for the record? I don't think I have a speaker slip for you.

MS. THOMAS: Sure. My name is Carolyn Thomas, and I'm the director of housing counseling programs for the Greater Sacramento Urban League.

ACTING CHAIR CAREY: Thank you.

MS. THOMAS: You're welcome.

MR. QUANN: Good morning. My name is Warren Quann, and I'm with NID Housing Counseling Agency. And we are excited about being a new entrant into this program.

We have been in business 27 years as a housing counseling agency, and is one of 23 national intermediaries with 54 offices around the country, nine in this state. We're based here in California, in Oakland, California, and this loss-mitigation foreclosure crisis with -- I don't know if you know the term, NFMC, which is a program that the agency participates in. In the four years, we serve about 10,000 people annually in the hardest hit areas, in underserved areas.

And so we've been working with NACA. And I have to tell you -- and I know that you know that in this particular program, that it's been very difficult to get agreements with servicers. And I must tell you that out of the 23 housing agencies, we have relationships with services; but NACA really does have special sauce, in the sense that they have servicer agreements.

And I think if the possibility of looking at -- and we've been spending our own resources looking at an innovative proposal that can leverage some of the existing relationships that we have as national intermediaries, and particularly NACA, that we would be able to move forward particularly with some of the bigger servicers, which have been difficult for you and even us. But because of NACA agreements, I think that we can get the bigger servicers that serve California, that being Chase Bank, Wells Fargo, and Bank of America which commits over a hundred staff people to each of the Home Save events that NACA did when they were here in California.

And so I think that if that is a possibility, that we would participate in that process.

And we're just here because we know you have an RFP process and a public process to accept these proposals; and that none are going to be considered in the future. But I think that would help in our efforts as we come in and the people that we serve in this program and the relationships we have. That if it was a possibility to submit such a proposal, I think it would help in general.

So thank you.

MR. WHITE: Just finally, we're really thinking about the need -- the need to service the underwater houses.

I know that *Keep Your Home California* -- I've got so many acronyms -- has moved from a participation for the banks, to funding most of the hundred thousand dollars themselves.

However, our contract with the bank says that whatever state we're working in, whatever state program is in existence, the bank must work with that program. So where it's more difficult for you to maybe create these relationships, NACA, three years ago, created those relationships and tied those banks into those relationships. And we anticipate that we'll be able to get the banks still to participate and bring money to the table.

And that's really where our proposal is going to be structured towards. Those houses that are underwater, those houses that are -- so that we don't need to spend all of our money. The bank has to have some piece of the action here. We're not an advocate of the banks. That's easy to say. So the banks understand that we will take them to task if they try to run away from their responsibilities. And we won't allow them to do that.

And that's really all I had to say.

ACTING CHAIR CAREY: Thank you.

Any questions or comments, recognizing that the Board can't act on anything on the agenda --

MR. WHITE: Yes.

ACTING CHAIR CAREY: -- and questions? Comments?

MR. GUNNING: Mr. Chair?

ACTING CHAIR CAREY: Yes.

MR. GUNNING: I understand that they have been accepted in the *Keep Your Home* program?

MS. CAPPIO: Yes, in the housing counseling.

MR. GUNNING: Not in this capacity, but in a separate capacity than they're explaining today?

MS. CAPPIO: Di, you might want to respond to that.

I think it's probably a hybrid.

MS. RICHARDSON: Sure. They have been accepted to be one of our participating housing counselors.

I did meet with the Urban League yesterday. We talked about some of the loans that they are talking about modifying. And, quite frankly, what I asked them to do was to take a look to see how those loans would be modified within the existing structure that we have out there, so that we can actually see what's working and what isn't.

As far as their ability to have the banks put in additional money, you know, I'm all for that, and there is nothing to prohibit that now.

I'll talk a little bit more about some of the changes that we've made to the program, but there is nothing to prohibit a bank from also making a contribution.

And, in fact, I could tell you, based on our analysis of the loans that we -- the principal reductions that we've done with Bank of America, which required the one-on-one match, most of those loans they did well beyond dollar-for-dollar.

So, you know, if the bank is willing to put in more to make the deal work, that makes me all that much happier.

MR. GUNNING: And I guess that's really the basis of my question, if you're accepted in the counseling program, can't you still use the skills and relationships you have to make the program and your efforts work already?

MR. WHITE: Yes. But let me just say that we're talking about micro to macro, okay.

We did five programs in January and February in California. Okay, that's NACA. And in those five programs, we had maybe 150,000 people, okay.

We're not scheduled to be back to California. We're in Atlanta, Georgia, today. We'll be in Florida. We'll be in Ohio. So we're not scheduled to be back in California to do this for maybe another 15 or 16 months, okay.

So we can do it from the local offices and from our -- but what we need, is a major presence inside of California to be able to carry out, so that we can see 20,000 people a day or 30,000 people a day. And that is what we're really saying.

So we would like to expand this, and our proposal would be to expand this so that we could make a major impact; so that we could go into Fresno and make an impact, so that we could come into Sacramento and make an impact, go into Bakersfield and make an impact, go into San Diego County -- San Diego and make an impact.

Right now, we can make that impact, but we can only make it from a local level, okay, which is LA and San Francisco.

And so what we think is, that's pretty small to meet the goals that we have, okay. Even though we got another extension, we want to meet the goals in a much bigger way. And we think that working with NID, working with the Urban League, that we could approach that and accelerate the scope.

MS. RICHARDSON: I would just like to say that we do reach out to our counseling partners whenever there are events happening throughout the state, and ask them to participate on behalf of *Keep Your Home California*.

Our goal is to have those counselors actually represent us at these events. And we’re seeing an increasing amount of success in doing that.

And we’re really excited about NACA coming on board and NID. NID also has a great reputation.

Carolyn can tell you, they’ve participated in events for us.

You know, NACA did apply for the innovation fund when we put that RFP out. What they asked for at that time, was funds to fund their Save the Dream program. And it wasn’t accepted because it was something that they were already doing across the country and not particularly viewed as innovative.

That doesn’t mean we don’t think they’re fabulous events and really helpful to homeowners, but that wasn’t what the innovation fund was particularly created for.

MR. QUANN: And I’d like to say briefly, the answer to Mr. Gunning’s question, from my vantage point, is no, because the counselor plays a narrow role in this program. We basically identify customers who potentially are eligible for the four programs that exist, and turn that over to a clearinghouse that deals with that client further.

And so our role, as it stands now as a housing counseling agency, is very narrow. And we don't have any interaction with the servicer on behalf of that client, and we don't see the client again.

But normally, when we work with clients, we see them soup-to-nuts, and work with the servicer. And so our role in being admitted into the program is very narrow.

And so, you know, it's been a passage of time since you put out the innovation program, because when you applied for the money, you made the assumption that you would have these fabulous relationships with servicers; and that turned out not to be the case. And so we're at a different day today. And so what we would propose would be innovative, not based on what was proposed ten, 12 months ago.

ACTING CHAIR CAREY: Other questions or comments?

Ms. Cappio, do you want to --

MS. CAPPIO: Yes, I just want to welcome you again. And it's a good place to be with you as we continue to help as many homeowners as we can; and that

I would be glad to meet with you further about your ideas.

It’s much different than what was explained yesterday. So I’m thinking this is an evolutionary kind of discussion, and we can continue the discussion. And I look forward to it.

Thank you very much.

MR. WHITE: Thank you very much.

MS. THOMAS: Thank you so much.

MR. QUANN: Thank you.

ACTING CHAIR CAREY: And that was exactly 15 minutes. Thank you. I appreciate it.

MR. WHITE: All right. That’s our efficiency.

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Item 4. Report of the Chair of the Audit Committee

ACTING CHAIR CAREY: I jumped the agenda a little bit here. We’re going to circle back before we move on to KYHC, if that’s okay, to the report from the Audit Committee.

And Mr. Smith, as chair.

MR. SMITH: Thank you, Chairman.

First of all, I’d like to just welcome Michael Stephens at CliftonLarsonAllen.

As you all know, we had an RFP that went out to select a new auditing team, and they’re the team that was selected. So they've provided us with an audit.

And I don't know if you're going to provide any presentation today or just that?

What's the will of the -- do you want us to summarize what happened in the Audit Committee?

MS. CAPPIO: Yes.

MR. SMITH: Okay, I think the important part would be, one, that the staff is doing a great job. There is really nothing of any significance that came out of the audit in terms of the way the staff handles these issues.

There is one matter that deals with just an acknowledgment, and I guess a recording of a $68.6 million deficiency from prior years that we all knew about, but for different accounting reasons, had not reported it. And so we decided this time around, it was important to report it. And that actually ends up giving us a positive financial statement.

So that was probably the main part of the results from the audit.

The other issue is, it's a going-concern opinion, and the concern is that, obviously, that we don't have enough money to pay for claims. But I think because it's something we've been talking about for quite a while, I think we all know that there is more than enough revenue to keep the fund going; it's just not going to have any revenue to pay for claims.

So I was going to ask Steve, if he is still around somewhere, to maybe just summarize what that means for us.

Is Steve around?

MS. CAPPIO: No.

MR. WARREN: He just stepped out for a few minutes.

MR. SMITH: Perfect timing.

ACTING CHAIR CAREY: Because I played a trick with him on the agenda.

MR. SMITH: Anyway, if somebody could go and get him while I continue with this.

But I think it's important -- and I wanted Steve to kind of give you a little bit of an overview, only because, you know, if you read the audit, you're left with the thought that this thing is going to come to an end because of the way that it's funded. But, actually, there is more than enough money from the premiums that are coming in. And it's one of these things, this is a picture in time, and we don't know what the future holds. If the market turns around, as good as we think it might be, you know, things might get a lot better. But I'll let Steve comment on that part.

But I think the most important part is for Steve to kind of put this into perspective from a historical standpoint, in terms of what this going-concern opinion means.

So, Steve, thanks for joining us.

MR. SPEARS: Yes.

ACTING CHAIR CAREY: Sorry about that, Steve.

MR. SPEARS: I apologize for stepping out.

MR. SMITH: No, no problem.

MR. SPEARS: The fund, as you know, is set up for a specific purpose. And when we talk about a "going concern," in accounting-speak, that means that it's not a going concern. So we're not talking about the Agency; we're talking about the fact that this fund cannot accomplish the purpose for which it was originally established, and that is to pay all claims, and theoretically, hopefully, come out with zero at the end of the game.

Losses to the M.I. fund and its operations are paid from premiums that come in, from policies.

We still have many policies in force that we are collecting from every month. But what this means -- and we've talked about this before -- is that by our calculations, using the estimates that have been provided by Milliman, our outside actuaries, losses that they project mathematically exceed the premiums that will come in and the cash that we have on hand, which is not much at this point.

So what happens in the accounting world is that once you say, "This is not a going concern, this fund is going to wind up short," then the intellectual mind says, "Well, by how much?"

So what has been gone back and adjusted is that amount of money that they think the actuaries -- is that amount of money that we will be short in this fund at the end game, whatever that is.

The difficulty is that that number last year is one number that they recalculate. This year, they have a different view, we had a different experience over the last year, the economy improves. If magically tomorrow the economy got fabulously better, and no one from here on out went delinquent on their loans, this number would drop to a very, very, very small number.

So what we have done, when we knew that there would not be enough money in the fund to pay all claims, then we shifted and said, "Well, claims from now on will be determined on a first-in, first-out basis. We'll get premiums coming in the door. We're allowed to pay our expenses. We have minimized the number of staff that are left. I think there are only two or three, at most --

two, at most. So we've minimized our expenses. And whatever is left over goes to pay claims.

And I think Lori said in the earlier testimony, that's about $300,000 a month, the net amount?

It's about $300,000 a month. As you can see, that's one or two claims.

So that will continue on until the last policy is expired or goes away and the last amount of premium has come in and the last possibility.

And then you'll wind up with an actual number that we were short. And so as you get closer and closer to that day, that number that's being proposed, that went from sixty-eight for the prior year, to forty-five for this year, will get more and more and more accurate.

And so that's about all I know about that. I think Forrest Gump said that in the movie.

MR. SMITH: Well, I appreciate it. I think that puts it in perspective, so that was very helpful. We thank you for your comments.

MR. SPEARS: Does anybody have any questions?

(No response)

MR. SPEARS: Okay, thanks.

MR. SMITH: Thanks.

That's the end of my report.

ACTING CHAIR CAREY: Thank you, Mr. Smith.

Any questions for the Committee?

(No response)

ACTING CHAIR CAREY: Thanks to the Committee for that.

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Item 5. *Keep Your Home California* Update

ACTING CHAIR CAREY: We will now move on with *Keep Your Home California*.

Ms. Richardson?

MS. RICHARDSON: Mr. Chair, Members, I have a very brief update in your packet. There's been lots and lots and lots of things going on with the program.

We did complete a mailer with EDD a couple of weeks ago, where they included one of our flyers that was sent out to over a million current recipients of unemployment benefits.

And I can tell you that our phones nearly exploded. We're still in the process of working through those.

We actually, in order to handle that increased call volume, switched our process out a little bit. Normally, when somebody calls, we offer them a counseling session right at that moment. We call it "Just-in-Time counseling." And as long as everybody that's on the note is available, they're eligible to be transferred to a counselor. But because of this increased volume, we switched to a scheduled counseling process which, thank God, I think that sort of saved us.

And we also worked with our counseling agency partners, and sent them a number of calls, so that they could handle the counseling for us.

So just a slight update to what's in your report: We currently have reserved over $481 million for over 21,000 borrowers. Over 16,000 of those are UMA borrowers. 979 of them for $46 million are PRPs. About 4,200 for $86 million are for the MRAP program. And I think I have about 91 TAP borrowers.

So we think that our numbers are going to increase substantially in the next couple months.
We did have some changes that were -- we negotiated some changes to the program with Treasury.

We increased the dollar amount for our MRAP program, which is our mortgage reinstatement program, to $25,000 from $20,000. We did some analysis -- we're constantly looking to sort of find that sweet spot and figure out who is in and who is out and how many people we're leaving behind. And so we figured we could pick up another slice of the pie by increasing that number to twenty-five. That change went into effect last Monday.

We also made some very significant changes to our principal-reduction program. As you know, we currently require lenders to provide a dollar-for-dollar match. For every dollar we provide, they are required to provide a dollar. All of that goes to reduce the principal of the borrower.

We have seen a hesitancy from servicers to do that, partially because they can't do it for their entire portfolio; especially if it's an investor-owned loan, they don't have the ability to do that.

We also saw the federal government make some significant changes to the HAMP program recently, where they tripled the incentives that they're offering to servicers for doing principal reductions. And then the Attorney General's settlement came out, under which servicers will be required to reduce principal or suffer significant penalties.

So when the Attorney General's settlement -- after the Attorney General's settlement was announced, I had a conversation with several of the servicers. And they told me, quite frankly, that they were going to just sort of move our stuff to the back shelf because they needed to focus on complying with the Attorney General's settlement. And understandably, that's where their focus was.

So we took a look at it. And we knew that, you know, the loans that we were talking about having them modify, were the loans within their own portfolio, which is a very small slice of the pie, those are the same loans that are eligible for HAMP modifications, and those are the same loans that they're going to be modifying under the Attorney General's settlement.

So we knew that we needed to figure out a way to get into that bigger pool -- you know, those investor-owned loans, to try to come up with something that would work for those borrowers.

We know there are a significant number of distressed borrowers that have GSE loans or, you know, other investor-owned loans that have no options for modifications available to them.

So we wanted to try to level the playing field a little bit by eliminating objections from servicers. So we convinced Treasury to allow us to eliminate the match requirement. That's not to say that they can't put in a match; and in some cases, there still will be servicer money required in order to modify the loan to get it down to where we need to go. And I'll explain that in a moment.

So there is no servicer match requirement. And one of the things that, frankly, the GSEs told us was a big barrier for them was, their accounting system couldn't handle accepting the money over in three-year periods. So we're going to pay all the money up-front, and sort of eliminate that barrier.

We do think that these changes are consistent with the current guidance from Fannie and Freddie. And they have said as much in the media. And we're continuing to work with them. They just want to understand the process.

So, again, I think that this is going to sort of open that program up to a much broader range of borrowers.

So in exchange for our up to $100,000, we're requiring, at a minimum, that the bank modify the loan: either modify the rate and/or the term. So that's one of the things that we'll be leveraging.

And if we just put in money and they didn't make a modification, that doesn't really result in a payment change for the borrower; it's just a curtailment. So we actually want to see an adjustment to the loan, to the payment, and so that it's sustainable.

We're asking that they try to get it down as close to 31 percent DTI as possible. We're asking that they bring the LTV down to 120. For a hundred thousand dollars, we want to know that that's not a loan that's going to fail quickly.

So we are having a meeting with the Big 5 next week, to sort of go through our process flows.

We're planning to have our processes in place for this in January, and plan to see the number of servicers that participate will start to increase. You know, if a lender can take our money and go down to 31 percent DTI, we'll go down to as low as 105 LTV. That is consistent with the Attorney General's settlement.

Again, we were looking at all of the other things that were available out there, and trying to match them up as much as possible.

So I'll stop there and answer any questions.

ACTING CHAIR CAREY: Questions? Comments?

MR. WARREN: Just one, Mr. Chairman.

ACTING CHAIR CAREY: Yes.

MR. WARREN: Di, you mentioned that the payment now would be, I think you said, immediate or up-front.

Is there a timing issue here between the time modification is completed and the payment of the lump-sum principal curtailment, to make sure the modification is done? Is there some sort of validation?

MS. RICHARDSON: They have to complete -- if there's a trial payment, they have to complete the trial payment before we put the money in.

MR. WARREN: That was the question. Yes, okay, good.

MR. GUNNING: Mr. Chairman?

ACTING CHAIR CAREY: Yes.

MR. GUNNING: So right now, the numbers are $411 million committed, 19,000 borrowers.

With the changes, Di, do you expect to see dramatic increases in that? Or what do you think the pacing will be?

MS. RICHARDSON: Yes, I do. I think that with these changes, obviously, we will do -- the money that we currently have allocated for PRP, obviously, it will serve fewer because we're doubling the amount.

MR. GUNNING: Right.

MS. RICHARDSON: And I should say that the reason we really fought to get up to that hundred thousand dollars is, we always knew that you had to bring it down at least a hundred thousand to move the needle. And in California, under the HAMP, the average PRA right now is one hundred six.

So we knew that fifty just wasn't going to do it. So we'll serve fewer borrowers. We're thinking we're going to serve about 9,000 people under the PRP program. But, you know, if that money flies out the door and Treasury has been very good to us, going back and sort of reallocating funds among various programs where they're needed.

There's a little bit of money for the unemployment program that cannot be moved; but otherwise, we'll rejigger it. And our goal is simply to help as many people as we can, as quickly as we can.

ACTING CHAIR CAREY: Other questions? Comments?

(No response)

ACTING CHAIR CAREY: That sounds good. Progress.

MS. RICHARDSON: Thanks.

ACTING CHAIR CAREY: Thank you, Di.

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Item 6. Discussion regarding IT solutions for Board materials and video-conference settings for Board meetings

ACTING CHAIR CAREY: Moving on, I.T. solutions for Board materials.

Liane?

MS. MORGAN: Good morning.

Did you want to take it?

MS. CAPPIO: Go for it.

MS. MORGAN: So this is kind of more the fun part.

I'm Liane Morgan. I'm the acting CIO. This is kind of more the fun part of the Board meetings.

I.T. is exploring a couple different ways to use I.T. technology to make Board meetings more efficient.

And the first one we're looking at is actually, instead of copying and mailing out paper packets of the Board meetings, or of the packages, is to actually encourage everyone to accept them by e-mail, or downloading from the Web site. And we are suggesting something similar to an iPad or tablet.

And so we're suggesting that perhaps if you are amenable to this, that we could provide the Board members, during their tenure, with an iPad. And then we would just either e-mail them or you could download from the Web site and have the Board package available to you in a nice, easy-to-read fashion. It's very portable.

MR. GUNNING: Aye.

MS. MORGAN: If you already have an iPad --

ACTING CHAIR CAREY: Michael just wants an iPad, I'm sorry.

That was very transparent, Michael.

MS. MORGAN: If you already have one, we could actually work with you, and show you. There's no additional security. These are public documents. And so if you have your own device already, we could work with you to show you how you can do this already.

And so it is -- you'd receive the PDF. You can open it in iBooks. You can bookmark pages. You can go into your notes portion and do notes.

MR. WARREN: We have a demonstration.

MS. MORGAN: Okay, there you go.

MR. REYES: Highlight it.

MS. MORGAN: So it's pretty handy.

We were just kind of trying to gauge interest in whether you would be amenable to this.

MS. OWEN: Absolutely.

ACTING CHAIR CAREY: I spoke with someone from another organization this morning who has just done that, they've just made that move, their board. And I haven't talked to any board members yet, but from the staff's point of view, the savings, they figured they recovered half the cost of the iPads with one meeting.

MS. CAPPIO: Yes, and the mailing.

ACTING CHAIR CAREY: In one meeting, yes.

Ken?

MR. ALEX: So Pedro and I, on the State Mandates Commission, they've instituted this process. And it's worked very well.

MS. CAPPIO: Great. All right.

MR. REYES: We've also done it at CalSTRS. I have 1,400 pages of CalSTRS information here. There's about 800 --

MS. CAPPIO: How big is the font?

MR. REYES: -- 800 pages of Commission on State Mandates. The State Allocation Board is here.

And, in fact, this meeting is here right now because I just went to the Web site.

There's only two issues that I just want to caution: One, is the closed-session stuff. We would have to get a separate e-mail on that.

MS. CAPPIO: That will be by paper.

MR. REYES: Yes, so you do know that.

The second issue is that there's this iPad is mine, and I have cellular data on it. So I pay a fee of, like, 25 bucks or 30 bucks for two gigabytes. You can get one gigabyte, or you can get it without cellular data, which is the one my wife has. No comments on that.

MS. OWEN: Oh, darn.

MR. REYES: And the Administration has gone to lengths to drop cell phones and BlackBerries that are not necessary. So a caution about providing with cellular.

We would be -- I don't have a vote, so I'm just cautioning.

And frankly, I'm getting WiFi right now through the Holiday Inn, and you can get WiFi at the Capitol, you can get WiFi at other places.

But one of the reasons why I have this with my own cellular, is that I do travel a lot, and some of the hotels do charge a lot. They charge 10 bucks, 15 bucks, up to 25 bucks in one place, one resort. So you need to balance that out if people have WiFi at home or in the office, then it’s very easy to do.

And then my recommendation, even though for some folks it would be a step backwards, is not to provide the cellular service, just because that’s the way the Administration has been, and not provide additional phone lines. But how you recommend it.

My predecessor used to come in on the weekend to read, so they don’t have to carry binders, and I’d carry all my binders *(holding iPad up)*. So, it’s very easy.

And then one thing I would suggest that the Board -- if CalHFA does pay for it, is a GoodReader. It is one of the applications that makes life very easy. You can highlight. You can do notes on the side, which is what this green is. It allows you to read a PDF and do edits on the side. So I highly recommend it. It’s like $1.99 or something.

MS. MORGAN: It’s $3.99.

MR. REYES: Okay, I got it when it was free

MS. OWEN: Wait a minute. For GoodReader.

MR. REYES: For the GoodReader.

MS. OWEN: And it's fabulous. I use it all the time.

MR. REYES: Yes, I got it when it was still free, and my wife picked it up for 99¢. And I don't know what it is now.

MS. OWEN: For the record, I'm the one with cellular and my husband's isn't.

I just want to be fair.

MR. REYES: That's fair, that's fair.

She does have the iPhone, though.

MS. OWEN: Yes.

MS. MORGAN: And if you do have an iPhone, you can also pay, I think, $10 a month more for a hot spot, and you can use your iPhone then as a WiFi.

MS. OWEN: Correct.

MS. CAPPIO: Okay, thanks.

ACTING CHAIR CAREY: Any resistance?

MS. CAPPIO: And it's by choice, so you can still receive the paper packet.

MR. SMITH: Let's do it.

MS. CAPPIO: Okay, we will proceed.

MS. MORGAN: And the other idea I think we're throwing around is remote Board meetings. And essentially, understanding that people are coming up from Southern California, up to Northern California, and those in Northern California do travel down to Southern California. There's three board meetings in each area, each year. And we were tossing around the idea of perhaps doing it where we would hold our Board meeting in Sacramento at a location that actually has video-conferencing. And for those then in Southern California that couldn't or didn't have the time to travel, could go to a central location, like our Culver City office, and it would still be open to the public in a regular meeting spot. But they would go there, and could video-conference into our Northern California board meeting.

MS. OWEN: Have we cost that out yet? I'll just tell you from my perspective, I'm trying to do the same thing in my department, and I'm having a difficult time getting a good cost, other than, then once I get it, then also allowing it for other people to be able to use it -- rent it out.

MS. MORGAN: Right. So we did, we did some studies. And to actually purchase mobile, you know, video equipment was overwhelming.

MS. OWEN: Right.

MS. MORGAN: So that's why we were going to perhaps have a meeting here at a location that already is equipped with video-conferencing. And since we have video-conferencing in our offices, in both 500 Capitol and Culver City, if you could find someone compatible, then it would be much more cost-effective.

MS. OWEN: Because you already have video-conferencing?

MS. MORGAN: Correct.

MS. OWEN: Okay.

MS. MORGAN: But really, before we actually get into that, we were just wondering if there was any interest in that or whether you like getting away for the day or for the night and traveling.

MR. REYES: Mr. Chair?

ACTING CHAIR CAREY: Yes.

MR. REYES: Again, back to the travel issue. I know that Mr. Alex and I have not participated in many of the Burbank because of the travel constraints. And since we don’t vote, it’s sort of hard to justify to the taxpayer to incur an expense to go and, in Mr. Alex’s case, to look pretty, and for me, to just ask questions.

And so I think that, at a minimum, I would like the Board to consider, perhaps, if not video, telephone call-ins. I do participate in several call-ins with the conservancy -- the Tahoe Conservancy, the San Diego River

Conservancy, Baldwin Hills Conservancy, Coachella, and so on and so forth. So there are a lot of conservancies in which I do participate via phone. And it's the same issue: You just getting a public setup and do the roll call, and the same issues that you raised here. It's not video-conferencing, so you do miss that body language that you get to have when you're sitting here, and people can go, "Yes," and people know what you're talking about. But perhaps it would be a cheaper way of going.

And finally, I'd like to point out that the auditorium at CalSTRS does have video-conferencing. And I've participated in video-conferencing with professors on the East Coast.

MS. MORGAN: Yes, we are aware of that.

ACTING CHAIR CAREY: Any comments or thoughts?

(No response)

ACTING CHAIR CAREY: My one concern is, from the public point of view -- we don't have a lot of public, but I think it is important that there is a feel of connectedness. I think from the conference-phone point of view, that would be difficult. But I think it is important for the public who do or want to attend. In some ways, it would make it easier because the public could attend at either location for any meeting we had. But I just think it's important that we be as transparent and open as we possibly can be.

MR. WARREN: Mr. Chairman, I think in my time with the Agency, there were a number of occasions in which we did teleconferencing, most notably after 9/11.

But I think the public was a problem. I think, we had a Los Angeles event. The Board meeting in Sacramento, the public wanted to come. And quite honestly, the interaction with staff just in Los Angeles, with the public coming in, it was not as well-organized as one would think.

But that said, I agree with Mr. Reyes. I think we should look at cost savings where we can, when it's an inconvenience for some to attend. But I support it. I think the video-conferencing would be a good idea.

But, you know, I do enjoy meeting with the Board and I do enjoy seeing staff. So I acknowledge there may be somewhat of an incremental loss because of that. But let's balance that and see if that makes sense.

ACTING CHAIR CAREY: As someone who travels to every meeting -- could I ask a slightly related question?

Is there a chance that the minutes could be available sooner?

MS. CAPPIO: I believe so.

ACTING CHAIR CAREY: The only reason that I mention that is, I've heard a couple of comments from folks who --

MS. OJIMA: Cost.

ACTING CHAIR CAREY: -- had read the minutes -- well, before the next meeting.

I don't know how soon they're up on the Web site. But for a Board member who doesn't attend the meeting, getting the minutes sooner allows them to catch up on what took place at that Board meeting.

MR. GUNNING: Maybe they could be delivered with the iPad.

MS. CAPPIO: Yes, JoJo, how long is it between the time of the meeting and when they're ready?

MS. OJIMA: 21 days.

MS. CAPPIO: So we could?

ACTING CHAIR CAREY: Yes. I just think it would be helpful for those who missed a meeting.

MR. SHINE: Why does it take 21 days to type this up?

MS. OJIMA: Well, we could have it within seven days for a fee.

MR. WARREN: A higher fee.

MS. CAPPIO: But we certainly could have it to you earlier than the Board packet.

ACTING CHAIR CAREY: Yes, that's my point.

MR. REYES: I think that would be helpful.

MR. SHINE: Linn and I fought over this many years ago.

MR. WARREN: Yes, we did. I believe I lost, Mr. Shine.

MR. SHINE: And got -- I believe we got it a week out.

MR. WARREN: We did.

MR. SHINE: But I want to tell you, there is nothing as satisfying as having the time that you need to read the transcript and digest it, maybe make a few calls up here and talk to a few people, if you feel it's important.

And to have it come out two, three, four days before the meeting, from my point of view, it's not as good as having it with more time to really digest it.

These minutes -- if you read these, and you read them a couple times, there's a lot of stuff in here. And I don't know about you all, but sometimes all these points aren't made in my head that I can remember what was said and what wasn't said.

So anything you can do to speed it up would be great from my point of view.

MS. CAPPIO: We'll do. I think it's a great suggestion.

And if there is no other concern about the video, I think we'll go ahead and at least do a pilot, and see how it works, and get feedback after that meeting. So we'll work on that.

MR. REYES: And look at the cost, too.

MS. CAPPIO: Exactly, exactly.

MR. REYES: My understanding of the video-conferencing, it can get pretty pricey, pretty quickly.

MS. CAPPIO: Yes, I guess we're thinking there is something between the free stuff and the expensive stuff. But I'm on a few board of directors, and we do do that.

MR. REYES: Great. Thank you.

ACTING CHAIR CAREY: Good. Thank you very much.

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Item 7. Discussion, recommendation, and possible action regarding the adoption of a resolution approving the Agency's Strategic Business Plan for Fiscal Year 2012/2013 (Resolution 12-07)

ACTING CHAIR CAREY: Next up, discussion and recommendation of possible action for adoption of the Agency's strategic plan business plan for 2012-2013.

Ms. Cappio?

MS. CAPPIO: Thank you. I'm in my role as

Executive Director.

Before you, is the Agency's draft strategic business plan for the next year. I think this represents a little departure in format after the senior staff work with Notre Dame College of Business earlier this year.

We felt it very important to identify key strategies, specific action items, due dates by which those items would be accomplished, and then obviously, who is tagged with that leadership responsibility.

We have kept the key strategies down to a very key number because of -- I think we're rolling out of the survival mode in this organization and on to, "Let's lend again, and let's get ourselves as well positioned as possible to lend again."

So without going into the plan, I want -- it's important for me -- the brevity is important for me because it's very portable, particularly on your new iPads.

You should hold these -- hold us to dates, and we will be updating this plan throughout the year, to make sure that if there are differences in the timing or accomplishment of the action items, that we can update it easily for you with your packets.

I will be glad to go into any questions and concerns you have; but I think I join the senior staff in being excited about the year ahead, barring any unforeseen circumstances -- sovereign debt or whatever. But we are rolling; and I think we have some good clarity about where we need to go.

ACTING CHAIR CAREY: Questions? Comments? Thoughts?

MR. WARREN: Mr. Chairman?

ACTING CHAIR CAREY: Yes, sir.

MR. WARREN: Claudia, there is a comment, I think it's in your policy recommendations as page 123. Number one, there's a -- in your policy priority, there appears to be a comment that we're relying more on fees from financings versus yield spread.

Obviously, the Agency has benefited very well from getting yield over the years.

Maybe comment on that just a little bit as far as an income model -- which is a departure from what's been done in the past on fees versus yield. Maybe a little bit as to why we think we're headed that way, or why that's important.

MS. CAPPIO: We're headed that way, just looking in our crystal balls, about the way that I think the bond markets and capital markets, in general, are working right now. There is a tremendous amount of volatility and uncertainty. And I'm just thinking, we have to look at different options in order to sustain ourselves.

We have the income from years past, but we're not nearly issuing the number of bonds that we once did. And we are slowly trying to figure out a consistent income stream that will work.

Does that --

MR. WARREN: It does.

I guess my concern would be, we're in an interest-rate environment in which I would consider a little bit abnormal. And I think things change in the history of the Agency, yields have gone up and down. So it is a sustainable source of income for the Agency; and I would be concerned that if the Agency wandered away from that, and not kept that in its back pocket as a way to make income and focused solely on fee income, I think, there is a different way to approach that, I would comment to Washington state, which has been doing that for quite some time, successful but not as wealthy as the agency was at one time.

Just more of -- I agree with the comment, the time is right for that; but just to be able to look at that in the future and not preclude it.

MS. CAPPIO: Well, the point is well-taken. And I guess I'm of the mind that the tax-exempt bonds, although we don’t know what will happen in Washington with tax reform, but that remains a big tool that we’re very good at. And I would hope that we could continue that.

It’s just that that has shrunk in the last couple years, and we are constrained, obviously, by our current liquidity -- or lack thereof.

MR. WARREN: Lack thereof, yes.

ACTING CHAIR CAREY: Okay, on Item 3, on Attachment 1, it appears a commitment up to a million dollars for renovation of projects.

Could you explain that a little bit? Is that --

MS. CAPPIO: Yes. Maybe I can ask Margaret to come up.

ACTING CHAIR CAREY: Sure.

MS. CAPPIO: We were looking at that as a further source of revenue in order to accomplish renovation projects.

MS. ALVAREZ: The Section 8 projects, as you may recall, generate -- they’re limited on their distribution what the owners can earn. So the excess funds come back to the Agency in the form of what’s called “earned surplus.” And to date, we have about $53 million in our earned-surplus account for lending purposes. But they're very restricted. The funds are very restricted.

So in the past, we've let our Section 8 owners know that we have these funds; and that if they want -- if they need rehab loans up to about a million dollars, we've loaned that out at a very low interest rate just to help projects that don't have a lot of reserves for replacement and need some physical-needs work done, that we've allowed them to use those funds, made loans that were either deferred or that were paid back at a low interest rate.

And I would say over the last two or three years, since the Agency hasn't done its first lending program, I think the world has just assumed we aren't doing any lending.

So one of the things I wanted to do with my staff this year, was to revisit that with our property owners, and let them know that we did have those funds available. And that if they aren't going to go through the FHA risk-share program and redo their entire properties, that we did have these funds available for smaller projects.

ACTING CHAIR CAREY: Great.

Thank you very much.

MR. SHINE: Excuse me. Is that money that's going to become like a second on the property, wrapped around, or above the first?

MS. ALVAREZ: It's just a second --

MR. SHINE: Or is it going to be a new, complete loan?

MS. ALVAREZ: Yes, it's just a new loan. It's a second loan. In most cases, it's a second loan.

MR. SHINE: So the original loan will still be in place, and you'll be layering on top of it --

MS. ALVAREZ: Right.

MR. SHINE: -- on the short-term, until they come to the end of their contract?

MS. ALVAREZ: We've loaned that money in a way that people -- it's amortized and the projects are paying it back now, along with their first loan. And in other cases where the money is just really tight but they've needed some work done on the property, we've made it a deferred loan at the end -- due at the end.

ACTING CHAIR CAREY: Mr. Gunning?

MR. GUNNING: Claudia, Item No. 7, integrate HCD and CalHFA functions. It seems like quite a few of these deadlines are within a month.

Can you just talk about where you are on that and what's the process? I mean, it seems like it's completed by the end of July.

MS. CAPPIO: It's the end of July in a year.

ACTING CHAIR CAREY: Next year.

MS. CAPPIO: 7/13. So this is a process that I guess if any of these strategic priorities is probably going to give us some surprises, we are in the midst of the Little Hoover Commission recommendations. Those hearings were held. And now, the Legislature has the Governor's proposal on reorganization. And they will be holding hearings and reviewing that proposal. And then we will be responding at some point to the results of that review and whether the Little Hoover Commission report is either accepted or rejected. And it either -- it has to be done as a whole.

So the Director of HCD and I are in the midst of looking at how that has to happen on the ground. And we've looked at key functions in both of our organizations that have the most success at this point, the most initial success of working. And we are currently in the midst of forming work groups; and from those work groups, recommendations will be forthcoming. And then we'll see how we can implement them in the next year or so.

So we are on target with regard to the formation of the working groups, and from both agencies, with area expertise. And then we will be waiting for those recommendations and see where we can go from there.

And, Linn, you're --

MR. WARREN: I think Claudia said it very well. And just so you know, we've been working on this really, I think, since February. And, actually, some work was done before, earlier.

I think we have a general sense of what this will look like. The work groups need to flesh this out. We may still get some additional direction from administration on this, Michael. But I think we're headed in the right place.

Claudia is correct, in that we've picked out really three or four areas where we think are the best overlays, the most impactive.

I think it's also important to note that in the bill language, you know, this Board remains, continues. And CalHFA has a high level of independence on that. And that's been --

MR. GUNNING: Is there a bill number?

MR. WARREN: I forget what the budget --

MS. OWEN: It's GRP-2.

MR. WARREN: It's GRP.

MS. OWEN: That's all it says, but you can print it out.

MR. WARREN: I don't know if the bill -- if the

GRP language bill has been introduced or not. I thought it has been.

MS. OWEN: I thought it has been.

MR. WARREN: And, obviously, Ms. Owen's world is involved in this.

But anyway, Michael, the point is, there are certain components in both organizations that will continue as independent because it just has to be that way. And I think the finance side of CalHFA is a very good example of that. And there's equivalent areas in HCD that are the same way. So we're going to figure our way, and that's just going to happen over the summer.

MR. GUNNING: Which committee is it? Is it sub 2 or 1?

MS. OWEN: It depends. This hearing -- yes, Little Hoover is doing their -- they're having another public meeting, I believe on the 22nd. Their report is due at the end of May.

The bill has been introduced in the Legislature. There has been a committee on the Assembly side that has been created, chaired by Assemblywoman Buchanan.

On the Senate side, there is a hearing a week from yesterday that will be chaired by Senator Wolk and Senator Wright. So G.O. and government governance in front of finance.

And that's what I know to date.

And they should be -- we should be starting to see that in the file. There should be a public notice at anytime.

And that's subject to change, please.

ACTING CHAIR CAREY: I guess sort of maybe the unstated question, is the role of the Board in all of this.

MS. CAPPIO: So I could let you know that the proposal outlined by the Governor leaves the Board intact as the governing entity for CalHFA. So your role at this point would not change. We would still be reporting to the Board. It remains intact.

And we are basically left -- HCD and CalHFA are left independent, particularly financially firewalled. It's a matter of, I think, finding ways that are constructive and productive, and give the folks in this state better delivery of housing services. That's what we're trying to figure out.

MR. SMITH: I think the question is, will this Board have any role in making recommendations or suggestions in terms of how that all plays out?

MS. CAPPIO: Certainly, I think there is the discretion for you to do so. And I could pull that together for the July meeting. If you chose to participate, we could then introduce that or submit those to the Governor’s office.

MR. GUNNING: Well, is that of interest? I mean, all these committees I’m in daily. I mean, if you need our help, I guess that’s what you’re saying, right?

MR. SMITH: Yes, I think, obviously, we’re the Board. So to some degree, we should have some say -- with some understanding of what the options are, and then seeing how we could participate in giving advice on it.

MS. CAPPIO: Sure. I could say that at this point, perhaps if you wanted to view the Governor’s proposal, we could send that on to you, at least as it pertains to CalHFA and HCD. It’s very lengthy. It involves a lot of departments. We could send that along.

And then at this point, we could certainly allow you to review and to comment on the work that comes out of the working groups.

I have made the assumption -- and I apologize -- that we are still left essentially intact as an agency. And in that regard, I didn’t -- but there’s always room for improvement. So I will gladly -- you can enter the fray.

MR. SMITH: Yes, I guess the concern would be, as a board, there may be changes that get made in terms of what we do or don’t do. And I think it would be helpful for us to at least be part of the process, so we know if we -- obviously, the Administration is going to take a position and the Legislature is going to take a position, and we may be able to be helpful in terms of getting to where we need to get to, other than waking up one morning, and we find out we’re still the Board, but we’re totally different than what we came in with. So that’s…

MS. CAPPIO: Yes, I will certainly keep you posted with those updates.

Right now, there is no change to your role or to the fact that you’re going to be in a governing position with CalHFA. But certainly, as you said, things could change. And I would be glad to pull you into the loop.

MR. WARREN: Right. And, Ruben, just to reiterate what Claudia said, we are of the same mind that the independence of this board and its functions, we don’t see changes. And all of our work groups and assumptions and the collaboration we’re working on are based on that assumption of the Board going forward with exactly the role it’s had in the past. But I think that is something we arrived at early on in our work.

So certainly from HCD’s perspective and as a member of this board, I don't see any particularly change. Things could go in a different direction, but I'm just saying that that's our presumption going forward.

MR. SMITH: And I see this as an opportunity for some positive things.

MS. CAPPIO: Yes.

MR. WARREN: Yes, of course.

MR. SMITH: But I guess one question is, do you see this board taking -- or this entity taking on more responsibilities -- or some responsibilities that HCD has, that may be more appropriate over here because of the way it's structured? Or maybe not, I don't know. That's the question.

MR. WARREN: I think it's too soon to work that through, but I think that's part of the discussion.

MR. SMITH: Right.

ACTING CHAIR CAREY: Mr. Alex?

MR. ALEX: Thank you, Mr. Chair.

Just to make sure everybody understands the process, the restructuring is part of a larger-scale restructuring that involves many agencies and many boards.

And the upshot of it is that the Legislature has either an up or down vote on the entire package. So the specific comments in relationship to any changes or non-changes to this particular board have to be seen in this larger context.

So I just want to make sure that everybody understands that there is not going to be a lot of tinkering with, you know, pieces of this; that it's going to be an up-or-down vote -- or no vote, actually. It goes into effect at a certain point if there is no vote.

MR. WARREN: Right.

MS. OWEN: By either house.

MR. ALEX: By either house, that's right.

MR. GUNNING: And we're in the time frame now.

MR. ALEX: Correct.

MR. GUNNING: And they've still got 45 days, and this is done.

MR. ALEX: Correct.

ACTING CHAIR CAREY: But I think one of the things that's interesting about this board, is the inclusion of outside board members and inside board members. And the degree of information is clearly divided along that line.

And I think that the outside board members are not included in the same information flow that naturally folks on the inside have. And I think it would be very good to broaden that.

MS. CAPPIO: And I will be glad to do that.

MR. SMITH: On our iPads.

ACTING CHAIR CAREY: Or video.

MS. CAPPIO: As we said, the Governor’s proposal is over, what, 700 pages.

MS. OWEN: Right. And I think for myself, I’d be more than glad to answer any questions that you may have; and just being part of the process, I know the rest of us would also commit to that. So if we have a working group or anything, we’d be more than glad to be helpful.

MS. CAPPIO: Right. And given, as Michael said, given the time-line of the Little Hoover Commission, I’ll get that information out immediately. And if you have any comments, please share them. So I would be glad to do that.

ACTING CHAIR CAREY: That’s great.

Mr. Gunning?

MR. GUNNING: One last question, Mr. Chairman.

ACTING CHAIR CAREY: Go ahead.

MR. GUNNING: Jan, GPP-2, did you say?

MS. OWEN: GRP.

MR. GUNNING: What is that?

MS. OWEN: Governor -- Government Reorganization Plan.

MS. CAPPIO: Governor Reorganization Proposal.

MS. OWEN: “Proposal,” “Plan,” “Program.”

MR. GUNNING: We learn something every day. A new acronym. I love it. Okay.

MS. OWEN: In your shop, just ask them to get a copy. It’s in bill form, about 350, 360 pages.

MR. WARREN: It’s 374 pages.

MS. OWEN: But who is counting?

MR. WARREN: But who’s counting? Yes.

ACTING CHAIR CAREY: Okay.

MR. GUNNING: Is there a summary?

MS. OWEN: Actually, there is a summary, Little Hoover.

ACTING CHAIR CAREY: This is an action item. And so we would entertain a motion to adopt the resolution, 12-07.

MR. GUNNING: I’ll move, Mr. Chair.

Comments?

ACTING CHAIR CAREY: Moved?

Oh, yes, thank you very much.

Well, let’s go ahead and get a second, since I did that.

MR. ALEX: I’ll second.

ACTING CHAIR CAREY: And a second.

Okay, with that, this is an action by the Board and, therefore, we would invite public comment by anybody in the public who would like to address the Board on this particular item.

(No response)

ACTING CHAIR CAREY: Seeing none, roll call.

MS. OJIMA: Thank you.

Mr. Gunning?

MR. GUNNING: Aye.

MS. OJIMA: Ms. Carroll?

MR. CARROLL: Yes.

MS. OJIMA: Mr. Shine?

MR. SHINE: Aye.

MS. OJIMA: Thank you.

Mr. Smith?

MR. SMITH: Aye.

MS. OJIMA: Ms. Owen?

Excuse me, Ms. Owen?

MR. OWEN: Yes, I'm sorry.

I'm multi-tasking. We women can do this normally. I apologize.

MS. OJIMA: Mr. Warren?

MR. WARREN: Yes.

MS. OJIMA: Mr. Carey?

ACTING CHAIR CAREY: Yes.

MS. OJIMA: Resolution 12-07 has been approved.

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Item 8. Discussion, recommendation, and possible action regarding the adoption of a resolution approving the Fiscal Year 2012/2013 CalHFA Operating Budget (Resolution 12-08)

ACTING CHAIR CAREY: Move on to the budget, the operating budget. We'll move on to the operating budget.

MR. IWATA: Hello, Chair and Board Members.

My name is Howard Iwata. I'm the director of Administration. I'd like to present to you the 2012-13 proposed budget.

First, let me provide you with a quick update on the current fiscal year 2011-2012 expenditure projection.

The approved budget for the current year is $50,092,000. And it looks like expenditures will be under budget by approximately $5 million. The reduction is mainly due to vacancies, strategic project reductions, and scrutinizing our operating expenses.

We budgeted to fill all but 15 positions in this year's budget. However, we currently have approximately 60 vacancies. We would have to spend even less, except we absorbed the furlough settlement of $4 million.

In developing the 2012-13 budget, we met with each division head to discuss what resources are needed to accomplish next year's business plan.

Part of the process was to prioritize and define new workload and redirect resources where needed. The goal is to work more efficiently, cross-train, streamline processes, and break down silos.

CalHFA has position authority for 311 permanent positions, and plans are to fill most of them.

The proposed budget for next year is $47,397,000. This will be approximately $2.7 million less than this year's budget.

For personal services, for proposed expenditures or proposed budget, the projected budget compared to this year's budget for total personal services shows an increase of $749,000. This is mainly due to filling vacancies. The salaries and wages are lower because higher salaried staff have separated. And we are replacing with hires at entry-level salaries.

Again, temporary help decreases because we are replacing temporary help separations with permanent staff.

One area that needs immediate attention is our loan-servicing area. Loan servicing currently has 17 vacancies. This is a result of temporary help staff that have left to the private sector.

When we take over the Bank of America loans, we will need to hire another 17 staff. By taking over the Bank of America loans, this will increase our workload by approximately 2,500 loans, of which approximately 26 percent of them are delinquent.

Overtime expenditures and staff benefit rates of 35 percent should be about the same as this year.

To note: The budget also includes future pension costs as a budgeted item. That’s OPEB, which is “other post-employment benefits.”

This is not dollars out of our pocket right this second, but the Government Accounting Board has us put that in the budget as a placeholder for $2,830,000.

Operating expenses and equipment for the fiscal year 2012-13 budget compared to this year’s budget for a total operating expenses and equipment shows an increase of $615,000.

General expense decreases mainly due to negotiated contract reduction for record storage.

The lack of lending has caused our mailing costs to decrease. And by scrutinizing travel, which is in state and out of state, we will be reducing costs there also.

And by scrutinizing training and consultant and professional services with general contracting, we will decrease costs.

There will be an increase in facilities operations due to free rent ending at our 500 Capitol Mall office.

And central administrative services, which is a statewide pro rata cost provided by the Department of Finance, will increase by $774,000. This is costs due, to do business with the Department of Finance, State Personnel Board, the State Treasurer's office -- basically, all the control agencies. And this is a cost, again, that's provided by the Department of Finance that we have to put in our expenditures.

We upgraded many of our systems last year, so costs should decrease in information technology that we will be maintaining what we currently have.

Equipment costs will increase due to the need for cubicle reconfiguration in the West Sacramento office.

The reimbursement from Hardest Hit-*Keep Your Home California* has gone down by $197 because start-up costs have leveled off.

Strategic project contracts have been reduced by $4.3 million due to cancellation of the homeownership loan origination project, Mortgage Flex.

So the overall decrease of $2.7 million will be in the budget for -- will be reduced from the 2011-12 budget.

So if you have any questions, I can answer any questions you may have on the budget.

ACTING CHAIR CAREY: Questions? Comments?

(No response)

ACTING CHAIR CAREY: I have to point out the irony of this era of reduced costs. That the central admin costs over which we have no control, are increasing by about 40 percent from ‘10-11 to ‘12-13. It just -- it’s a huge -- nearly a million dollars’ increase in two years.

MR. REYES: I don’t do the calculation.

ACTING CHAIR CAREY: With that, we have a resolution in front of us.

MS. OWEN: So moved.

ACTING CHAIR CAREY: We have a motion.

MR. SHINE: Second.

ACTING CHAIR CAREY: And a second.

This is an action on which we would be interested in public comment.

If there’s anyone who would like to address the Board about this issue, please indicate.

(No response)

ACTING CHAIR CAREY: Seeing none, roll call.

MS. OJIMA: Thank you.

Mr. Gunning?

MR. GUNNING: Aye.

MS. OJIMA: Ms. Carroll?

MR. CARROLL: Yes.

MS. OJIMA: Mr. Shine?

MR. SHINE: Yes.

MS. OJIMA: Mr. Smith?

MR. SMITH: Yes.

MS. OJIMA: Ms. Owen?

MR. OWEN: Yes.

MS. OJIMA: Mr. Warren?

MR. WARREN: Yes.

MS. OJIMA: Mr. Carey?

ACTING CHAIR CAREY: Yes.

MS. OJIMA: Resolution 12-08 has been approved.

ACTING CHAIR CAREY: We will press on.

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Item 9. Reports

ACTING CHAIR CAREY: Moving on, reports.

Any questions, comments from the reports?

(No response)

ACTING CHAIR CAREY: Could you update us briefly about AB 2447, and what that would do? Or was Di going to say something about that?

MS. CAPPIO: Yes, Di, would you mind helping me out here? You keep closer track.

ACTING CHAIR CAREY: AB 2447.

MS. RICHARDSON: Correct. This is the bill sponsored by Ms. Skinner and the Speaker’s office. And what they’re looking to do is take a look at if there is something that can be done in communities that have a very large inventory of foreclosed homes, and somehow make those available either for ownership for low- and moderate-income families or as rental properties.

And so we’ve had numerous conversations with them on the bill. Those are continuing to happen -- looking at other models in other states; and, actually, some that were currently -- that we just found out about here within California.

But the idea is for it to have sort of a centralized state agency serve as sort of a clearinghouse to negotiate better deals with the banks on these properties; and to, you know, provide strategically placed grants and loans.

The way the bill is currently structured, it would be on a competitive basis. It would differ from our current process of how we operate.

You know, most of our funds are done sort of in an over-the-counter fashion. But this would require a public hearing and, you know, the adoption of guidelines.

And they would like it to be as competitive as possible. And the bill does contain several goals, not all of them that we're sure are achievable, but they are definitely laudable, and we'll do our best.

The source, there's currently identified in the bill, moving $25 million from the CHDAP funds over to fund this program. The thought behind that is that, not to say that down-payment assistance isn't a fabulous thing, but that in this environment and this economy, there may be a higher need and use for those funds.

We haven't completed an analysis to determine exactly what we could do with $25 million, or if it would actually be enough to do much of anything. I know they were also thinking about getting a slice of those AG settlement dollars to add to that fund. And that's a little bit up in the air right now as well.

ACTING CHAIR CAREY: Yes?

MR. GUNNING: Do you think it will get out of suspense? It was sent to suspense yesterday.

MS. RICHARDSON: The bill is co-sponsored by Ms. Skinner and the Speaker. So, yes, I do think it will get out of suspense.

MR. GUNNING: And it's our money?

MS. RICHARDSON: It's G.O. bond money. We have -- you know, that's an issue, that's a question.

Should we be thinking about whether -- I mean, we will still have money for down-payment assistance. But is there something else that we should be thinking about using those dollars on in the more immediate future -- in the more immediate time frame, to sort of stimulate the housing market, where the real needs are.

MR. GUNNING: I think that's been decided for us.

MS. RICHARDSON: Yes, I would say, you know, one of the issues that they need to look at closely, from my perspective -- you know, and I don't have a law degree, I tell Victor this every day, it doesn't stop me from opining like I do -- but under the bonds, there was language that allows the Legislature to make modifications, to make programs more efficient and effective. And I think that there needs to be some discussion of whether that meant you can tinker with the programs that were approved for the bonds, or you can create new programs using those bond dollars.

And I haven't heard that conversation happen yet, but I do think that it should at least happen.

ACTING CHAIR CAREY: My understanding is that the CHDAP money, which is the source, the use of that is ramping up pretty significantly here at the Agency.

MS. RICHARDSON: Yes, I think we're getting about 300 applications a month, where the -- yes. I mean, it's one of the few sources of down-payment assistance. And we have provided that information to the sponsors, to the Speaker's office, to the Department of Finance, to show, you know, how much is being used every month. And again, that's just a policy decision, if they think that there is a better, more appropriate use for those dollars.

ACTING CHAIR CAREY: It's actually a good sign in and of itself, that the money is getting out.

MS. RICHARDSON: Yes, yes.

ACTING CHAIR CAREY: Any other questions?

(No response)

ACTING CHAIR CAREY: Thank you.

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Item 10. Discussion of other Board matters

ACTING CHAIR CAREY: Other board matters?

(No response)

--oOo--

Item 11. Public Testimony

ACTING CHAIR CAREY: Let's go ahead and do the public testimony.

If there is anyone in the audience who would like to address the Board on a matter that was not on the agenda, please indicate so.

(No response)

ACTING CHAIR CAREY: Seeing none, speaking of other board matters, this is -- I see Steve is wiping his eyes back there, so…

Actually, it's us who feel that way.

This is Steve Spears' last meeting with us. And as a Board member and an individual, I just want to say, on a very personal level, I have appreciated Steve's intense 24/7 commitment to this Agency through a period of time that never could have been imagined, even at a worst moment five years ago.

And, Steve, you were the leader, you held the team together. And on an agency level and a personal level, it's been a great pleasure to have worked with you. But I also, as a lifelong nonprofit housing person, I can't help saying, "Yes! We gotcha."

Steve, why don't you come on up?

MS. CAPPIO: Steve, I echo those comments. And I've appreciated your insight and wisdom and how you've helped me out the last year in gaining my, at least a grounding in this organization and being able to very smoothly, I hope, carry on. And we've all appreciated your dedication and commitment.

Colorado will be a way different world, we all know that. And I guess I've got to say that although you're used to big rain and wind in Colorado, myth has it that folks regularly travel at 65 miles an hour, in ten feet of snow, during a blizzard in Colorado. So good luck with that, really.

And also, in anticipation of -- I know you'll do this without hesitation -- there will be some change of allegiance in sports teams.

So here you go.

(Ms. Cappio presenting Mr. Spears with a Colorado Rockies cap.)

(Applause)

MS. CAPPIO: And then also, we have this wonderful fundamental gift for you. I think you probably know what it is. But we have this, too.

MR. SPEARS: Thank you.

MS. CAPPIO: Okay, you don't have to put this on.

MS. OWEN: Turn around, you guys.

(Ms. Owen taking photograph of Steve Spears and Claudia Cappio.)

MR. REYES: You've got to have one with the hat on.

ACTING CHAIR CAREY: Do any Board members have anything to --

MR. SPEARS: It's not a Dodgers hat.

MR. GUNNING: Some sports teams just can't change, right, Steve?

I'd just like to personally echo Peter's comments. I know, as a board member here, you and the team took the time. And even though I knew just enough to be dangerous, I can't thank you enough for taking the time and helping me understand and learning and really shepherding through this difficult time as the Committee that had the opportunity to do the evaluation, I think you heard expressed with sympathy from this group how much we appreciated your efforts and your guidance and patience and, as Peter said, 24 hours because I got some of those thoughts and questions at all odd hours about what should we do.

So Colorado is extremely lucky. Mercy is very lucky. And we'll miss you, buddy.

MR. SPEARS: Thank you.

MR. WARREN: Mr. Chair, I just want to say, I'm glad to see Steve go as a fellow fisherman. That means there's more fish in California than in Colorado.

So thank you, Steve.

MR. SPEARS: It's the least that I can do.

MR. WARREN: I appreciate that.

But I echo Michael and Claudia's comments. I've had the pleasure of knowing Steve for a number of years, and observing the trials within the Agency during that period of time. And Steve was a rock. And just a wonderful, wonderful person for this.

So congratulations, Steve, and the best of luck.

MR. SPEARS: Thanks. Thanks very much.

(Applause)

MR. CARROLL: Steve, I would also like to echo what others have said. We've really appreciated all of your hard work.

And I know it's been a really tough time. As you can tell, I'm a little emotional, I guess. And part of that's because I've known Steve for a lot of years, and we'll miss you.

MR. SPEARS: Thanks, Katie. Thanks very much.

Yes, probably the most history is with the State Treasurer's office and Katie. And we've worked together there. And there was a lot of change there at the time.

MS. CARROLL: There was.

MR. SPEARS: And a crisis.

And I want to thank the staff, a lot of folks sitting behind me that helped me through those times. And I'm very proud of what we got accomplished. It wasn't always perfect, but there was a lot of unchartered water that we plowed our way through. And there were disagreements, and they were always professional. And it was -- it was a great experience, really. I mean, despite the crisis, it was a really great experience.

Claudia, I'm so sorry that we had to turn the fire hose on so wide-open for so long. But you've just done a tremendous job of learning all that, and really diving right into the deep end of this and swimming like crazy.

So, you know, the future is still a little uncertain, but I think we've gotten some things in place that provided some time so that we can move to the next phase. And I'm hoping that those things that are beyond our control will be good things, not the bad kind. And I really think that they will be improving as we go along. Maybe slowly -- but more slowly, certainly, than we thought. But I think they will get better. And this agency will survive; and more than survive, it will move on, and get back to the day when we are lending and doing more, doing more.

MR. SMITH: Steve, I would just like to say it's been a great ride, and you've been great to work with, as a new board member. As stated earlier, you really stepped in and kind of guided us through and helped us to understand all this easy stuff.

But more importantly, I think you've just been a great individual and a good friend. And so we're going to miss you and wish you all the best.

MR. SPEARS: Thanks very much, Ruben.

MR. SHINE: You're a good man, and you've done well, and I know you're going to do well.

MR. SPEARS: Thanks, Jack.

MS. OWEN: Amen. That's perfect.

ACTING CHAIR CAREY: Good luck and Godspeed.

MR. SPEARS: Thanks very much.

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Item 13. Adjournment

ACTING CHAIR CAREY: We're adjourned.

(Applause)

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

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REPORTER'S CERTIFICATE

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

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

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

IN WITNESS WHEREOF, I have hereunto set my hand on the 6th day of June 2012.

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

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State of California

MEMORANDUM

To: CalHFA Board of Directors **Date:** September 20, 2012

From: Claudia Cappio
CALIFORNIA HOUSING FINANCE AGENCY

Subject: Item 4 – Review and Discussion of Major Components, Issues and Concerns of the Governor's Reorganization Plan (GRP)

Overview: As part of the Governor's Reorganization Plan (GRP) for California government, both CalHFA and the Housing and Community Development Department (HCD) are scheduled to move into the newly reformulated Business, Consumer Services and Housing Agency (BCSHA). Within the BCSHA's organizational structure, HCD reports directly to BCSHA while CalHFA is structured to be within HCD, thus not a direct report to BCSHA. Along with this general move, both agencies have been directed to review and evaluate existing operations, programs and other functions to find potential opportunities for increased effectiveness and efficiency as well as to minimize redundancies. We are now in the midst of this process. This report is intended to provide you with some background and outline some of the major issues concerning this effort for the Board's review and consideration.

A. Review of Initial Recommendations and Findings of the Little Hoover Commission
In early 2012, Governor Brown presented a comprehensive reorganization plan for California state government. Among other major moves, the Business, Transportation and Housing Agency would be dissolved, with transportation and related functions becoming a new agency. The business and housing functions would be transferred to a newly expanded Business and Consumer Services Agency. Specifically, the GRP No. 2 states that:

"(12) Existing law establishes the California Housing Finance Agency within the Business, Transportation and Housing Agency, and authorizes the California Housing Finance Agency to carry out various powers and duties relating to meeting the housing needs of persons and families of low or moderate income. This plan would instead provide that the California Housing Finance Agency is within the Department of Housing and Community Development and make various conforming changes."

An excerpt from the GRP is included as Attachment A; a link to the complete report can be found at http://gov.ca.gov/docs/reorganization_plan.pdf

The GRP was submitted to the Little Hoover Commission (LHC) during March-April, 2012. Both the CalHFA and HCD directors testified at Commission hearings, emphasizing the fact that both

agencies assisted in developing and financing affordable housing, and coordination and alignment will not affect the degree of policy or operational independence necessary to successfully carry out their mission. (Director Cappio and Director Warren's testimony is included as Attachment B).
In its May, 2012 report, the LHC concluded that closer alignment and coordination of both agencies presents important opportunities to more effectively deliver affordable housing programs and services. The reorganization keeps both entities intact. CalHFA would retain its board structure and independent ability to manage financial risks and its bond debt. *"While many details have yet to be worked out, this combination puts the state's affordable housing efforts on track for a timely strategic update."*

A link to the LHC Report can be found at http://www.lhc.ca.gov/studies/211/report211.pdf
The Legislature, in SB 1039, changed the name of the Business and Consumer Services Agency to the Business, Consumer Services and Housing Agency. They also called upon the newly configured agency, along with the Department of Transportation and the California Transportation Agency to coordinate state housing and transportation policies and programs to help achieve state and regional planning priorities and to maximize the co-benefits of infrastructure investments.

B. Overview of Implementation Efforts, Process and Schedule. In mid-August, CalHFA and HCD received direction from the Governor's office to begin implementation efforts. Prior to this direction, both agencies initiated three interagency working groups: housing policy, asset management, and financial assistance. These groups were directed to meet and develop recommendations for coordination, consolidation and alignment. Through BTH, we also learned that this implementation effort needed to consider and evaluate five additional areas of operation: communications and marketing, legal, administration, information technology (IT), and legislation. We responded by forming interagency working groups in these five areas as well.

With a small team of senior managers from both agencies in the lead, the various recommendations and actions are now being compiled into the reporting format required by the Governor's office (known as the Project Initiation Document or PID). This document will provide the details of planned collaboration and consolidation with an objective of having the major pieces of the collaboration/consolidation model in place for implementation by July 1, 2013. The final PID is due at the Governor's Office by late October, 2012.

C. Overview of Key Opportunities and Recommendations for Alignment and Collaboration. Although we are still in the midst of reviewing the major recommendations and drafting the PID, there are a number of key principals that are guiding both agencies. These are outlined as follows:

1. The GRP leaves CalHFA's essential structure intact: the board, the executive director, and its independent status.

2. Both agencies are in agreement that the programmatic and administrative differences between them stem from CalHFA's statutory position as a self-sufficient lending institution. In order for CalHFA to successfully continue in this manner, it is critical to maintain financial and operational independence from the state.

3. Although CalHFA and HCD have historically differed in their approach to affordable housing, it is evident from the results of our work so far that these approaches are not redundant but complementary. Both approaches are necessary in order to effectively provide affordable housing units and programs for California.

4. We have both reviewed our internal operations for improved program delivery and administrative efficiencies. The three areas with the most potential to collaborate are financial assistance, asset management, and housing policy. Little if any redundancy exists in current program operations or personnel – the main opportunity lies in increased coordination and collaboration of production and program efforts.

At this point I cannot offer a more definitive statement of what CalHFA's organizational structure and relationship to HCD will look like because the ultimate outcome and the decisions made under the GRP rest with the Governor. I hope that you are confident in my statement that we (Linn and I and our teams) are passionate about the organizational structures I have described to you. We believe that the financial tools CalHFA offers are a key part of continuing to address affordable housing needs in California. In order to continue to use these tools, CalHFA needs to maintain its independence and authority to manage financial risk. Accordingly, we will advocate this structure in the coming months.

At this time, we welcome board member comments, suggestions and concerns.

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Section 4 – Attachment A

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LEGISLATIVE COUNSEL'S DIGEST

Governor's Reorganization Plan No. 2 of 2012

General Subject: Governor's reorganization plan: reorganization of executive branch of state government.

Under existing law, the executive branch of state government includes the State and Consumer Services Agency; the Business, Transportation and Housing Agency; the California Emergency Management Agency; the California Environmental Protection Agency; the California Health and Human Services Agency; the Labor and Workforce Development Agency; the Natural Resources Agency; and the Corrections and Rehabilitation Agency. Existing law also establishes the Technology Agency, the Department of Food and Agriculture, and the Department of Veterans Affairs, which are headed by secretaries, in the executive branch.

This reorganization plan would revise the agency structure and result in establishing the following agencies in the executive branch of state government:

Business and Consumer Services, Government Operations, Corrections and Rehabilitation, Labor and Workforce Development, California Health and Human Services, Environmental Protection, Natural Resources, and Transportation. The departments of Food and Agriculture and Veterans Affairs would also remain in the executive branch and be headed by secretaries. The plan would make the following specific changes with respect to state agencies, departments, and boards:

(1) Under existing law, the State and Consumer Services Agency is comprised of the Department of General Services; the Department of Consumer Affairs; the Franchise Tax Board; the Public Employees' Retirement System; the State Teachers' Retirement System; the Department of Fair Employment and Housing; the Fair Employment and Housing Commission; the California Science Center; the California Victim Compensation and Government Claims Board; the California African American Museum; the California Building Standards Commission; the Alfred E. Alquist Seismic Safety Commission; and the Office of Privacy Protection.

This reorganization plan would eliminate that agency and instead establish in state government the Business and Consumer Services Agency, comprised of the Department of Consumer Affairs, the Department of Housing and Community Development, the Department of Fair Employment and Housing, the Department of Business Oversight, the Department of Alcoholic Beverage Control, the Alcoholic Beverage Control Appeals Board, the California Horse Racing Board, and the Alfred E. Alquist Seismic Safety Commission. The plan would transfer the Office of Exposition Park Management, the California Science Center, and the California African American Museum to the Natural Resources Agency.

(2) Existing law creates in the Business, Transportation and Housing Agency the Department of Real Estate and the Office of Real Estate Appraisers.

This plan would abolish those departments and instead establish in the Department of Consumer Affairs the Bureau of Real Estate and the Bureau of Real Estate Appraisers.

(3) Existing law establishes the Structural Pest Control Board in the Department of Pesticide Regulation. Existing law also creates the State Board of Chiropractic Examiners.

The plan would transfer the Structural Pest Control Board from the Department of Pesticide Regulation to the Department of Consumer Affairs. The plan would also provide that the State Board of Chiropractic Examiners is a unit within the Department of Consumer Affairs.

(4) Existing law establishes the California Gambling Control Commission. Existing law vests the commission with jurisdiction over the operation, concentration, and supervision over gambling establishments in the state and over all persons or things having to do with the operation of gambling establishments. Among other duties, existing law authorizes the commission to act as the regulatory body for gambling establishments, proposition players, remote caller bingo, and tribal casinos, as specified, by creating policy, establishing regulations, issuing licenses, and administering certain Indian gaming revenues and trust funds, as defined.

Existing law vests the Department of Justice with law enforcement and investigatory powers pertaining to gambling establishments, gambling licenses, and work permits. Among other duties, existing law authorizes the department to conduct

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background investigations, monitor the conduct of licensees, and initiate disciplinary actions for violations of law, as specified.

This plan would consolidate the support, investigatory, auditing, and compliance functions of the California Gambling Control Commission and transfer these duties to the Department of Justice. The commission would retain jurisdiction over the licensing, policies, regulations, criteria, and standards pertaining to gaming.

(5) Existing law creates the Department of Corporations and the Department of Financial Institutions within the Business, Transportation and Housing Agency. The Department of Corporations provides for the licensure and regulation of businesses engaged in financial transactions, including securities brokers and dealers, investment advisors, financial planners, and certain fiduciaries and lenders, as specified. The Department of Financial Institutions oversees the operation of state-chartered financial institutions, including banks, credit unions, and various mortgage and money lenders. The Commissioner of Corporations and the Commissioner of Financial Institutions are responsible for overseeing and carrying out the duties and responsibilities of their respective departments.

This plan would abolish the Department of Corporations and the Department of Financial Institutions and transfer their responsibilities to the Department of Business Oversight, which would be established within the Business and Consumer Services Agency. The executive officer of the new Department of Business Oversight would be the Commissioner of Business Oversight. The department's administration would include a Deputy Commissioner of Business Oversight for the Division of Corporations and a Deputy Commissioner of Business Oversight for the Division of financial Institutions.

(6) Existing law provides for the governance and finance of state government.

This plan would establish the Government Operations Agency and transfer to that agency the Office of Administrative Law, the Public Employees' Retirement System, the State Teachers' Retirement System, the State Personnel Board, the California Victim Compensation and Government Claims Board, the Department of General Services, a newly created Department of Technology, the Department of Human Resources, and the Franchise Tax Board.

(7) Existing law establishes within state government the California Emergency Management Agency, which is governed by the Secretary of California Emergency Management.

This plan would recast the agency as the Office of Emergency Services within the office of the Governor and the secretary as the Director of Emergency Services.

(8) Existing law establishes within state government the California Technology Agency, which governs, among others, the Office of Information Security and the Office of Technology Services. The agency is governed by the Secretary of California Technology. The offices are governed by directors.

This plan would recast the office as the Department of Technology within the Government Operations Agency and the secretary as the Director of Technology.

(9) Existing law establishes the California Infrastructure and Economic Development Bank, the Office of Tourism, the California Film Commission, the Film

California First Program, and the Small Business Loan Guarantee Program within the Business, Transportation and Housing Agency.

This plan would transfer these state entities to the Governor's Office of Business and Economic Development.

(10) Existing law establishes the Department of Transportation, the Department of Motor Vehicles, the Department of the California Highway Patrol, and the Board of Pilot Commissioners, among others, in the Business, Transportation and Housing Agency and a California Transportation Commission and a High-Speed Rail Authority in state government.

This plan would include all the above entities within the Transportation Agency.

(11) Existing law establishes the Department of Boating and Waterways in the Natural Resources Agency and charges the department with duties related to beach erosion, harbors, and recreational boat trails. Existing law establishes the Boating and Waterways Commission to provide advice to the department.

This plan would transfer the department into the Department of Parks and Recreation as a division of that department and eliminate the Boating and Waterways Commission.

(12) Existing law establishes the California Housing Finance Agency within the Business, Transportation and Housing Agency, and authorizes the California Housing Finance Agency to carry out various powers and duties relating to meeting the housing needs of persons and families of low or moderate income.

This plan would instead provide that the California Housing Finance Agency is within the Department of Housing and Community Development and make various conforming changes.

(13) Existing law establishes the Department of Resources Recycling and Recovery, a department charged with the responsibility of regulating solid waste disposal, in the Natural Resources Agency.

This plan would transfer the Department of Resources Recycling and Recovery to the California Environmental Protection Agency.

(14) Existing law establishes the California Traffic Safety Program, which consists of a comprehensive plan to reduce traffic accidents, deaths, injuries, and property damage resulting from accidents. Existing law authorizes the Governor to appoint a highway safety representative in the Business, Transportation and Housing, who serves at the pleasure of the Secretary of Business, Transportation and Housing Agency and who is required to prepare the program. Existing law authorizes, to the maximum extent authorized by federal law, the Governor to delegate to the agency and the representative any power or authority to administer the program.

This plan would instead authorize the Governor to appoint the highway safety representative in the Transportation Agency who would serve at the pleasure of the Secretary of Transportation. The plan would authorize the Governor to delegate power and authority to the Secretary of Transportation to administer the program.

(15) This reorganization plan would become operative on July 1, 2013, and would authorize a state agency, department, or entity to take actions prior to July 1,

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Section 4 – Attachment B

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Little Hoover Commission Written Testimony (April 2012)

Claudia Cappio (CalHFA) – "From the beginning of my service with the Governor, he has been focused on gaining efficiencies and increasing effectiveness in the delivery of services for California citizens. The proposal now before you is a direct and tangible outcome of this objective. I am pleased to be able to play a small part in this effort. During the next few minutes, I will focus on four themes:

- Provide a brief background about CalHFA's unique position in the affordable housing landscape;
- Present a rationale in support of the Governor's reorganization plan;
- Provide an overview of the advantages and risks that would need to be considered;
- And summarize for the Commission that while this plan on its face will result in increased effectiveness and efficiencies, there is more work ahead in assuring good outcomes. In other words, the devil is in the details of carrying out the plan and assuring that current organizational structures move in an adaptive and positive manner.

First, a brief background about CalHFA: In 1975, the California Housing Finance Agency ("CalHFA") was created as the State's affordable housing bank. Our mission has been to make affordable single family and multiple family housing available to persons and families of low and moderate income.

While considered a state agency, by statutory authority, CalHFA functions as a business with significant operating and financial independence. Our business model is totally self supporting – we receive no tax dollars or Legislative appropriations. Through the sale of tax exempt bonds, we fund ourselves on the spread between the cost of funds and the rates on the loans we make.

The intention of this independence was to provide the agency the tools and nimbleness necessary to effectively navigate the financial and capital markets. Realizing that mortgage banking is an inherently risky business, the management of those risks is essential. This independence also insulated the State from these risks. Our bonds are separately rated.

CalHFA is governed by a Board of Directors, consisting of 11 voting and 3 non-voting members. Of the voting members, 6 are appointed by the governor, 3 are ex-officio, and two are appointed by the Legislature.

Rationale for the Governor's Reorganization Plan: CalHFA and HCD have the same essential mission: to provide leadership, programs and policy direction to meet and expand affordable housing opportunities for Californians. We do so with different but complimentary values and strengths. For CalHFA – it has been our independence, access to private capital markets, management of financial risk and strong underwriting and transactional focus. We are the lending arm of this structure. For HCD, their policy focus, grants and subsidy programs, Federal program and funding expertise and building codes and standards have been key strengths.

The Governor's proposal keeps both these agencies intact. No authority would be changed and CalHFA would maintain its independence and separate board governance structure.

I believe the opportunities lie in how we work together. CalHFA and HCD have had strong collaborative partnerships in the past with many successful programs and projects. However, throughout over 30 years of operations, program and operational redundancies have grown up – and this reorganization plan will provide a focused framework to:

- Figure out stronger connections and linkages in programs so we are providing services in the most efficient and effective manner;
- Review and reorder certain operational areas, particularly asset management, financial assistance programs and housing policy;
- Review management structure and governance to create a more unified vision and mission for affordable housing and strategic growth for California

The key advantages of this effort include a focused review of areas of consistent connection and collaboration: asset management, programs and lending and housing policy.

CalHFA's financial independence is paramount to continued success in keeping our bond-rating above investment grade and operating successfully in the private capital markets. And from my experience in similar efforts in the past, we will need to be mindful of not diluting the strengths and unique values each agency brings to the affordable housing table."

Linn Warren (HCD) – "HCD's mission is to provide leadership, policies and programs to preserve, expand affordable housing opportunities and promote strong communities for all Californians. Our experience over the years has been that some of the most positive housing outcomes are achieved when HCD has worked in close collaboration with CalHFA serving our industry partners and customers. Some recent examples of joint efforts include the Homeless Initiative, standardized loan applications, coordination of the monitoring and asset management of the affordable housing portfolio. In particular, those rental housing developments that have received financing through both HCD and CalHFA have benefited from this collaboration through reduced reporting and standardized monitoring procedures. Historically these joint efforts have been carried out through memoranda of understanding. Combining HCD and CalHFA operations in key areas for the long-term should allow more consistent and sustained progress in these and many other aspects of affordable housing management.

To maximize the benefits and opportunities presented by the reorganization, manage organizational change, identify and address any risks during the transition period, HCD and CalHFA have established a joint consolidation governance model. The effort will be guided by the Executive Sponsors and Executive Team who will: (1) determine the optimal organizational structure for the consolidated entity, (2) identify and address issues of governance – it is very important to assure the independence and authority of the CalHFA Board of Directors and safeguard the rating of CalHFA bonds, as well as ensuring compliance with statutes and voter-approved bond measures governing HCD programs,
(3) Establish Consolidation Workgroups and Teams for specific areas and dedicate a consolidation project manager, if needed, to ensure work is completed as scheduled. These teams in conjunction with direction from the Administration will develop the most effective and sustainable organizational structures. In addition to teams focusing on communication and change management during the transition period, we will establish teams in three programmatic areas which we believe provide early and meaningful opportunities for improvement. These are:

The Financial Assistance Programs Workgroup would leverage the collective expertise and knowledge of each department's financial assistance program staff to identify and implement ways to improve program operations and policy outcomes. The workgroup would be charged with developing common program guidelines and evaluation criteria where feasible, including recommendations for improvements to program management structures.

The Asset Management Working Group would leverage the collective expertise and knowledge of each department's asset management and compliance staff with their work systems to determine opportunities for coordination or standardization. The group would evaluate areas where coordinated monitoring is already being performed and where these efforts could be expanded. The group would be charged with seeking ways to improve both effectiveness and efficiency while ensuring the preservation of the affordable rental homes in the HCD and CalHFA portfolio over the long-term. HCD's Asset Management function assures that the public benefits of the State's investment in affordable housing continues to be achieved as intended in the more than 1,600 privately-owned rental properties across the State that has received HCD financial assistance since the late 1970s.

The Housing Policy Workgroup will identify a vision for and identify the resources required to develop and implement a comprehensive an effective State Housing Policy Agenda and align State housing programs with that agenda.

The Department believes the reorganization plan provides a unique opportunity to improve the delivery of policy and outcome-driven housing programs in California. I have outlined the approach we are already taking to make sure we discover and implement opportunities for improvement. It is important that we continue these performance improvement efforts and apply them to other areas as we move into the future. We would respectfully request your support for our initiatives, the support of the Legislature, our partners in housing, our fellow departments and the public as we strive to better serve our State."

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CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Woodbridge Village Apartments
St. Helena, Napa County, CA
CalHFA # 12-041-R/N

SUMMARY

This is a Final Commitment request for acquisition/rehabilitation and permanent financing. Security for the acquisition/rehabilitation and permanent loan will be a 50-unit senior apartment complex known as Woodbridge Village Apartments, located at 727 Hunt Avenue, St. Helena, California. Woodbridge RAL, L.P., a California limited partnership ("**Borrower**") whose managing general partner is Woodbridge RAL, Inc. (Matt Locati, Developer/Sponsor), along with an entity to be formed by Merritt Community Capital (Tax Credit Investor), will own the project.

Woodbridge Village Apartments is an existing portfolio loan currently owned by Woodbridge Guild, a California limited partnership, of which Matt Locati and Pamela L. Locati (his mother) are limited partners. Woodbridge Village was the very ***first project constructed and financed*** by CalHFA in 1978 and is a 50-unit, senior apartment complex consisting of 12 single story cottages, an elevator served two-story building, and community center building. The project is 100% Project Based Section 8 and the 40-year Housing Assistance Payments (HAP) contract (initial 5-year plus seven (7) additional 5-year renewals) expires on January 30, 2018. The existing HAP contract automatically terminates upon prepayment. At the time of loan payoff, the Borrower shall have in place a new, approved 20-year HAP contract with marked up to market rents. CalHFA loan terms and conditions may be modified by staff in the event that said approvals impact the transaction.

Existing Financing

Project Rate	8.375%
Term:	40 yrs.; remaining term: 6yrs. 2mo.
Loan Maturity	December 1, 2018
Orig. Loan Amount	$1,238,000
Curr Prin Bal:	$521,000
HAP Maturity	January 30, 2018

Sales Transaction

Sales Price	$4,600,000	($92,000 per unit)
Less: CalHFA Existing Indebtedness	$521,000	
Less: CalHFA Yield Maintenance	$187,000	
Net Proceeds to Seller*	**$3,892,000**	

*Net proceeds to Seller does not include $717,000 in principal repayments over the past 34 years

Proposed Rents	**100% Section 8 (1br $1,300,**	**2 br $1,500)**		
	Rent	Rent Level	Units	# of Persons
One Bdrm	$703	50%	10	10
One Bdrm	$918	60%	38	38
Two Bdrm	$1,092	60%	1	2
Two Bdrm	$1,092	Manager's	1	2
Total Units/Persons			**50 Units**	**52**

Rehabilitation	($55,200 per unit)	$2,761,000	(excluding $ 35,000 Construct. Mgr)

The project is a preservation project with just over six years until maturity. Given that the project currently receives Section 8 and with the Borrower having a new 20-year HAP contract upon loan payoff, the rent restrictions will remain unchanged and the affordability levels will be extended. In addition, the sale of Woodbridge Village to the Borrower provides the project with much needed rehabilitation of approximately $55,000 per unit, improves overall energy savings 32%, and meets the requirements of Agency's mission to create and finance progressive housing solutions so more Californians have a place to call home. The Borrower's mission is to preserve, create and enhance the housing stock of older B – D class properties located in high income counties that serve very-low to moderate-income households.

The owner, Woodbridge Guild is selling the project due to the need of recapitalization and meeting the demand of paying off its 49% limited partner who is advanced in age and seeking buyout.

LOAN TERMS

Acquisition/Rehabilitation

First Mortgage	$6,720,000
Interest Rate*	4.75%, fixed
Term	12 Months, interest only
Financing	Tax-Exempt
Credit Enhancement	HUD Risk Share

Permanent

First Mortgage	$5,310,000
Interest Rate*	4.75% fixed
Term	35 year amortization, due in 16 years
Prepayment	Balloon payment at maturity
Financing	Tax-Exempt
Credit Enhancement	HUD Risk Share

*The interest rate reflects a 50 basis point discount incentive given to the Borrower for implementing cost effective systems for increasing energy and water efficiencies through property improvements and its location in a high market rent area where there is nominal affordable housing developments or where this is little or no opportunity to construct or replace affordable housing units.

CalHFA acquisition/rehabilitation financing is subject to the assignment by the borrower of tax credit equity and all rights under non-CalHFA financing commitments.

OTHER FINANCING – (Seller Take Back)

A seller take back loan of $1,000,000, with a rate of 5% and a term of 35 years, payable only from limited distribution.

HOUSING ASSISTANCE PAYMENT ("HAP") CONTRACT

The original HAP contract was effective as of January 31, 1978, for an initial term of 5 years along with the option for seven (7) additional 5-year terms (40 years total). The current HAP contract is in its 6th renewal term that expires on January 30, 2013. CalHFA is the Section 8 Contract Administrator.

The existing HAP contract automatically terminates upon prepayment of the loan. As a condition to the new loan, the Borrower shall have an approved 20-year HAP contract in place prior to the payoff of the loan with CalHFA as the Section 8 Contract Administrator.

On April 25, 2012, the Borrower submitted its Rent Comparability Study along with a request to increase Section 8 rents to the San Francisco HUD office to assist with the rehabilitation/preservation financing of the project. Section 8 rents would be marked up to market rents. The San Francisco HUD office recommended approval of the increase to the HUD Washington Central Office. A condition of CalHFA commitment approval is HUD's approval of the Section 8 rent increase for the term of the HAP contract.

Any required modification to the proposed HAP contract and the general plan of financing, is all subject to the approval of the Department of Housing and Urban Development ("HUD").

The borrower will be required to seek and accept any renewals of the project based Section 8 contract or other HUD subsidies.

The project will be under a new HAP contract subject to limited distribution to the project sponsor. The existing replacement and operating reserves will be transferred with the property at the time of sale to Woodbridge RAL, L.P.

PROJECT DESCRIPTION

Project Location

- The project is located in central St. Helena, in the northern portion of Napa County. St. Helena is approximately 17 miles north of Napa, 65 miles northeast of San Francisco.

- The development is approximately 0.4 of a mile north of Highway 128/29 in St. Helena. Highway 129 is the main thoroughfare for the Napa Valley with the City of Napa 17 miles to the south.
- Adjoining land uses to the north, south and east are residential developments in good condition. To the west is a multifamily development project called the Christine Apartments which is in fair condition.
- A shuttle stop is located within 0.4 miles of the project which connects to the fixed-route bus system in the Napa Valley. In addition, a Safeway grocery store, Smith's St. Helena Pharmacy, St. Helena Public Library, St. Helena Police and Fire departments, Silicon Valley Bank, Rianda House Senior Center, and the post office and gas station are all located within 0.5 miles of the project. St. Helena Hospital is located within 2.3 miles of the project.

Site

- The 3.57 acre site is rectangular in shape with moderately flat topography.
- The site is zoned HR, High Density Residential, by the County of Napa, which allows for multifamily development density range of no more than 16.1-28 units per acre. Woodbridge Village was constructed to a density of 14.4 units per acre and therefore its site and its use are legally non-conforming.

Improvements

- This 50-unit, garden style project was built in 1978 and consists of 12 one-story cottages, a two-story residential building served by an elevator, and a one story community room/office building. All units are accessible from the Hunt Road frontage and parking lot entrances. There are landscaped open spaces and the cottages are connected by interior roadways. The buildings are wood frame structure with vinyl siding and concrete slab flooring. The roofs are pitched composition.
- There are 48 one-bedroom and 2 two-bedroom units which serve as manager's units.
- Each unit has an electric range with hood, a frost-free refrigerator, a garbage disposal, carpeting, hand rails/grab bars, and a patio or balcony. All units have wall-mounted air conditioning and heater units.
- The common area amenities include a community room/clubhouse, community garden, courtyard, and picnic area. The community building contains a craft room, a kitchen, and one restroom.
- The project offers nine uncovered off-street parking spaces and 27 covered carports.

PHYSICAL NEEDS ASSESSMENT/SCOPE OF WORK

- The project is in average condition for a development of this type and age.
- The proposed scope of rehabilitation work increases energy efficiencies by 32%.
- The scope of rehabilitation work totals $2,400,000 or $48,000 (excluding overhead, profit, general conditions and insurance) per unit and includes:
    - **Site work, $374,817** – Fencing, exterior lighting, ADA handrails, common area water heater, and fire extinguisher boxes ($93,429), grind trip hazards, walkways, patios, and ADA ramps ($91,250), landscaping ($17,000), tree work ($82,600), and asphalt and drain repair ($90,538).

- **Building, $1,034,107** – Patio surrounds, storage structure, site interior fencing, exterior dry rot repair, carport repairs, siding repair and replace utility room doors ($228,895), Roofing ($186,504), Replace doors, windows and hardware ($220,802), Stucco repairs and exterior paint ($145,000), Elevator repair to ADA ($40,000), Community building and Laundry Room ($73,906), Solar panels ($109,000), and Solar hot water ($30,000).
- **Residential Units, $991,076** – Cabinets and sinks ($242,840), Interior painting ($74,000), Appliances including ADA ($47,213), Furnishings including window coverings and post-renovation cleaning ($108,873), HVAC/Plumbing ($178,580), Electrical ($59,605), Flooring ($44,395), Minor Repairs ($49,070), Termite treatment ($36,300), and Misc. including signage, computers and community room furniture ($150,200).

Work is scheduled to commence by November 2012 and is projected to be completed within 12 months.

Off-site improvements

- No off-site improvements and/or costs are required.

Relocation

- The Borrower plans to complete all rehabilitation work while residents remain in their units. No relocation costs have been included in the project budget because no tenants will be temporarily or permanently displaced; however, a $50,000 reserve has been established for any unexpected relocation costs. Tenant rent will remain unchanged throughout and upon completion of the rehabilitation. The sponsor has consulted with a HUD Relocation Specialist to confirm that federal relocation plan requirements do not apply to the project in order to minimize the risk of future delays or litigation related to noncompliance.

  The Borrower will provide written notification of the renovation work to be completed along with a projected timeline before and during the rehabilitation period to address any tenant issue or concerns regarding the project.

MARKET

Market Overview

The Primary Market Area (PMA) for the property is defined as the area bound by the northern portion of Calistoga - mountainous area east of Calistoga to the north, Pope Valley Road/Chiles Pope Valley Road/Capell Valley Road/Highway 121/Wild Horse Valley Road east, Highway 12/29 to the south, and Napa/Sonoma County line to the west. This PMA encompasses the cities of St. Helena, Napa, Yountville, Angwin and Calistoga. The Secondary Market Area (SMA) is considered to be the Napa, California MSA.

The total population in the PMA in 2010 was 117,418 persons, and in the SMA was 136,592, with an annual growth rate of 1.7% from 1990-2010. Slow growth is projected to continue in the PMA and SMA at 0.3% and 0.5% annually through 2015, for a total population of 119,020 and 139,792, respectively. The senior population within the PMA comprised of 16% of the total population, with 31% of family population estimated to be in the 5 to 24 year age range. The projected PMA senior population for 2015 is 21,171, and 24,652 in the SMA, representing a 2.0% increase over 2010.

In 2010, of the 7,476 senior households within the PMA population, 26% are renters and 74% are owners. Within the PMA, approximately 36.2% of the senior households earned below $30,000 and approximately 20% earned less than $15,000 indicating the need for all affordable housing types. The demographic data implies a strong demand to maintain and construct affordable rental housing for seniors in the PMA.

Housing Supply and Demand

- The rental housing stock in the PMA is comprised of eight market rate apartments in average to good condition, with only two within one-half mile or less of the Project, and 19 affordable apartments with only one within one-half mile of the Project. Most of the market rate and affordable apartment complexes are located 8-15 miles from the Project.
- Occupancy rate for market rate and affordable units as of May 2012 is 98.5%. There are 12 LIHTC properties within the PMA, most of them located in Napa. About half are senior apartment projects and all have occupancy rates of 97-100% with extensive waiting lists.
- The Napa Housing Authority, which administers the Section 8 program for the entire county, stated that there are 1,368 Housing Choice Vouchers allotted for Napa County with 1,274 in current use for a usage rate of 93%. There are only 13 vouchers in St. Helena. The waiting list contains 7,000 households. Given the extensive waiting list for the subject property, the LIHTC properties, and housing authority vouchers, there is a significant demand for affordable family in Napa County.
- There are four new LIHTC/bond projects or market rate housing currently planned within the PMA but none have been approved or have a timetable set. There was one LIHTC large family property developed in the PMA in 2010 and no LIHTC awarded in the last two allocation cycles.

PROJECT FEASIBILITY

Estimated Lease-up Period

- The project is currently 100% leased and the proposed rehabilitation will not interfere with occupancy.

ENVIRONMENTAL

AEI Consultants completed a Phase I Environmental Assessment report for Woodbridge Village on June 21, 2012. The report concludes that there are no adverse environmental conditions that warrant further investigation or remedial action.

In addition, on August 21, 2012, CalHFA's NEPA review consultant, AEM Consulting, completed its compliance review of the Environmental Review Record (**"ERR"**). The Woodbridge Village ERR complies with HUD Risk Share requirements, received a Categorical Exemption determination, and requires no mitigations.

SEISMIC

The Borrower will provide earthquake insurance coverage for Woodbridge Village.

DEVELOPMENT TEAM

Borrower

<u>Woodbridge RAL, L.P.</u>

- The Managing General Partner is Woodbridge RAL, Inc., a California corporation located in Lafayette, California. Woodbridge RAL is a managed by Matthew Locati who founded Terracorp in 1991, and who is currently its President. Mr. Locati has over 16 years of experience in affordable multifamily development.

  The co-general partner will be Merritt Community Capital (Tax Credit Investor) who together with Woodbridge RAL, Inc. will own the Project.

Management Agent

<u>Terracorp Financial, Inc.</u>

- Terracorp Financial Inc., a California corporation, will manage the property. Terracorp was founded in 1991 and provides management, operating, construction management and marketing services for non-profit and private sector commercial real estate clients throughout California. Terracorp services approximately nine housing developments representing 700 residential units for low-income to extremely low-income persons. Terracorp manages various types of properties including senior communities, tax credit projects, HUD, and Section 8 properties.

Architect

<u>The Paul Davis Partnership, LLP</u>

- Paul Davis Partnership (PDP), a California limited liability partnership, located in Monterey has provided all phase services of development and construction administration since 1987. The Borrower has engaged PDP to assist them in project design, renovation, and construction management during the rehabilitation process. PDP has designed numerous multifamily projects in the Northern California, Monterey Bay, and Central Coast regions.

Contractor

<u>Imperial Contracting</u>

- Imperial Contracting is a privately owned general contracting company headquartered in San Rafael, California, and specializing since 1999 in the painting, renovation, and repair of multi-housing residences throughout the western United States. Imperial Contracting has completed projects well over 200 projects relating to commercial-tenant improvements, redevelopment, and multifamily housing.

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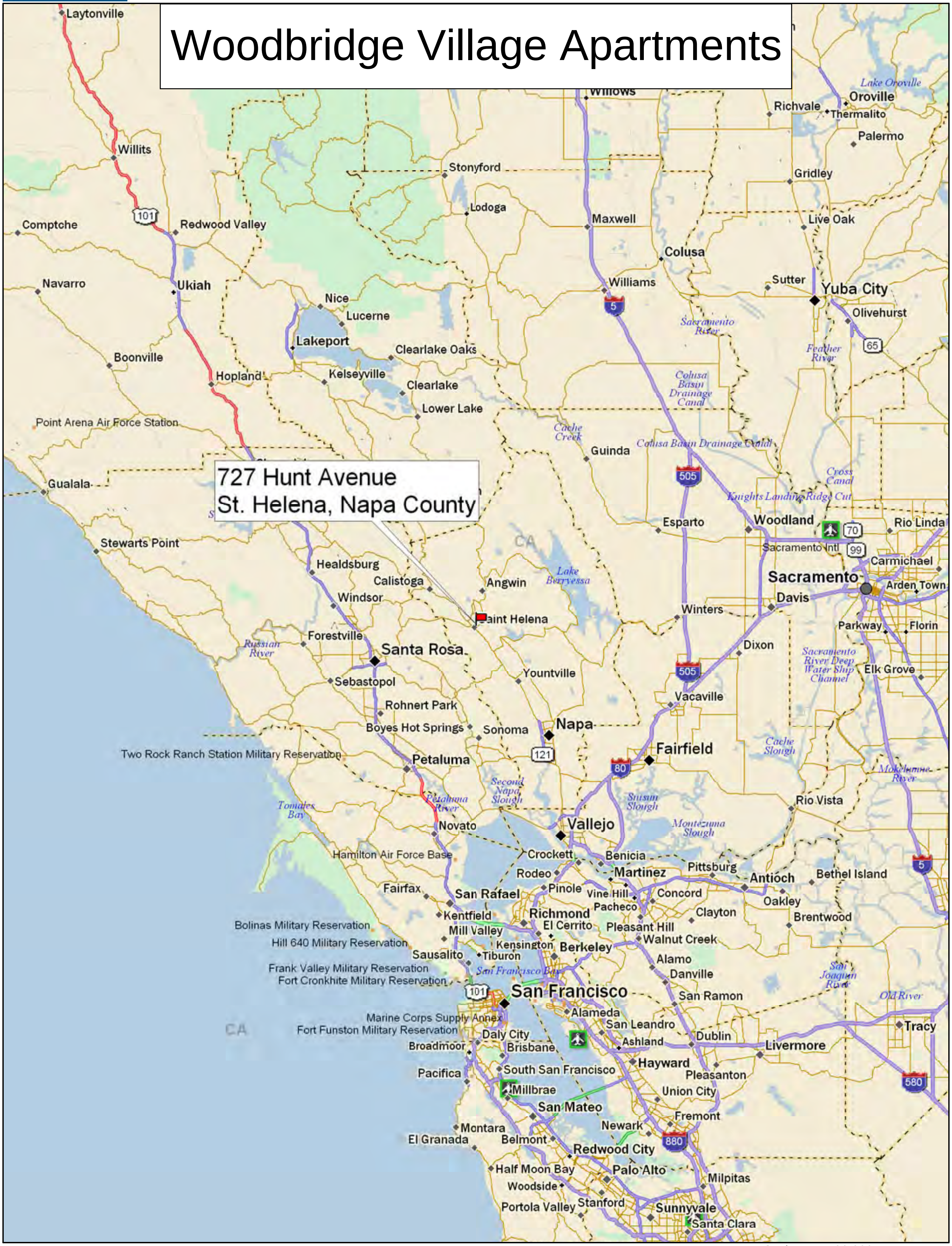
DELORME

DeLorme Street Atlas USA® 2009



TN

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Scale 1 : 1,100,000

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1" = 17.36 mi

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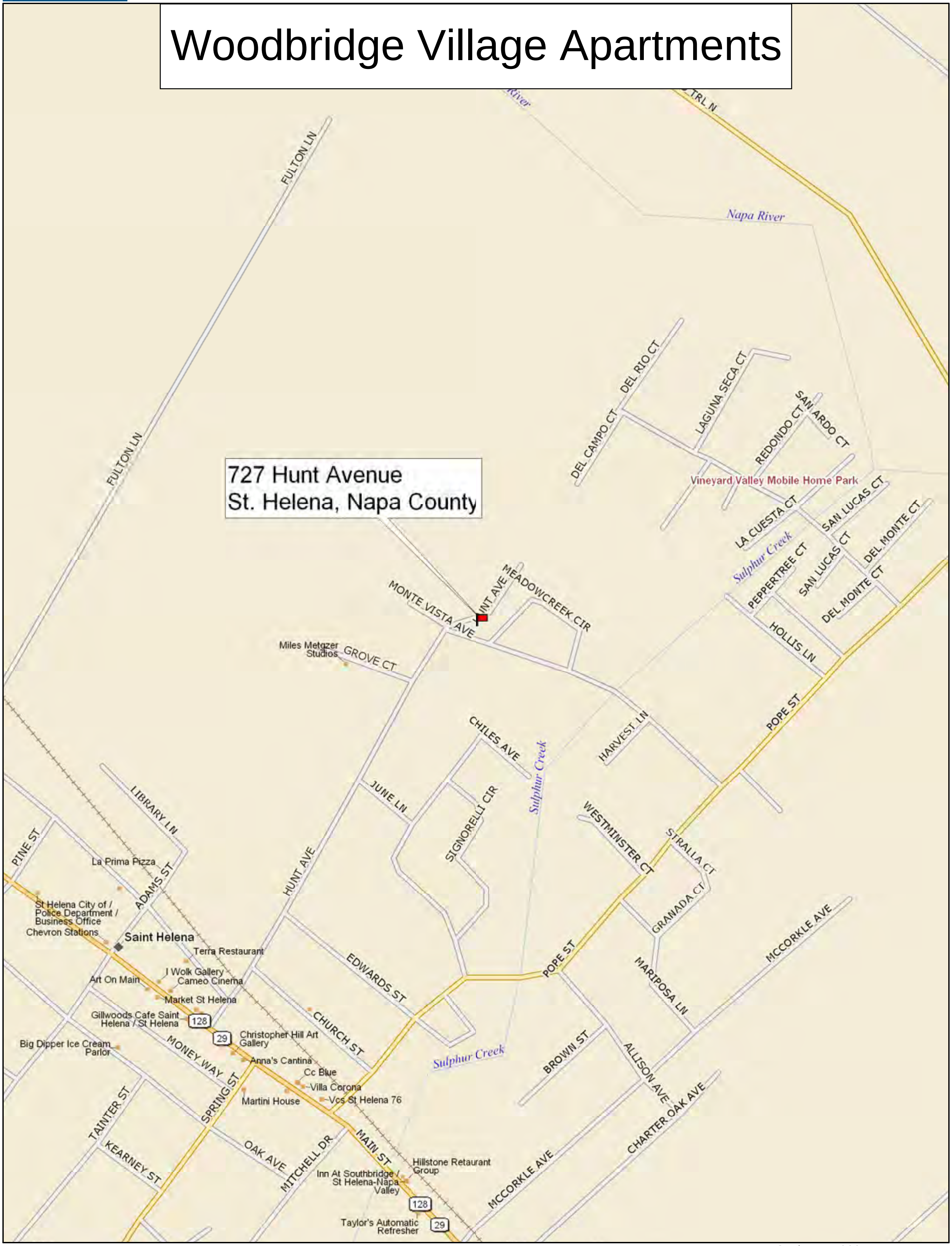

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1" = 600.0 ft

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PROJECT SUMMARY — Final Commitment

Acquisition/Rehab & Permanent Loans — **Project Number** 12041R/N

Project Full Name	Woodbridge Place	**Borrower Name:**	Woodbridge RAL LP
Project Address	727 Hunt Avenue	**Managing GP:**	Woodbridge RAL, Inc.
Project City	St. Helena	**Developer Name:**	Woodbridge RAL, Inc.
Project County	Napa	**Investor Name:**	Merritt Community Capital
Project Zip Code	94574	**Prop Management:**	TerraCorp Financial, Inc.

Project Type:	Acq/Rehab/Permanent Loan	**Total Land Area (acres):**	3.57
Tenancy/Occupancy:	Senior	**Residential Square Footage:**	31,198
Total Residential Units:	50	**Residential Units Per Acre:**	14.01
Total Number of Buildings:	14		
Number of Stories:	cottages &2 story	**Covered Parking Spaces:**	27
Unit Style:	Other	**Total Parking Spaces:**	34
Elevators:	1		

Acq/Construction/Rehab Financing	**Loan Amount ($)**	**Loan Fees**	**Loan Term (Mo.)**	**Amort. Period (Yr.)**	**Starting Interest Rate**
CalHFA Loan	6,720,000	1.000%	12	--	4.750%
Deffered Developer Fee	132,813	--			--
Energy Credit Capital	49,195	--	--	--	--
Seller Take Back Note	1,000,000	--	--	--	--
Existing Replacement Reserves	543,837	--	--	--	--
Developer Equity Contribution	100		--	--	--
Investor Equity Contribution	617,834	--	--	--	--

Permanent Financing	**Loan Amount ($)**	**Loan Fees**	**Loan Term (Yr.)**	**Amort. Period (Yr.)**	**Starting Interest Rate**
CalHFA Permanent Loan	5,310,000	--	16	35	4.750%
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Energy Rebates (PG&E/Energy Credit)	149,195	--	--	--	--
Seller Take Back Note	1,000,000	--	35	35	5.000%
Deferred Developer Fees	172,245	**NA**	**NA**	**NA**	**NA**
Developer Equity Contribution	100	**NA**	**NA**	**NA**	**NA**
Investor Equity Contributions	2,892,391	**NA**	**NA**	**NA**	**NA**

Appraised Values Upon Completion of Rehab/Construction

Appraisal Date:	4/25/12	**Capitalization Rate:**	6.50%
Investment Value ($)	9,300,000	**Restricted Value ($)**	5,900,000
Construct/Rehab LTC	80%	**Permanent Loan to Cost**	63%
Construct/Rehab LTV	72%	**Permanent Loan to Value**	90%

Additional Loan Terms, Conditions & Comments

Construction/Rehab Loan

Payment/Performance Bond	Required	
Completion Guarantee Letter of Credit	Waived	

Permanent Loan

Operating Expense Reserve Deposit	$0	NA
Initial Replacement Reserve Deposit	$100,000	Cash
Annual Replacement Reserve Per Unit	$350	Cash

Date Prepared: 9/10/12 — Senior Staff Date: 9/4/12

UNIT MIX AND RENT SUMMARY | **Final Commitment**

Woodbridge Place | **Project Number 12041R/N**

PROJECT UNIT MIX					
Unit Type of Style	Number of Bedrooms	Number of Baths	Average Size (Sq. Ft.)	Number of Units	Est. No. of Tenants
Flat	1	1	609	16	16
Flat	1	1	619	32	32
Flat	2	1	823	2	4
-	-	-	-	-	0
-	-	-	-	-	0
-	-	-	-	-	0
				50	52

NUMBER OF UNITS AND PERCENTAGE OF AMI RENTS RESTRICTED BY EACH AGENCY							
Agency	Number of Units Restricted For Each AMI Category						
	25%	45%	50%	60%	80%	0%	0%
CalHFA			10				
Tax Credits				40			
HCD-MHP							
City of San Jose							
HCD-IIG							
-							

COMPARISON OF AVERAGE MONTHLY RESTRICTED RENTS TO AVERAGE MARKET RENTS							
Unit Type	Restricting Agency	% of Area Median Income	Average Restricted Rents Number of Units	Average Restricted Rents Unit Rent	Average Market Rents	Average Monthly Savings	% of Market Rents
1 Bedroom	-	25%	-	-	$1,351	-	-
	-	45%	-	-		-	-
	Senior	50%	10	$703		$648	52%
	-	55%	-	-		-	-
	TCAC	60%	38	$918		$433	68%
	CalHFA	-	-	-		-	-
	CalHFA	-	-	-		-	-
2 Bedrooms	-	25%	-	-	$1,570	-	-
	-	45%	-	-		-	-
	Senior	50%	-	-		-	-
	-	55%	-	-		-	-
	TCAC	60%	1	$1,092		$478	70%
	CalHFA	-	-	-		-	-
	CalHFA	-	-	-		-	-
3 Bedrooms	-	25%	-	-	-	-	-
	-	45%	-	-		-	-
	Senior	50%	-	-		-	-
	-	55%	-	-		-	-
	TCAC	60%	-	-		-	-
	CalHFA	-	-	-		-	-
	CalHFA	-	-	-		-	-
4 Bedrooms	-	25%	-	-	-	-	-
	-	45%	-	-		-	-
	Senior	50%	-	-		-	-
	-	55%	-	-		-	-
	TCAC	60%	-	-		-	-
	CalHFA	-	-	-		-	-
	CalHFA	-	-	-		-	-
5 Bedrooms	-	25%	-	-	-	-	-
	-	45%	-	-		-	-
	Senior	50%	-	-		-	-
	-	55%	-	-		-	-
	TCAC	60%	-	-		-	-
	CalHFA	-	-	-		-	-
	CalHFA	-	-	-		-	-
Date Prepared:	9/10/12					Senior Staff Date:	9/4/12

SOURCES & USES OF FUNDS SUMMARY					Final Commitment
Woodbridge Place			Project Number		12041R/N
SOURCES OF FUNDS	**CONST/REHAB $**	**PERMANENT $**	**TOTAL PROJECT FUNDS**		
			SOURCES ($)	**PER UNIT ($)**	**%**
CalHFA Loan	6,720,000				0.0%
CalHFA Section 8 Loan	-				0.0%
Deferred Developer Fee	-				0.0%
-	-				0.0%
-	-				0.0%
Other Non-CalHFA Sources of Funds	1,593,032				0.0%
Construct/Rehab Net Oper. Inc.	60,712				0.0%
Deferred Developer Fee	132,813				0.0%
Developer Equity Contribution	100				0.0%
Investor Equity Contribution	617,834				0.0%
CalHFA Permanent Loan		5,310,000	5,310,000	106,200	63.4%
CalHFA Bridge Loan		-	-	-	0.0%
CalHFA Section 8 Loan		-	-	-	0.0%
-		-	-	-	0.0%
-		-	-	-	0.0%
-		-	-	-	0.0%
Other Non-CalHFA Sources of Funds		1,693,068	-	-	0.0%
Construct/Rehab Net Oper. Inc.		-	-	-	0.0%
Deferred Developer Fees		172,245	172,245	3,445	2.1%
Developer Equity Contribution		100	100	2	0.0%
Investor Equity Contributions		2,892,391	2,892,391	57,848	34.5%
TOTAL SOURCES OF FUNDS	**9,124,491**	**10,067,804**	**8,374,736**	**167,495**	**100.0%**

USES OF FUNDS	**CONST/REHAB $**	**PERMANENT $**	**TOTAL PROJECT COSTS**		
			USES ($)	**PER UNIT ($)**	**%**
Payoff Acquisition/Rehab Financing		9,124,491			
Acquisition Costs	**4,642,000**	**-**	**4,642,000**	92,840	46.1%
Construction/Rehab Hard Costs	**2,796,000**	**-**	**2,796,000**	55,920	27.8%
Relocation Costs	**50,000**	**-**	**50,000**	1,000	0.5%
Architectural Costs	**65,000**	**-**	**65,000**	1,300	0.6%
Surveys & Engineering Costs	12,500	-	12,500	250	0.1%
Contingency Reserves	467,719	-	467,719	9,354	4.6%
Loan Period Loan & Other Costs	**243,431**	**-**	**243,431**	4,869	2.4%
Permanent Loan Costs	**-**	**-**	**-**	-	0.0%
Legal Fees	**100,000**	**-**	**100,000**	2,000	1.0%
Operating Reserves	**-**	**435,750**	**435,750**	8,715	4.3%
Reports & Studies	**78,600**	**-**	**78,600**	1,572	0.8%
Other Construction/Rehab Costs	**230,596**	**15,000**	**245,596**	4,912	2.4%
Developer Fees & Costs	**438,645**	**492,563**	**931,208**	18,624	9.2%
TOTAL PROJECT COSTS	**9,124,491**	**10,067,804**	**10,067,804**	**201,356**	**100.0%**

PROJECTED INITIAL ANNUAL RENTAL OPERATING BUDGET			Final Commitment
Woodbridge Place	**Project Number**		**12041R/N**
INCOME	**AMOUNT**	**PER UNIT**	**%**
Rental Income			
Restricted Unit Rents	$ 516,072	$ 10,321	69.95%
Unrestricted Unit Rents	-	-	0.00%
Commercial Rents	-	-	0.00%
Rental & Operating Subsidies			
Section 8 Rent Subsidies	250,728	5,015	33.98%
Shelter Care Plus Rent Subsidies	-	-	0.00%
Other Subsidy (Specify)	-	-	0.00%
Other Subsidy (Specify)	-	-	0.00%
Other Income			
Laundry and Vending Income	4,550	91	0.62%
Garage and Parking Income	-	-	0.00%
Miscellaneous Income	-	-	0.00%
GROSS POTENTIAL INCOME (GPI)	**$ 771,350**	**$ 15,427**	**104.55%**
Less: Vacancy Loss	**$ 33,554**	**$ 671**	**4.55%**
EFFECTIVE GROSS INCOME (EGI)	**$ 737,796**	**$ 16,098**	**100.00%**
OPERATING EXPENSES	**AMOUNT**	**PER UNIT**	**%**
Administrative Expenses	$ 27,700	$ 554	$ 0
Management Fee	33,201	664	4.50%
Social Programs & Services	-	-	0.00%
Utilities	66,228	1,325	8.98%
Operating & Maintenance	71,972	1,439	9.76%
Ground Lease Payments	-	-	0.00%
Real Estate Taxes	49,231	985	6.67%
Other Taxes & Insurance	91,850	1,837	12.45%
Assisted Living/Board & Care	-	-	0.00%
SUBTOTAL OPERATING EXPENSES	**$ 340,182**	**$ 6,804**	**46.11%**
Operating Reserves	$ 17,500	$ 350	2.37%
TOTAL OPERATING EXPENSES	**$ 357,682**	**$ 7,154**	**48.48%**
NET OPERATING INCOME (NOI)	**$ 380,114**	**$ 7,602**	**51.52%**
DEBT SERVICE PAYMENTS	**AMOUNT**	**PER UNIT**	**%**
CalHFA Loan	$ 311,500	$ 6,230	42.22%
CalHFA Section 8 Loan	-	-	0.00%
-	-	-	0.00%
-	-	-	0.00%
-	-	-	0.00%
-	-	-	0.00%
-	-	-	0.00%
TOTAL DEBT SERVICE PAYMENTS	**$ 311,500**	**$ 6,230**	**42.22%**
EXCESS CASH FLOWS AFTER DEBT SERVICE	**$ 68,614**	**$ 1,372**	**9.30%**
DEBT SERVICE COVERAGE RATIO (DSCR)	**1.22 to 1**		
Date: 9/10/12		Senior Staff Date:	09/04/12

CONSTRUCTION/REHAB NET OPERATING INCOME												Woodbridge Place
											Project Number:	12041R/N
		FISCAL QUARTERS - YEAR 1				FISCAL QUARTERS - YEAR 2				QUARTERS - YEAR 3		TOTAL
		1	2	3	4	5	6	7	8	9	10	ALL YEARS
RENTAL INCOME	**CPI**											
Restricted Unit Rents	2.00%	129,018	129,018	129,018	129,018	-	-	-	-	-	-	516,072
Unrestricted Unit Rents	0.00%	-	-	-	-	-	-	-	-	-	-	-
Commercial Rents	0.00%	-	-	-	-	-	-	-	-	-	-	-
Section 8 Rent Subsidies	2.00%	62,682	62,682	62,682	62,682	-	-	-	-	-	-	250,728
Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-	-
Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-	-
Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-	-
TOTAL RENTAL INCOME		191,700	191,700	191,700	191,700	-	-	-	-	-	-	766,800
OTHER INCOME	**CPI**											
Laundry and Vending Income	2.00%	1,138	1,138	1,138	1,138	-	-	-	-	-	-	4,550
Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-	-
TOTAL OTHER INCOME		1,138	1,138	1,138	1,138	-	-	-	-	-	-	4,550
GROSS POTENTIAL INCOME (GPI)		192,838	192,838	192,838	192,838	-	-	-	-	-	-	771,350
TOTAL PROJECTED VACANCY LOSS		**8,439**	**8,439**	**8,439**	**8,439**	**-**	**-**	**-**	**-**	**-**	**-**	**33,756**
EFFECTIVE GROSS INCOME (EGI)		**184,398**	**184,398**	**184,398**	**184,398**	**-**	**-**	**-**	**-**	**-**	**-**	**737,594**
OPERATING EXPENSES	**CPI/Fee**	Except for management fee, which is a % of EGI										
Administrative Expenses	3.00%	6,925	6,925	6,925	6,925	-	-	-	-	-	-	27,700
Management Fee	4.50%	8,300	8,300	8,300	8,300	-	-	-	-	-	-	33,201
Utilities	3.00%	16,557	16,557	16,557	16,557	-	-	-	-	-	-	66,228
Operating & Maintenance	3.00%	17,993	17,993	17,993	17,993	-	-	-	-	-	-	71,972
Ground Lease Payments	0.00%	-	-	-	-	-	-	-	-	-	-	-
Real Estate Taxes	1.25%	12,308	12,308	12,308	12,308	-	-	-	-	-	-	49,231
Other Taxes & Insurance	3.00%	22,963	22,963	22,963	22,963	-	-	-	-	-	-	91,850
Assisted Living/Board & Care	0.00%	-	-	-	-	-	-	-	-	-	-	-
Required Reserve Payments	1.00%	4,375	4,375	4,375	4,375	-	-	-	-	-	-	17,500
TOTAL OPERATING EXPENSES		**89,421**	**89,421**	**89,421**	**89,421**	**-**	**-**	**-**	**-**	**-**	**-**	**357,682**
NET OPERATING INCOME (LOSS)		**94,978**	**94,978**	**94,978**	**94,978**	**-**	**-**	**-**	**-**	**-**	**-**	**379,912**
DEBT SERVICE PAYMENTS	**Lien #**											
CalHFA Loan	1	79,800	79,800	79,800	79,800	-	-	-	-	-	-	319,200
CalHFA Section 8 Loan	0	-	-	-	-	-	-	-	-	-	-	-
Deferred Developer Fee	2	-	-	-	-	-	-	-	-	-	-	-
-	3	-	-	-	-	-	-	-	-	-	-	-
-	4	-	-	-	-	-	-	-	-	-	-	-
Bond Isser Fee	0	-	-	-	-	-	-	-	-	-	-	-
-	0	-	-	-	-	-	-	-	-	-	-	-
TOTAL DEBT SERVICE PAYMENTS		**79,800**	**79,800**	**79,800**	**79,800**	**-**	**-**	**-**	**-**	**-**	**-**	**319,200**
NET PROPERTY CASH FLOWS		**15,178**	**15,178**	**15,178**	**15,178**	**-**	**-**	**-**	**-**	**-**	**-**	**60,712**
				Year 1 Debt Service	**319,200**			**Year 2 Debt Service**	**-**	**Year 2.5**	**-**	**319,200**
				Year 1 Net Cash Flow	**60,712**			**Year 2 Net Cash Flow**	**-**	**Year 2.5**	**-**	**60,712**

	A	B	C	D	E	F	G	H	I	J	K	L
1	**PROJECTED PERMANENT LOAN CASH FL0WS**											**Woodbridge Place**
2	**Final Commitment**										**Project Number**	**12041R/N**
3		**YEAR**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
4	**RENTAL INCOME**	**CPI**										
5	Restricted Unit Rents	2.00%	526,393	536,921	547,660	558,613	569,785	581,181	592,805	604,661	616,754	629,089
6	Unrestricted Unit Rents	0.00%	-	-	-	-	-	-	-	-	-	-
7	Commercial Rents	0.00%	-	-	-	-	-	-	-	-	-	-
8	Section 8 Rent Subsidies	2.00%	255,743	255,743	255,743	255,743	255,743	255,743	255,743	255,743	255,743	255,743
9	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
10	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
11	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
12	Laundry and Vending Income	2.00%	4,641	4,734	4,828	4,925	5,024	5,124	5,227	5,331	5,438	5,546
13	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
14	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
15	**GROSS POTENTIAL INCOME (GPI)**		**786,777**	**797,398**	**808,231**	**819,281**	**830,551**	**842,047**	**853,774**	**865,734**	**877,934**	**890,378**
16	**VACANCY ASSUMPTIONS**	**Vacancy**										
17	Restricted Unit Rents	5.00%	26,320	26,846	27,383	27,931	28,489	29,059	29,640	30,233	30,838	31,454
18	Unrestricted Unit Rents	0.00%	-	-	-	-	-	-	-	-	-	-
19	Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-	-
20	Section 8 Rent Subsidies	3.00%	7,672	7,672	7,672	7,672	7,672	7,672	7,672	7,672	7,672	7,672
21	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
22	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
23	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
24	Laundry and Vending Income	5.00%	232	237	241	246	251	256	261	267	272	277
25	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
26	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
27	**TOTAL PROJECTED VACANCY LOSS**		**34,224**	**34,755**	**35,297**	**35,849**	**36,413**	**36,988**	**37,574**	**38,172**	**38,782**	**39,404**
28	**EFFECTIVE GROSS INCOME (EGI)**		**752,553**	**762,643**	**772,934**	**783,431**	**794,139**	**805,060**	**816,200**	**827,562**	**839,152**	**850,974**
29	**OPERATING EXPENSES**	**CPI / Fee**										
30	Administrative Expenses	3.00%	28,531	29,387	30,269	31,177	32,112	33,075	34,068	35,090	36,142	37,226
31	Management Fee	4.50%	33,865	34,319	34,782	35,254	35,736	36,228	36,729	37,240	37,762	38,294
32	Utilities	3.00%	68,215	70,261	72,369	74,540	76,776	79,080	81,452	83,896	86,413	89,005
33	Operating & Maintenance	3.00%	74,131	76,355	78,646	81,005	83,435	85,938	88,516	91,172	93,907	96,724
34	Ground Lease Payments	3.00%	-	-	-	-	-	-	-	-	-	-
35	Real Estate Taxes	1.25%	49,846	51,342	52,882	54,468	56,103	57,786	59,519	61,305	63,144	65,038
36	Other Taxes & Insurance	3.00%	94,606	97,444	100,367	103,378	106,479	109,674	112,964	116,353	119,843	123,439
37	Assisted Living/Board & Care	0.00%	-	-	-	-	-	-	-	-	-	-
38	Required Reserve Payments	1.00%	17,675	17,852	18,030	18,211	18,393	18,577	18,762	18,950	19,139	19,331
39	**TOTAL OPERATING EXPENSES**		**366,869**	**376,959**	**387,345**	**398,033**	**409,034**	**420,357**	**432,011**	**444,005**	**456,351**	**469,057**
40	**NET OPERATING INCOME (NOI)**		**385,684**	**385,683**	**385,589**	**385,398**	**385,104**	**384,703**	**384,189**	**383,557**	**382,802**	**381,916**
41	**DEBT SERVICE PAYMENTS**	**Lien #**										
42	CalHFA Permanent Loan	1	311,500	311,500	311,500	311,500	311,500	311,500	311,500	311,500	311,500	311,500
43	CalHFA Section 8 Loan	-	-	-	-	-	-	-	-	-	-	-
44	-	2	-	-	-	-	-	-	-	-	-	-
45	-	3	-	-	-	-	-	-	-	-	-	-
46	-	4	-	-	-	-	-	-	-	-	-	-
47	-	5	-	-	-	-	-	-	-	-	-	-
48	Energy Rebates (PG&E/Energy Cre	-	-	-	-	-	-	-	-	-	-	-
49	Seller Take Back Note	-	-	-	-	-	-	-	-	-	-	-
50	**TOTAL DEBT SERVICE PAYMENTS**		**311,500**	**311,500**	**311,500**	**311,500**	**311,500**	**311,500**	**311,500**	**311,500**	**311,500**	**311,500**
51	**CASH FLOW AFTER DEBT SERVICE**		**74,185**	**74,184**	**74,090**	**73,898**	**73,605**	**73,204**	**72,690**	**72,058**	**71,302**	**70,417**
52	**DEBT SERVICE COVERAGE RATIO**		**1.24**	**1.24**	**1.24**	**1.24**	**1.24**	**1.24**	**1.23**	**1.23**	**1.23**	**1.23**
53	Date Prepared:	09/10/12									Senior Staff Date:	9/4/12

	A	B	M	N	O	P	Q	R	S	T	U	V
1	**PROJECTED PERMANENT LOAN CASH FL0|**											**Woodbridge Place**
2	**Final Commitment**										**Project Number**	**12041R/N**
3		**YEAR**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**	**20**
4	**RENTAL INCOME**	**CPI**										
5	Restricted Unit Rents	2.00%	641,671	654,504	667,594	680,946	694,565	708,456	722,625	737,078	751,819	766,856
6	Unrestricted Unit Rents	0.00%	-	-	-	-	-	-	-	-	-	-
7	Commercial Rents	0.00%	-	-	-	-	-	-	-	-	-	-
8	Section 8 Rent Subsidies	2.00%	255,743	255,743	255,743	255,743	255,743	255,743	255,743	255,743	255,743	255,743
9	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
10	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
11	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
12	Laundry and Vending Income	2.00%	5,657	5,771	5,886	6,004	6,124	6,246	6,371	6,499	6,628	6,761
13	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
14	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
15	**GROSS POTENTIAL INCOME (GPI)**		**903,071**	**916,017**	**929,223**	**942,692**	**956,431**	**970,445**	**984,739**	**999,319**	**1,014,191**	**1,029,359**
16	**VACANCY ASSUMPTIONS**	**Vacancy**										
17	Restricted Unit Rents	5.00%	32,084	32,725	33,380	34,047	34,728	35,423	36,131	36,854	37,591	38,343
18	Unrestricted Unit Rents	0.00%	-	-	-	-	-	-	-	-	-	-
19	Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-	-
20	Section 8 Rent Subsidies	3.00%	7,672	7,672	7,672	7,672	7,672	7,672	7,672	7,672	7,672	7,672
21	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
22	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
23	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
24	Laundry and Vending Income	5.00%	283	289	294	300	306	312	319	325	331	338
25	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
26	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
27	**TOTAL PROJECTED VACANCY LOSS**		**40,039**	**40,686**	**41,346**	**42,020**	**42,707**	**43,407**	**44,122**	**44,851**	**45,595**	**46,353**
28	**EFFECTIVE GROSS INCOME (EGI)**		**863,032**	**875,331**	**887,876**	**900,672**	**913,725**	**927,038**	**940,617**	**954,468**	**968,596**	**983,006**
29	**OPERATING EXPENSES**	**CPI / Fee**										
30	Administrative Expenses	3.00%	38,343	39,494	40,678	41,899	43,156	44,450	45,784	47,157	48,572	50,029
31	Management Fee	4.50%	38,836	39,390	39,954	40,530	41,118	41,717	42,328	42,951	43,587	44,235
32	Utilities	3.00%	91,675	94,425	97,258	100,176	103,181	106,276	109,465	112,749	116,131	119,615
33	Operating & Maintenance	3.00%	99,626	102,615	105,693	108,864	112,130	115,494	118,959	122,528	126,203	129,989
34	Ground Lease Payments	3.00%	-	-	-	-	-	-	-	-	-	-
35	Real Estate Taxes	1.25%	66,989	68,999	71,069	73,201	75,397	77,659	79,989	82,388	84,860	87,406
36	Other Taxes & Insurance	3.00%	127,142	130,956	134,885	138,931	143,099	147,392	151,814	156,368	161,060	165,891
37	Assisted Living/Board & Care	0.00%	-	-	-	-	-	-	-	-	-	-
38	Required Reserve Payments	1.00%	19,524	19,719	19,917	20,116	20,317	20,520	20,725	20,933	21,142	21,353
39	**TOTAL OPERATING EXPENSES**		**482,136**	**495,598**	**509,455**	**523,717**	**538,398**	**553,509**	**569,063**	**585,074**	**601,555**	**618,520**
40	**NET OPERATING INCOME (NOI)**		**380,896**	**379,733**	**378,422**	**376,955**	**375,327**	**373,529**	**371,554**	**369,394**	**367,041**	**364,487**
41	**DEBT SERVICE PAYMENTS**	**Lien #**										
42	CalHFA Permanent Loan	1	311,500	311,500	311,500	311,500	311,500	311,500	-	-	-	-
43	CalHFA Section 8 Loan	-	-	-	-	-	-	-	-	-	-	-
44	-	2	-	-	-	-	-	-	-	-	-	-
45	-	3	-	-	-	-	-	-	-	-	-	-
46	-	4	-	-	-	-	-	-	-	-	-	-
47	-	5	-	-	-	-	-	-	-	-	-	-
48	Energy Rebates (PG&E/Energy Cre	-	-	-	-	-	-	-	-	-	-	-
49	Seller Take Back Note	-	-	-	-	-	-	-	-	-	-	-
50	**TOTAL DEBT SERVICE PAYMENTS**		**311,500**	**311,500**	**311,500**	**311,500**	**311,500**	**311,500**	**-**	**-**	**-**	**-**
51	**CASH FLOW AFTER DEBT SERVICE**		**69,396**	**68,233**	**66,922**	**65,456**	**63,827**	**62,029**	**371,554**	**369,394**	**367,041**	**364,487**
52	**DEBT SERVICE COVERAGE RATIO**		**1.22**	**1.22**	**1.21**	**1.21**	**1.20**	**1.20**	**NA**	**NA**	**NA**	**NA**
53	Date Prepared:	09/10/12									Senior Staff Date:	9/4/12

	A	B	W	X	Y	Z	AA	AB	AC	AD	AE	AF
1	**PROJECTED PERMANENT LOAN CASH FL0**											**Woodbridge Place**
2	**Final Commitment**										**Project Number**	**12041R/N**
3		**YEAR**	**21**	**22**	**23**	**24**	**25**	**26**	**27**	**28**	**29**	**30**
4	**RENTAL INCOME**	**CPI**										
5	Restricted Unit Rents	2.00%	782,193	797,837	813,794	830,069	846,671	863,604	880,876	898,494	916,464	934,793
6	Unrestricted Unit Rents	0.00%	-	-	-	-	-	-	-	-	-	-
7	Commercial Rents	0.00%	-	-	-	-	-	-	-	-	-	-
8	Section 8 Rent Subsidies	2.00%	255,743	255,743	255,743	255,743	255,743	255,743	255,743	255,743	255,743	255,743
9	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
10	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
11	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
12	Laundry and Vending Income	2.00%	6,896	7,034	7,175	7,318	7,465	7,614	7,766	7,922	8,080	8,242
13	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
14	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
15	**GROSS POTENTIAL INCOME (GPI)**		**1,044,832**	**1,060,614**	**1,076,711**	**1,093,130**	**1,109,878**	**1,126,961**	**1,144,385**	**1,162,158**	**1,180,286**	**1,198,777**
16	**VACANCY ASSUMPTIONS**	**Vacancy**										
17	Restricted Unit Rents	5.00%	39,110	39,892	40,690	41,503	42,334	43,180	44,044	44,925	45,823	46,740
18	Unrestricted Unit Rents	0.00%	-	-	-	-	-	-	-	-	-	-
19	Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-	-
20	Section 8 Rent Subsidies	3.00%	7,672	7,672	7,672	7,672	7,672	7,672	7,672	7,672	7,672	7,672
21	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
22	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
23	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
24	Laundry and Vending Income	5.00%	345	352	359	366	373	381	388	396	404	412
25	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
26	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
27	**TOTAL PROJECTED VACANCY LOSS**		**47,127**	**47,916**	**48,721**	**49,542**	**50,379**	**51,233**	**52,104**	**52,993**	**53,899**	**54,824**
28	**EFFECTIVE GROSS INCOME (EGI)**		**997,705**	**1,012,698**	**1,027,990**	**1,043,589**	**1,059,499**	**1,075,728**	**1,092,281**	**1,109,165**	**1,126,387**	**1,143,953**
29	**OPERATING EXPENSES**	**CPI / Fee**										
30	Administrative Expenses	3.00%	51,530	53,076	54,668	56,308	57,998	59,738	61,530	63,376	65,277	67,235
31	Management Fee	4.50%	44,897	45,571	46,260	46,961	47,677	48,408	49,153	49,912	50,687	51,478
32	Utilities	3.00%	123,204	126,900	130,707	134,628	138,667	142,827	147,112	151,525	156,071	160,753
33	Operating & Maintenance	3.00%	133,889	137,906	142,043	146,304	150,693	155,214	159,871	164,667	169,607	174,695
34	Ground Lease Payments	3.00%	-	-	-	-	-	-	-	-	-	-
35	Real Estate Taxes	1.25%	90,028	92,729	95,511	98,376	101,327	104,367	107,498	110,723	114,045	117,466
36	Other Taxes & Insurance	3.00%	170,868	175,994	181,274	186,712	192,314	198,083	204,025	210,146	216,451	222,944
37	Assisted Living/Board & Care	0.00%	-	-	-	-	-	-	-	-	-	-
38	Required Reserve Payments	1.00%	21,567	21,783	22,000	22,220	22,443	22,667	22,894	23,123	23,354	23,587
39	**TOTAL OPERATING EXPENSES**		**635,983**	**653,959**	**672,463**	**691,511**	**711,119**	**731,303**	**752,082**	**773,472**	**795,491**	**818,158**
40	**NET OPERATING INCOME (NOI)**		**361,722**	**358,739**	**355,528**	**352,078**	**348,380**	**344,424**	**340,199**	**335,693**	**330,896**	**325,795**
41	**DEBT SERVICE PAYMENTS**	**Lien #**										
42	CalHFA Permanent Loan	1	-	-	-	-	-	-	-	-	-	-
43	CalHFA Section 8 Loan	-	-	-	-	-	-	-	-	-	-	-
44	-	2	-	-	-	-	-	-	-	-	-	-
45	-	3	-	-	-	-	-	-	-	-	-	-
46	-	4	-	-	-	-	-	-	-	-	-	-
47	-	5	-	-	-	-	-	-	-	-	-	-
48	Energy Rebates (PG&E/Energy Cre	-	-	-	-	-	-	-	-	-	-	-
49	Seller Take Back Note	-	-	-	-	-	-	-	-	-	-	-
50	**TOTAL DEBT SERVICE PAYMENTS**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
51	**CASH FLOW AFTER DEBT SERVICE**		**361,722**	**358,739**	**355,528**	**352,078**	**348,380**	**344,424**	**340,199**	**335,693**	**330,896**	**325,795**
52	**DEBT SERVICE COVERAGE RATIO**		**NA**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**
53	Date Prepared:	09/10/12									Senior Staff Date:	9/4/12

	A	B	AG	AH	AI	AJ	AK
1	**PROJECTED PERMANENT LOAN CASH FL0|**						
2	**Final Commitment**						
3		**YEAR**	**31**	**32**	**33**	**34**	**35**
4	**RENTAL INCOME**	**CPI**					
5	Restricted Unit Rents	2.00%	953,489	972,559	992,010	1,011,850	1,032,087
6	Unrestricted Unit Rents	0.00%	-	-	-	-	-
7	Commercial Rents	0.00%	-	-	-	-	-
8	Section 8 Rent Subsidies	2.00%	255,743	255,743	255,743	255,743	255,743
9	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-
10	Other Subsidy (Specify)	0.00%	-	-	-	-	-
11	Other Subsidy (Specify)	0.00%	-	-	-	-	-
12	Laundry and Vending Income	2.00%	8,407	8,575	8,746	8,921	9,099
13	Garage and Parking Income	0.00%	-	-	-	-	-
14	Miscellaneous Income	0.00%	-	-	-	-	-
15	**GROSS POTENTIAL INCOME (GPI)**		**1,217,638**	**1,236,876**	**1,256,499**	**1,276,514**	**1,296,929**
16	**VACANCY ASSUMPTIONS**	**Vacancy**					
17	Restricted Unit Rents	5.00%	47,674	48,628	49,600	50,593	51,604
18	Unrestricted Unit Rents	0.00%	-	-	-	-	-
19	Commercial Rents	50.00%	-	-	-	-	-
20	Section 8 Rent Subsidies	3.00%	7,672	7,672	7,672	7,672	7,672
21	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-
22	Other Subsidy (Specify)	0.00%	-	-	-	-	-
23	Other Subsidy (Specify)	0.00%	-	-	-	-	-
24	Laundry and Vending Income	5.00%	420	429	437	446	455
25	Garage and Parking Income	0.00%	-	-	-	-	-
26	Miscellaneous Income	0.00%	-	-	-	-	-
27	**TOTAL PROJECTED VACANCY LOSS**		**55,767**	**56,729**	**57,710**	**58,711**	**59,732**
28	**EFFECTIVE GROSS INCOME (EGI)**		**1,161,871**	**1,180,147**	**1,198,788**	**1,217,803**	**1,237,197**
29	**OPERATING EXPENSES**	**CPI / Fee**					
30	Administrative Expenses	3.00%	69,252	71,330	73,470	75,674	77,944
31	Management Fee	4.50%	52,284	53,107	53,945	54,801	55,674
32	Utilities	3.00%	165,575	170,543	175,659	180,929	186,356
33	Operating & Maintenance	3.00%	179,936	185,334	190,894	196,621	202,519
34	Ground Lease Payments	3.00%	-	-	-	-	-
35	Real Estate Taxes	1.25%	120,990	124,620	128,359	132,209	136,176
36	Other Taxes & Insurance	3.00%	229,632	236,521	243,617	250,926	258,453
37	Assisted Living/Board & Care	0.00%	-	-	-	-	-
38	Required Reserve Payments	1.00%	23,823	24,061	24,302	24,545	24,791
39	**TOTAL OPERATING EXPENSES**		**841,493**	**865,516**	**890,246**	**915,704**	**941,913**
40	**NET OPERATING INCOME (NOI)**		**320,378**	**314,631**	**308,543**	**302,099**	**295,284**
41	**DEBT SERVICE PAYMENTS**	**Lien #**					
42	CalHFA Permanent Loan	1	-	-	-	-	-
43	CalHFA Section 8 Loan	-	-	-	-	-	-
44	-	2	-	-	-	-	-
45	-	3	-	-	-	-	-
46	-	4	-	-	-	-	-
47	-	5	-	-	-	-	-
48	Energy Rebates (PG&E/Energy Cre	-	-	-	-	-	-
49	Seller Take Back Note	-	-	-	-	-	-
50	**TOTAL DEBT SERVICE PAYMENTS**		**-**	**-**	**-**	**-**	**-**
51	**CASH FLOW AFTER DEBT SERVICE**		**320,378**	**314,631**	**308,543**	**302,099**	**295,284**
52	**DEBT SERVICE COVERAGE RATIO**		**NA**	**NA**	**NA**	**NA**	**NA**
53	Date Prepared:	09/10/12					

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RESOLUTION 12-09

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Woodbridge RAL, L.P., a California limited partnership (the "Borrower"), seeking a loan commitment, the proceeds of which are to be used to provide financing for a multifamily housing development located in St. Helena, Napa County, California, to be known as Woodbridge Village Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which prepared a report presented to the Board on the meeting date recited below (the "Staff Report"), recommending Board approval subject to certain recommended terms and conditions; and

WHEREAS, Agency staff has determined or expects to determine prior to making a binding commitment to fund the loan for which the application has been made, that (i) the Agency can effectively and prudently raise capital to fund the loan for which the application has been made, by direct access to the capital markets, by private placement, or by way of the New Issue Bond Program of the United States Treasury or other means and (ii) any financial mechanisms needed to insure prudent and reasonable financing of loans can be achieved; and

WHEREAS, Section 1.150-2 of the Treasury Regulations requires the Agency, as the issuer of tax-exempt bonds, to declare its reasonable official intent to reimburse prior expenditures for the Development with proceeds of a subsequent borrowing; and

WHEREAS, on August 2, 2012, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

WHEREAS, the Board wishes to grant the staff the authority to enter into a loan commitment upon Agency staff determining in its judgment that reasonable and prudent financing mechanisms can be achieved;

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

1. The Executive Director, or in his/her absence, the Acting Chief of Multifamily Programs, is hereby authorized to execute and deliver a final commitment letter, in a form acceptable to the Agency, and subject to recommended terms and conditions set forth in the Staff Report and any terms and conditions as the Board has designated in the Minutes of the Board Meeting, in relation to the Development described above and as follows:

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	MORTGAGE AMOUNT
12-041-A/N	Woodbridge Village Apartments St. Helena, Napa County, California	\$6,720,000.00 Acq/Rehab 1st Mortgage \$5,310,000.00 Permanent 1st Mortgage

The Board recognizes that in the event that staff cannot determine that reasonable and prudent financing mechanisms can be achieved, the staff will not enter into loan commitments to finance the Development. In addition, access to capital markets may require significant changes to the terms of loans submitted to the Board. Notwithstanding paragraph 2 below, the staff is authorized to make any needed modifications to the loan which in staff's judgment are directly or indirectly the result of the disruptions to the capital markets referred to above.

2. The Executive Director may modify the terms and conditions of the loans or loans as described in the Staff Report, provided that major modifications, as defined below, must be submitted to this Board for approval. "Major modifications" as used herein means modifications which either (i) increase the total aggregate amount of any loans made pursuant to the Resolution by more than 7%; or (ii) modifications which in the judgment of the Executive Director, or in his/her absence, the Acting Chief of Multifamily Programs of the Agency, adversely change the financial or public purpose aspects of the final commitment in a substantial way.

I hereby certify that this is a true and correct copy of Resolution 12-09 adopted at a duly constituted meeting of the Board of the Agency held on September 20, 2012, at Sacramento, California.

ATTEST:________________________
Secretary

State of California

M E M O R A N D U M

To Board of Directors **Date:** September 10, 2012

Timothy Hsu, Financing Risk Manager

From: CALIFORNIA HOUSING FINANCE AGENCY

Subject: RESOLUTION TO APPROVING EXTENSION OF PARTICIPATION IN THE TEMPORARY CREDIT AND LIQUIDITY PROGRAM (TCLP) FOR HMRB RESOLUTION # 12-10

Resolution 12-10 would give the Agency explicit authority to extend the terms of the Standby Irrevocable Temporary Credit and Liquidity Facilities (TCLFs) for an additional three years for the HMRB indenture.

The Board of Directors adopted Resolution 09-14 on November 19, 2009 authorizing participation in the TCLP. The Board also adopted Resolution 12-01 on January 19, 2012 authorizing the execution and delivery of all agreements and documents and the taking of actions necessary or advisable in order to consummate the remarketing and administration of prior bonds issued for single family including amendments to credit and liquidity facilities.

The TCLFs are currently scheduled to expire on December 23, 2012. If the TCLFs were to expire without extension or replacement, the variable rate demand bonds (VRDBs) under the HMRB indenture would be required to be purchased with draws on the TCLFs and would become bank bonds.

The representatives of the GSEs and their counsel have requested that the Board of Directors specifically authorize and affirm the Agency's determination to execute all agreements and documents and take all actions required in connection with the TCLP Extension for the outstanding VRDBs.

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RESOLUTION 12-10

RESOLUTION APPROVING EXTENSION OF PARTICIPATION IN
US TREASURY DEPARTMENT
TEMPORARY CREDIT AND LIQUIDITY PROGRAM
WITH RESPECT TO HOME MORTGAGE REVENUE BONDS

WHEREAS, the California Housing Finance Agency (the "Agency") has from time to time issued its Home Mortgage Revenue Bonds of various series as variable rate demand bonds (the "HMRB VRDBs"); and

WHEREAS, variable rate demand bonds such as the HMRB VRDBs are required to be supported by liquidity facilities typically provided by financial institutions for short incremental terms, can be "put" by investors for purchase, and when not successfully remarketed by remarketing agents, or in the event of expiration of such facilities without extension or replacement, are required to be purchased by the providers of such facilities, and any bonds so purchased ("bank bonds") may bear interest at rates higher than they otherwise would bear and may require repayment earlier than otherwise would be required; and

WHEREAS, the United States Department of Treasury ("Treasury"), in conjunction with the Federal Housing Finance Agency, and two government sponsored enterprises, Fannie Mae and Freddie Mac (collectively, the "GSEs") in 2009 established a Temporary Credit and Liquidity Program (the "TCLP") to aid state and local housing finance agencies having outstanding variable rate demand bonds that had become or faced becoming bank bonds as a result of increasing investor "puts" and expiration of facilities that had become difficult or impractical to extend or replace; and

WHEREAS, in 2009 the TCLP authorized the GSEs to provide liquidity and credit support facilities for approximately three years to replace such existing facilities; and

WHEREAS, the Board of Directors of the Agency, by Resolution 09-14, adopted on November 19, 2009, authorized participation in the TCLP to obtain such GSE credit and liquidity facilities with respect to the Agency's variable rate demand bonds, including the HMRB VRDBs; and

WHEREAS, on December 23, 2009, pursuant to the TCLP, the GSEs delivered Standby Irrevocable Temporary Credit and Liquidity Facilities (the "HMRB TCLFs") for all of the then-outstanding HMRB VRDBs, which became effective January 21, 2010, replacing the existing standby bond purchase agreement liquidity facilities for such bonds, and the Agency entered into related reimbursement agreements with the GSEs and bond indenture amendments for the benefit of the GSEs; and

WHEREAS, the HMRB TCLFs currently are scheduled to expire on December 23, 2012, and the HMRB VRDBs would be required to be purchased with draws on such facilities and would become bank bonds in the event that such facilities were to expire without extension or replacement; and

WHEREAS, Treasury and the GSEs have announced an extension of the TCLP for state and local housing finance agencies (the "TCLP Extension"), pursuant to which the GSEs are authorized to extend the terms of their Standby Irrevocable Temporary Credit and Liquidity Facilities for an additional three years, in exchange for such agencies' agreement to new TCLP requirements; and

WHEREAS, such new TCLP requirements include an increase in fees for the availability of the facilities, an increase in rates of interest that would be payable on any bank bonds until repaid and on any credit support advances until reimbursed, modification of bank bond principal repayment provisions such that principal would remain payable ten years after the original facility expiration date rather than ten years after the new extended facility expiration date, minimum counterparty credit rating requirements for any new interest rate exchange agreements, additional information reporting requirements, and a new fee that would be payable in the event of an issuer's failure to meet agreed-upon targets for annual reductions (such as by redemption, interest rate mode conversion, or arrangement of replacement facilities) in the principal amount of variable rate demand bonds covered by the GSE facilities during their three-year extended term; and

WHEREAS, in light of unavailability or limited availability and relative costs of liquidity facilities from alternative providers and limited current opportunities for reducing the outstanding amount of the HMRB VRDBs, it is desirable for the Agency at this time to participate in the TCLP Extension with respect to all of the HMRB VRDBs currently outstanding; and

WHEREAS, the Board of Directors of the Agency, by Resolution 12-01, adopted on January 19, 2012, has previously authorized and directed the execution and delivery of all agreements and documents and the taking of all actions necessary or advisable in order to consummate the remarketing and administration of prior bonds issued for single family homeownership purposes, including amendments to credit and liquidity facilities; and

WHEREAS, representatives of the GSEs and their counsel have requested that the Board of Directors of the Agency specifically authorize and affirm the Agency's determination to execute all agreements and documents and take all actions required in connection with the TCLP Extension for the outstanding HMRB VRDBs;

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

1. The Executive Director and the officers of the Agency, including the Director of Finance, are hereby authorized and directed to execute such agreements and other documents, including, without limitation, amendments to the HMRB TCLFs, to related reimbursement agreements and to related bond indentures, and take such other actions, including, without limitation, distribution of disclosure documents to investors, as they deem necessary or proper to permit the Agency to participate in the TCLP Extension with respect to all outstanding HMRB VRDBs.

SECRETARY'S CERTIFICATE

I, Victor James, the undersigned, do hereby certify that I am the duly authorized Secretary of the Board of Directors of the California Housing Finance Agency, and hereby further certify that the foregoing is a full, true, and correct copy of Resolution No. 12-__ duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 20th day of September, 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 20th day of September, 2012.

[SEAL]

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

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State of California

M E M O R A N D U M

To Board of Directors **Date:** September 10, 2012

Timothy Hsu, Financing Risk Manager

From: CALIFORNIA HOUSING FINANCE AGENCY

Subject: RESOLUTION TO APPROVING EXTENSION OF PARTICIPATION IN THE TEMPORARY CREDIT AND LIQUIDITY PROGRAM (TCLP) FOR MFIII AND HPB RESOLUTION # 12-11

Resolution 12-11 would give the Agency explicit authority to extend the terms of the Standby Irrevocable Temporary Credit and Liquidity Facilities (TCLFs) for an additional three years for the MFIII and HPB indentures.

The Board of Directors adopted Resolution 09-14 on November 19, 2009 authorizing participation in the TCLP. The Board also adopted Resolutions 12-01 and 12-02 on January 19, 2012 authorizing the execution and delivery of all agreements and documents and the taking of actions necessary or advisable in order to consummate the remarketing and administration of prior bonds issued for single family and multifamily including amendments to credit and liquidity facilities.

The TCLFs are currently scheduled to expire on December 23, 2012. If the TCLFs were to expire without extension or replacement, the variable rate demand bonds (VRDBs) under the MFIII and HPB indentures would be required to be purchased with draws on the TCLFs and would become bank bonds.

The representatives of the GSEs and their counsel have requested that the Board of Directors specifically authorize and affirm the Agency's determination to execute all agreements and documents and take all actions required in connection with the TCLP Extension for the outstanding VRDBs.

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RESOLUTION NO. 12-11

RESOLUTION OF THE CALIFORNIA HOUSING FINANCE AGENCY APPROVING EXTENSION OF TEMPORARY CREDIT AND LIQUIDITY FACILITIES FOR MULTIFAMILY HOUSING REVENUE BONDS III AND HOUSING PROGRAM BONDS

WHEREAS, as a result of disruptions in the bond, capital and real estate markets, the California Housing Finance Agency (the “Agency”) has since 2008 experienced pressure on its balance sheet and on its long-term unsecured credit rating, and has experienced significant capital and liquidity constraints;

WHEREAS, such marketplace disruptions have also had adverse effects on the Agency’s bond portfolio, in particular as variable rate bonds supported by liquidity facilities provided by financial institutions for short incremental terms typically can be “put” by investors for purchase, and when not successfully remarketed by remarketing agents, or in the event of expiration of such facilities without extension or replacement, such bonds are typically required to be purchased by the providers of such facilities, and any bonds so purchased (“bank bonds”) may bear interest at rates higher than they otherwise would bear and may require repayment earlier than otherwise would be required;

WHEREAS, in response to such marketplace disruptions affecting the Agency and other state and local housing finance agencies, on October 19, 2009, the United States Department of Treasury (“Treasury”), in conjunction with the Federal Housing Finance Agency and the two government sponsored enterprises, Fannie Mae and Freddie Mac (collectively, the “GSEs”), announced an initiative to aid state and local housing finance agencies (the “HFA Initiative”);

WHEREAS, under the Temporary Credit and Liquidity Program (“TCLP”) offered pursuant to the HFA Initiative, the GSEs delivered to U.S. Bank National Association, as trustee (the “Trustee”) for the Agency’s Multifamily Housing Revenue Bonds III, issued under an Indenture, dated as of March 1, 1997, by and between the Agency and the Trustee, as previously amended and supplemented, and its Housing Program Bonds, issued under a General Indenture, dated as of November 1, 2004, by and between the Agency and the Trustee, as previously amended and supplemented (collectively, the “Bonds”), certain Temporary Credit and Liquidity Facilities, each dated as of December 23, 2009 (the “Credit and Liquidity Facilities”);

WHEREAS, the Board of Directors of the Agency, by Resolution 09-14, adopted on November 19, 2009, authorized participation in the TCLP to obtain such GSE credit and liquidity facilities with respect to the Agency’s variable rate demand bonds, including the Bonds; and

WHEREAS, the Agency and the Trustee entered into certain Reimbursement Agreements, each dated as of December 23, 2009, subsequently amended as of November 1, 2010 (as amended, each a “Reimbursement Agreement” and, together with the Credit and Liquidity Facilities, the “TCLP Documents”), under which the Agency is obligated to reimburse the GSEs for draws made by the Trustee under the Credit and Liquidity Facilities;

WHEREAS, the Credit and Liquidity Facilities are currently scheduled to expire as of December 23, 2012;

WHEREAS, as a result of continuing stress in the financial markets, as well as reductions in the Agency's long-term unsecured credit rating resulting from increased delinquencies and foreclosures in the Agency's homeownership portfolio and other factors, the Agency is not currently in a position to replace the Credit and Liquidity Facilities with facilities provided by private parties, nor to replace the Bonds with fixed-rate obligations;

WHEREAS, the GSEs and Treasury have determined to extend the Credit and Liquidity Facilities and other credit and liquidity facilities provided under TCLP in respect of other bonds of the Agency until December 23, 2015;

WHEREAS, to effect such extensions, the GSEs and their counsel have prepared forms of a First Amendment to Standby Irrevocable Credit and Liquidity Facility and a Second Amendment to Reimbursement Agreement, (the "Extension Documents), which Extension Documents extend the expiration date of the Credit and Liquidity Facilities and amend the original Reimbursement Agreements to add, among other provisions, certain new reporting requirements and financial terms applicable to the Agency;

WHEREAS, such new TCLP requirements include an increase in fees for the availability of the facilities, an increase in rates of interest that would be payable on any bank bonds until repaid and on any credit support advances until reimbursed, modification of bank bond principal repayment provisions such that principal would remain payable ten years after the original facility expiration date rather than ten years after the new extended facility expiration date, minimum counterparty credit rating requirements for any new interest rate exchange agreements, additional information reporting requirements, and a new fee that would be payable in the event of an issuer's failure to meet agreed-upon targets for annual reductions (such as by redemption, interest rate mode conversion, or arrangement of replacement facilities) in the principal amount of variable rate demand bonds covered by the GSE facilities during their three-year extended term; and

WHEREAS, the Board of Directors has by its Resolutions Nos. 12-01 and 12-02, adopted on January 19, 2012, previously authorized and directed execution and delivery of all documents necessary or appropriate in connection with the "Programs" as defined in such resolutions, including execution and delivery of the Extension Documents; and

WHEREAS, the GSEs and their counsel have requested that the Board of Directors by this resolution specifically affirm the Agency's determination to execute and deliver the Extension Documents;

NOW, THEREFORE, BE IT RESOLVED, by the California Housing Finance Agency that the Executive Director, the Director of Financing and the Secretary of the Board of Directors and other authorized officers of the Agency are hereby authorized and directed, for and on behalf and in the name of the Agency, to execute and acknowledge and to deliver each of the Extension Documents and any related or ancillary documents, to take such other actions as may be necessary or proper to permit the Agency's participation in the extension of TCLP, and to make such amendments and changes to the Extension Documents and any related or ancillary documents as may be necessary or proper to permit the Agency's ongoing participation in TCLP, including amendments or changes necessary to be made after the effective date of the Extension Documents.

SECRETARY'S CERTIFICATE

I, Victor James, the undersigned, do hereby certify that I am the duly authorized Secretary of the Board of Directors of the California Housing Finance Agency, and hereby further certify that the foregoing is a full, true, and correct copy of Resolution No. 12-__ duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 20th day of September, 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 20th day of September, 2012.

[SEAL]

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

State of California

M E M O R A N D U M

To Board of Directors **Date:** September 4, 2012

Kenneth Giebel, Director of Single Family Lending
From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: CALHFA MORTGAGE CREDIT CERTIFICATE (MCC) PROGRAM UPDATE

CalHFA's Mortgage Credit Certificate (MCC) Program was announced on May 7, 2012 and we issued our first Credit Certificate on June 6, 2012.

As of the end of August 2012, CalHFA has approved 29 CalHFA Lenders and three non-CalHFA Approved lenders for participation in our MCC program. Currently we have a total of 66 active applications of which 18 have been issued MCC Tax Certificates.

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M E M O R A N D U M

To: CalHFA Board of Directors

Date: 6 Aug 2012

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

SUBJECT: Keep Your Home California

Incoming call volume remained strong in July although decreased from the highs experienced at the peak of the UMA-EDD outreach. The resultant pipeline from the UMA-EDD effort led to a record 2,458 homeowners being approved for funding in July. Call volume for July was up 13% from June with a total of 31,506 (third highest month since program inception) homeowner phone calls answered. Counseling sessions were up 13% from June with a total of 6,298 counseling sessions performed. Homeowner Action Plan (HAP) volume was flat relative to June with 2,828 HAPs sent to homeowners in July. The in-process pipeline remains high although down about 30% from this time last month.

There are a number of marketing efforts currently under way:

Project	**Status**	**Completion Date**
Transit Advertising	"Bus Tail" ads are running on hundreds of public buses in the LA Metro area.	June - December 2012
Mobile Messaging	Implemented and tracking results.	Ongoing through December 2012.
Ethnic Advertising	Print ads are running in five large ethnic publications: La Vida en el Valle (Hispanic); Fin de Semana (Hispanic); Korean Times; World Journal (Chinese); el Latino	June - December 2012 November 2011 -

Project	Status	Completion Date
	(Hispanic) Television ads are being broadcast in Chinese, Filipino, Vietnamese, Hindi/Punjabi, Hmong and Russian through a cable TV agreement.	November 2012
Traffic Sponsorships	Traffic announcements on radio stations across the state are continuing to be effective and have been renewed for a 52 week schedule in 2012.	Ongoing through 2012
Payroll Flyers	Flyers promoting KYHC were included in payroll vouchers for 265,000 CA state and CSU employees in the August 2012 payroll.	August 1, 2012
Initiative Planning for 2012	Various marketing initiatives are being discussed and analyzed for possible introduction in 2012. These include Transit TV advertising, print ads in major daily publications, partnership opportunities with retail outlets, various ethnic marketing opportunities and reaching out to recognized personalities for KYHC spokesperson potential.	Phased between September 2012 - Year End

Quarterly Performance Data

June 30, 2012 marked the end of the quarter for purposes of US Treasury reporting. That full report is available on our website, but there are some important milestones and accomplishments I would like to call out:

- Unique borrowers receiving assistance increased 64% from the previous quarter.
- 98% of homeowners still reside in their homes six months after receiving KYHC assistance.
- UMA approved applicants in the current quarter increased 68% from the prior quarter. This is likely a result of the mailer insert sent to EDD benefit recipients.
- 25% of UMA recipients have become re-employed.
- MRAP approved applicants increased 18% over the prior quarter.
- KYHC has provided assistance to homeowners in 57 of 58 California Counties.

In a comparison of our information to other HHF States, as reported by UST:

- California has funded the highest number of transactions (10,501), followed by North Carolina (6,815), Ohio (6,585), and Michigan (5,728).
- In the second quarter alone, California funded the most transactions (3,820), followed by Michigan (1,580), North Carolina (1, 557), Ohio (1,465) and Illinois (1,245).
- California's Principal Reduction Program has the highest volume for non-unemployment related programs.

We believe these numbers demonstrate that our performance is continuing to improve. We believe the recent changes approved by UST to eliminate the match requirement for PRP and increase the amount of assistance available per household will result in continued improvements in our performance.

Servicers:

Nine (9) new servicers were added in July for a total of 89 servicers participating in the program. There is a pipeline of four (4) servicers for potential onboarding in August. In light of the most recent changes to the PRP program, we have seen servicer participation in that program increase significantly. There are currently 31 servicers participating in the PRP program (up from 13), and we have verbal commitments from the largest servicers who are currently in the process of implementing changes to their systems that will be needed to participate.

What we saw in July

- Call center volume for July was up 13% from June to July.
- Counseling sessions were up 13% from June to July.
- The ratio of counseling calls to HAPs decreased, as compared to June, to 45% in July (historical average is 48% since program inception).
- In June, we funded (or approved for funding) the highest number of unique homeowners since the program's inception: 2,458. This represents a 16% increase over June 2012, the previous record month. UMA represented 92% of the total unique approved to fund transaction in July.

Operational Challenges:

- CalHFA MAC continues its work with the CPC to implement process improvements that enable effective management of the current and upcoming pipeline. EDD mailer volume resulted in a significant increase to the UMA pipeline which caused protracted processing timeframes. Increased volume also delayed critical process improvement efforts as CPC management and staff focused more of their efforts on processing transactions than project management.
- CalHFA MAC is working with the CPC to implement a system-generated email program that provides standardized communications to homeowners regarding the importance of timely document collection. This new protocol will improve processing efficiencies by reducing the number of phone calls and/or emails a processor must send to a homeowner to follow up for

missing documents. Slow and/or inconsistent processor follow up regarding missing homeowner documents has become an issue of concern.

Other process improvements that have either been completed or are actively underway include:

- Streamlined homeowner and/or third party documentation, adjusted according to program.
- Streamlined the CDF record review process (between the processing center and servicers), resulting in an approximate 33% efficiency ratio.
- Developed a new Call Center unit to provide expanded processing support. This team is now able to provide basic information to homeowners with processing-related activities such as file and document status. (This effort was implemented in an effort to improve Processor efficiencies and decrease homeowner complaints regarding processing times.)
- Removed eligibility process steps that were redundant of processing staff efforts when reviewing UMA transactions.
- Implemented a “by servicer” CDF pipeline report aimed at improving communication and processing times with servicers. This new report will also help the CPC track and manage volume to ensure the timely return of CDF information.

Finally, Deloitte has completed its mid-year review of financial management and internal controls for the KYHC program. An exit interview is in the process of being scheduled, but no findings are expected.

State of California

M E M O R A N D U M

To: Board of Directors **Date:** September 6, 2012

Tim Hsu, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: Homeownership Loan Portfolio Update

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

- Delinquencies as of June 30, 2012 by insurance type,
- Delinquencies as of June 30, 2012 by product (loan) type,
- Delinquencies as of June 30, 2012 by loan servicer,
- Delinquencies as of June 30, 2012 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 February 2010 thru June 2012)
- A chart of the number of CalHFA's Conventional Delinquent Loan Trend for 30-90 Day and 120 Day (for the period of February 2010 thru June 2012)
- A graph of CalHFA's 90-day+ ratios for FHA and Conventional loans (for the period of June 2007 through June 2012),
- A graph of 90-day+ ratios for CalHFA's three Conventional loan (products) types, for the period of June 2010 through June 2012,
- Real Estate Owned (REO) at July 31, 2012,
- Accumulated Uninsured Losses from January 1, 2008 through July 31, 2012,
- Disposition of 1st Trust Deed Gain/(Loss) for January 1 through July 31, 2012, and
- Write-Offs of subordinate loans for January 1 through July 31, 2012

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California Housing Finance Agency

CalHFA

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

Reconciled Loan Delinquency Summary
All Active Loans By Insurance Type
As of June 30, 2012

	Loan Count	Balance	% of Balance	DELINQUENCY RATIOS - % of Loan Count: Loan Count	30-Day	Loan Count	60-Day	Loan Count	90(+) Day	Totals: Count	%
Federal Guaranty											
FHA	9,149	$ 1,099,476,524	29.44%	527	5.76%	177	1.93%	593	6.48%	1,297	14.18%
VA	259	33,320,236	0.89%	6	2.32%	1	0.39%	20	7.72%	27	10.42%
RHS	84	15,339,209	0.41%	6	7.14%	1	1.19%	14	16.67%	21	25.00%
Conventional loans											
with MI											
CalHFA MI Fund	5,685	1,475,332,618	39.51%	246	4.33%	112	1.97%	663	11.66%	1,021	17.96%
without MI											
Orig with no MI	4,816	937,488,381	25.11%	142	2.95%	52	1.08%	262	5.44%	456	9.47%
MI Cancelled*	1,263	173,145,465	4.64%	32	2.53%	6	0.48%	41	3.25%	79	6.25%
Total CalHFA	21,256	$ 3,734,102,434	100.00%	959	4.51%	349	1.64%	1,593	7.49%	2,901	13.65%

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

Reconciled Loan Delinquency Summary
All Active Loans By Loan Type
As of June 30, 2012

	Loan Count	Balance	% of Balance	DELINQUENCY RATIOS - % of Loan Count: Loan Count	30-Day	Loan Count	60-Day	Loan Count	90(+) Day	Totals: Count	%
30-yr level amort											
FHA	9,149	$ 1,099,476,524	29.44%	527	5.76%	177	1.93%	593	6.48%	1,297	14.18%
VA	259	33,320,236	0.89%	6	2.32%	1	0.39%	20	7.72%	27	10.42%
RHS	84	15,339,209	0.41%	6	7.14%	1	1.19%	14	16.67%	21	25.00%
Conventional - with MI	3,130	724,710,128	19.41%	117	3.74%	51	1.63%	272	8.69%	440	14.06%
Conventional - w/o MI	5,347	937,718,831	25.11%	141	2.64%	43	0.80%	239	4.47%	423	7.91%
40-yr level amort											
Conventional - with MI	440	124,834,030	3.34%	22	5.00%	10	2.27%	56	12.73%	88	20.00%
Conventional - w/o MI	194	38,334,134	1.03%	5	2.58%	2	1.03%	16	8.25%	23	11.86%
5-yr IOP, 30-yr amort											
Conventional - with MI	2,115	625,788,461	16.76%	107	5.06%	51	2.41%	335	15.84%	493	23.31%
Conventional - w/o MI	538	134,580,880	3.60%	28	5.20%	13	2.42%	48	8.92%	89	16.54%
Total CalHFA	21,256	$ 3,734,102,434	100.00%	959	4.51%	349	1.64%	1,593	7.49%	2,901	13.65%
	Weighted average of conventional loans:			420	3.57%	170	1.45%	966	8.21%	1,556	13.23%

California Housing Finance Agency

CalHFA

Reconciled Loan Delinquency Summary
All Active Loans By Loan Servicer
As of June 30, 2012

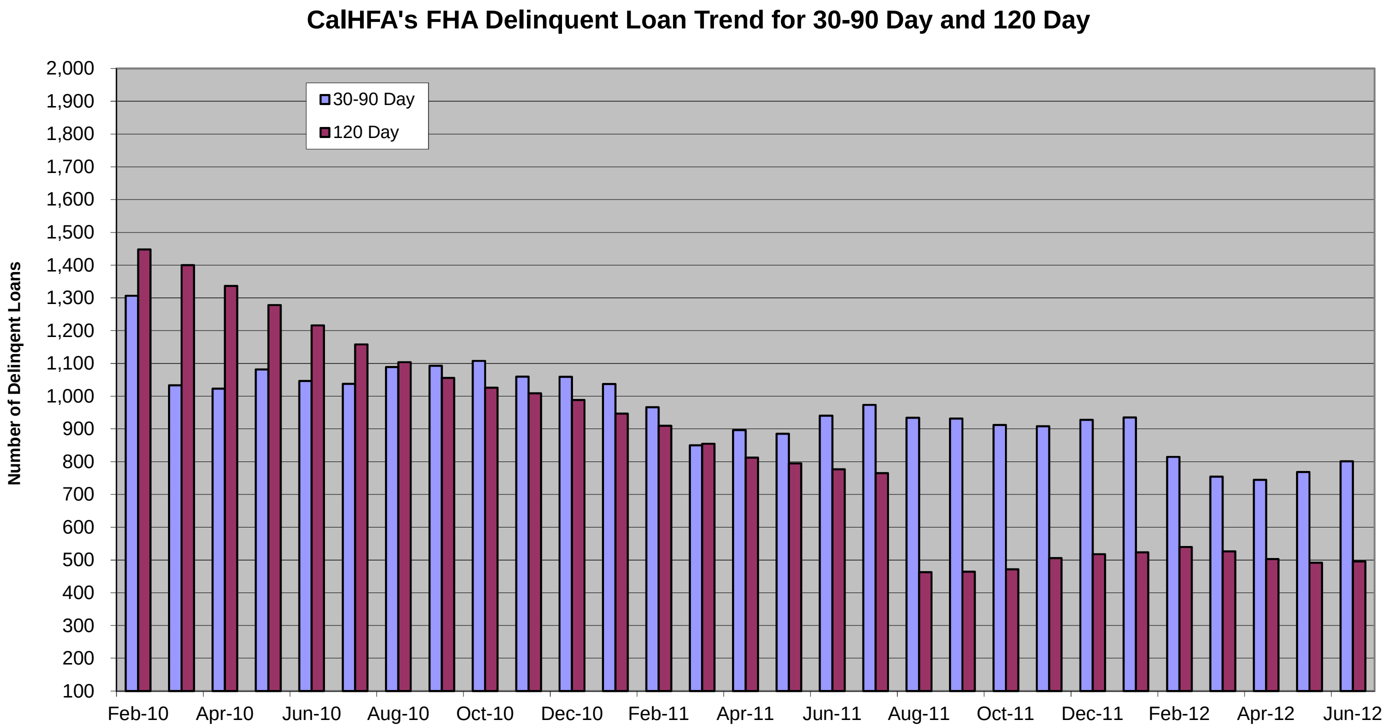
	Loan Count	Balance	% of Balance	DELINQUENCY RATIOS - % of Loan Count							
				Loan Count	30-Day	Loan Count	60-Day	Loan Count	90(+) Day	Totals Count	Totals %
CALHFA - LOAN SERVICING	7,966	$ 1,748,216,035	46.82%	277	3.48%	119	1.49%	548	6.88%	944	11.85%
GUILD MORTGAGE	4,943	822,575,090	22.03%	271	5.48%	66	1.34%	280	5.66%	617	12.48%
WELLS FARGO HOME MORTGAGE	2,217	249,902,935	6.69%	82	3.70%	44	1.98%	142	6.41%	268	12.09%
BAC HOME LOANS SERVICING, LP	1,959	366,561,712	9.82%	118	6.02%	54	2.76%	340	17.36%	512	26.14%
EVERHOME MORTGAGE COMPANY	1,964	180,771,052	4.84%	131	6.67%	23	1.17%	76	3.87%	230	11.71%
FIRST MORTGAGE CORP	827	158,790,151	4.25%	19	2.30%	21	2.54%	80	9.67%	120	14.51%
GMAC MORTGAGE CORP	847	109,210,500	2.92%	48	5.67%	9	1.06%	55	6.49%	112	13.22%
BANK OF AMERICA, NA	256	41,606,735	1.11%	10	3.91%	5	1.95%	23	8.98%	38	14.84%
JPMORGAN CHASE BANK, N.A.	180	42,350,434	1.13%	1	0.56%	5	2.78%	34	18.89%	40	22.22%
CITIMORTGAGE, INC.	49	11,126,831	0.30%	1	2.04%	2	4.08%	12	24.49%	15	30.61%
DOVENMUEHLE MORTGAGE, INC.	42	1,185,135	0.03%	1	2.38%	1	2.38%	1	2.38%	3	7.14%
WESCOM CREDIT UNION	5	1,502,659	0.04%	0	0.00%	0	0.00%	2	40.00%	2	40.00%
PROVIDENT CREDIT UNION	1	303,164	0.01%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Total CalHFA	21,256	$ 3,734,102,434	100.00%	959	4.51%	349	1.64%	1,593	7.49%	2,901	13.65%

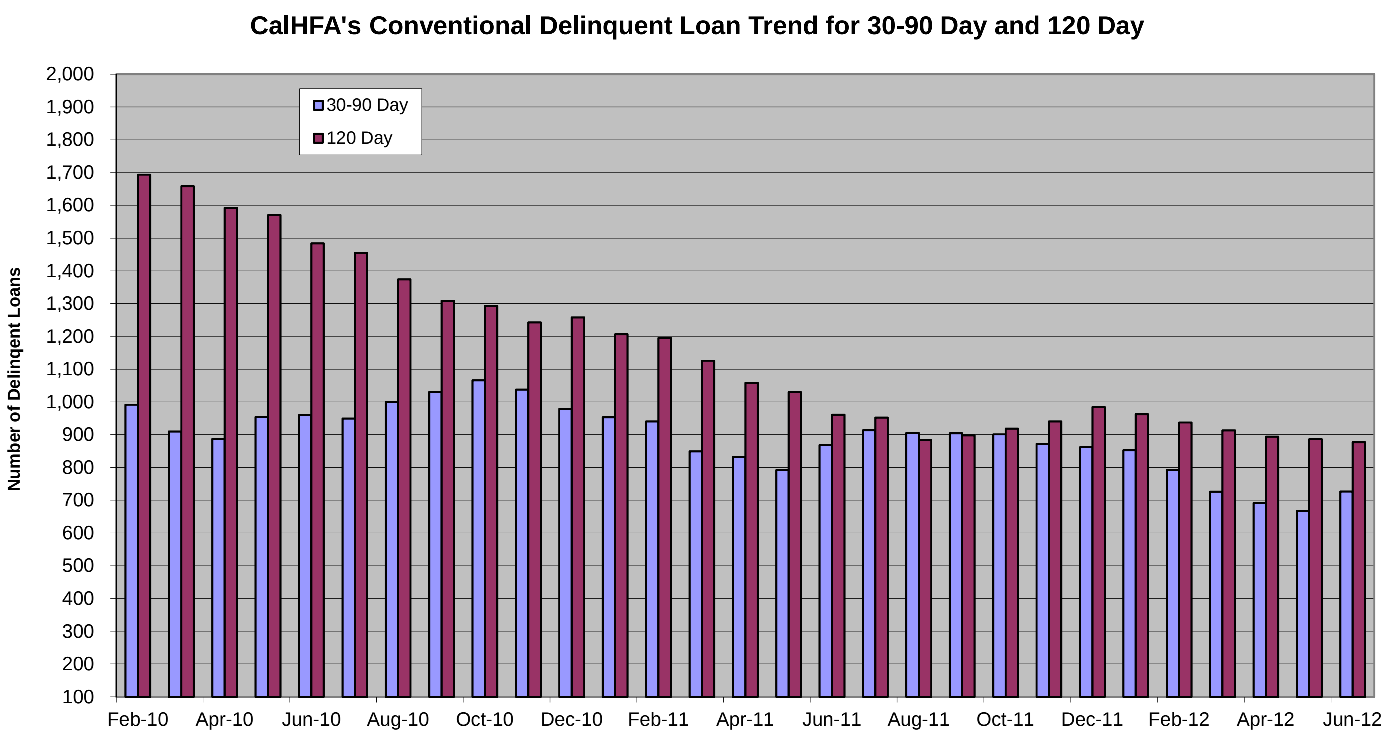
Reconciled Loan Delinquency Summary
All Active Loans By County
As of June 30, 2012

	Loan Count	Balance	% of Balance	DELINQUENCY RATIOS - % of Loan Count							
				Loan Count	30-Day	Loan Count	60-Day	Loan Count	90-Day+	Total Count	Total %
LOS ANGELES	3,530	$ 715,345,620	19.16%	175	4.96%	46	1.30%	271	7.68%	492	13.94%
SAN DIEGO	1,914	402,102,941	10.77%	66	3.45%	39	2.04%	187	9.77%	292	15.26%
SANTA CLARA	1,486	383,456,594	10.27%	20	1.35%	16	1.08%	89	5.99%	125	8.41%
KERN	1,296	132,170,014	3.54%	99	7.64%	19	1.47%	60	4.63%	178	13.73%
FRESNO	1,068	94,573,971	2.53%	68	6.37%	29	2.72%	53	4.96%	150	14.04%
TULARE	1,054	93,527,585	2.50%	67	6.36%	20	1.90%	58	5.50%	145	13.76%
ORANGE	1,044	230,329,090	6.17%	30	2.87%	17	1.63%	73	6.99%	120	11.49%
SACRAMENTO	1,033	177,152,257	4.74%	37	3.58%	19	1.84%	109	10.55%	165	15.97%
SAN BERNARDINO	1,012	164,491,996	4.41%	47	4.64%	23	2.27%	118	11.66%	188	18.58%
RIVERSIDE	984	153,182,762	4.10%	68	6.91%	24	2.44%	118	11.99%	210	21.34%
ALAMEDA	932	218,763,414	5.86%	18	1.93%	6	0.64%	56	6.01%	80	8.58%
CONTRA COSTA	743	160,659,053	4.30%	24	3.23%	16	2.15%	72	9.69%	112	15.07%
VENTURA	537	139,746,326	3.74%	19	3.54%	4	0.74%	42	7.82%	65	12.10%
IMPERIAL	496	48,379,894	1.30%	38	7.66%	7	1.41%	25	5.04%	70	14.11%
SONOMA	421	83,523,820	2.24%	20	4.75%	4	0.95%	16	3.80%	40	9.50%
OTHER COUNTIES	3,706	536,697,096	14.37%	163	4.40%	60	1.62%	246	6.64%	469	12.66%
Total CalHFA	21,256	$ 3,734,102,434	100.00%	959	4.51%	349	1.64%	1,593	7.49%	2,901	13.65%

California Housing Finance Agency

CalHFA

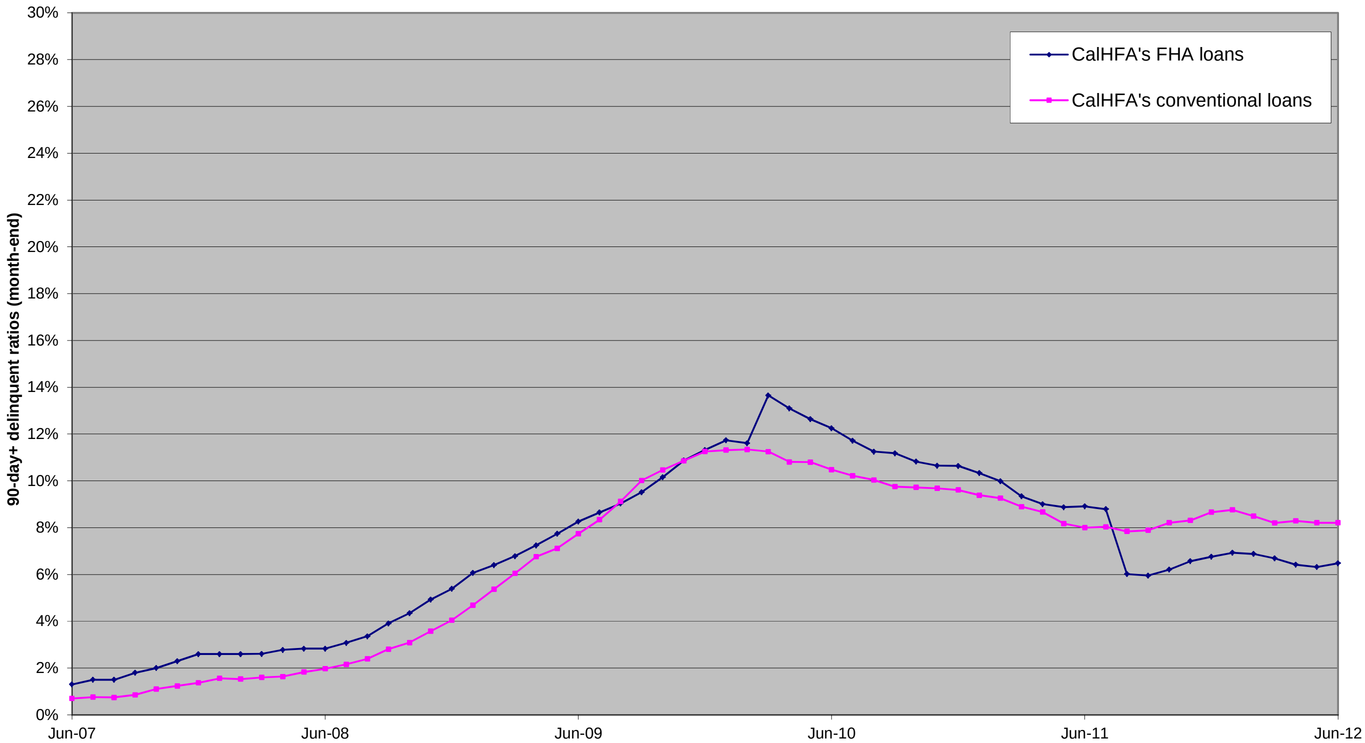




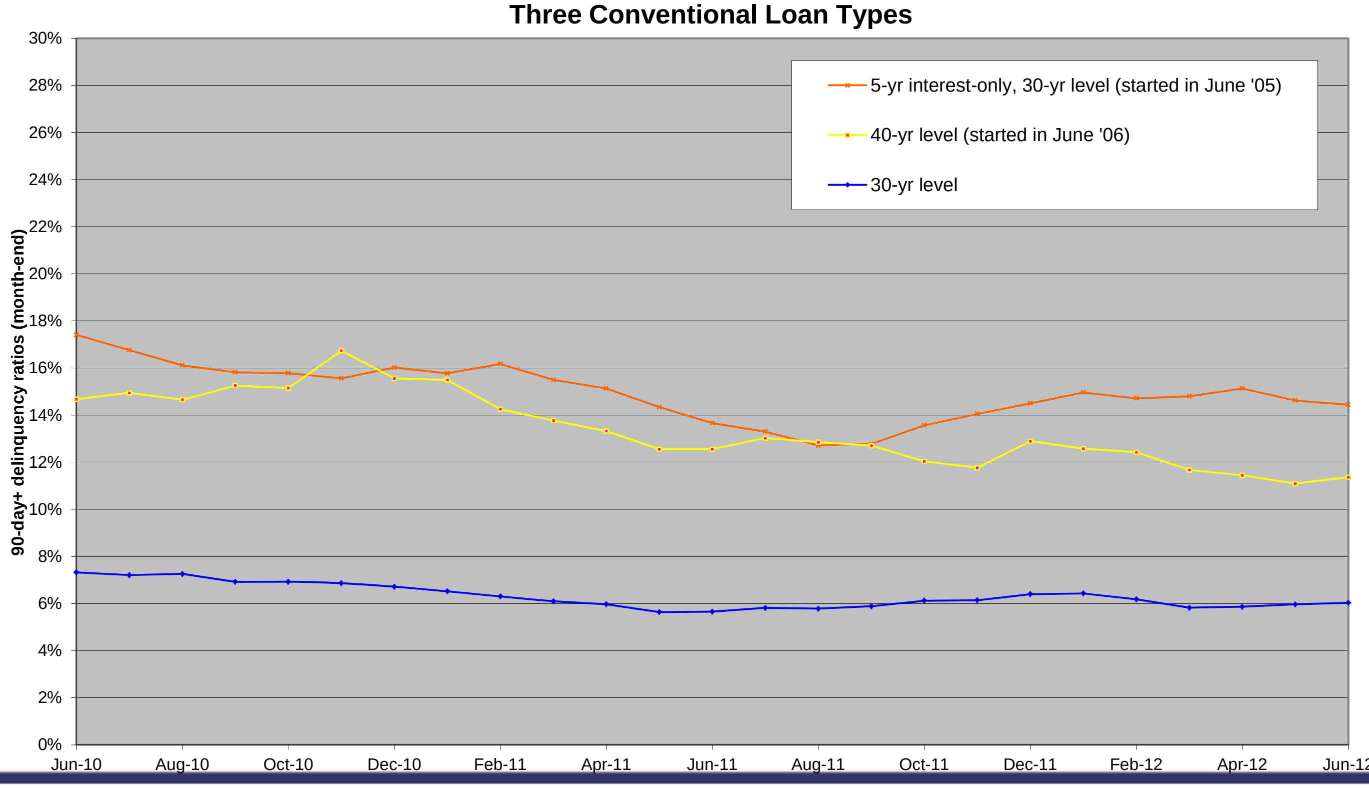
California Housing Finance Agency

CalHFA

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



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



California Housing Finance Agency

CalHFA

Real Estate Owned

Calendar Year 2012 (As of July 31, 2012)												
			**Trustee Sales			Disposition of REO(s)						
Loan Type	Beginning Balance # of Loans	Prior Calendar Adj.	Reverted to CalHFA Jan-June	Reverted to CalHFA July	Total Trustee Sales	Repurchased by Lender Jan-June	Market Sale(s) Jan-June	Repurchased by Lender July	Market Sale(s) July	Total Disposition of REO(s)	Ending Balance # of Loans	UPB of REO's Owned
FHA/RHS/VA	124	(8)	180	26	206	160		33		193	129	$ 24,005,326
Conventional	565	4	508	84	592		768		105	873	288	67,355,958
Total	689	(4)	688	110	798	160	768	33	105	1,066	417	$ 91,361,284

Calendar Year 2011						
		*Trustee Sales	Disposition of REO(s)			
Loan Type	Beginning Balance # of Loans	Reverted to CalHFA 2011	Repurchased by Lender 2011	Market Sale(s) 2011	Ending Balance # of Loans	UPB of REO's Owned
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						
		*Trustee Sales	Disposition of REO(s)			
Loan Type	Beginning Balance # of Loans	Reverted to CalHFA 2010	Repurchased by Lender 2010	Market Sale(s) 2010	Ending Balance # of Loans	UPB of REO's Owned
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						
		*Trustee Sales	Disposition of REO(s)			
Loan Type	Beginning Balance # of Loans	Reverted to CalHFA 2009	Repurchased by Lender 2009	Market Sale(s) 2009	Ending Balance # of Loans	UPB of REO's Owned
FHA/RHS/VA	51	588	452		187	$ 40,850,369
Conventional	226	929		536	619	150,498,899
Total	277	1517	452	536	806	$ 191,349,268

**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 twenty-three (23) 3rd party sale to date 2012.*

California Housing Finance Agency

CalHFA

Conventional Loans	# of Properties Sold	Principal Write-Offs (1)	# of GAP Claims	Actual GAP(2) Claim Payments	# of Subordinate Loans	Subordinate Write-Offs (3)
Accumulated Uninsured Losses as of July 31, 2012						
REOs Sold	4,385	$ (155,815,609)	2,601	$ (117,367,774)		
Short Sales	817	(28,391,539)	395	(17,461,359)	2,241	$ (19,939,035)
3rd Party Sales	44	(196,576)	4	(170,867)	118	(1,045,386)
Write-offs resulting from foreclosures					8,872	(85,590,623)
Total:	5,246	$ (184,403,724)	3,000	$ (135,000,000)	11,231	$ (106,575,044)

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

(2) The California Housing Loan Insurance Fund (the MI Fund") 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 Loss
(As of July 31, 2012)

Loan Type	Disposition: Repurchased by Lender	Disposition: Market Sales	Disposition: Short Sales	Disposition: Loan Balance at Sales	Principal Write-Offs	Actual GAP Claim Payments
FHA/RHS/VA	193		12	$ 38,207,642		
Conventional		873	181	287,787,509	$ (71,567,880)	$ (1,483,256)
	193	873	193	$ 325,995,150	$ (71,567,880)	$ (1,483,256)

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

Loan Type	Active Loans: Active Loans	Active Loans: Dollar Amount	Write-Offs: Number of Write-Offs	Write-Offs: Dollar Amount
CHAP/HiCAP	8,469	$90,338,124	661	$7,313,267
CHDAP/ECTP/HiRAP	23,219	173,569,697	785	6,005,121
Other (2)	236	3,215,187	2	10,500
	31,924	$267,123,007	1,448	$13,328,889

(1) Does not include FNMA and CalSTRS subordinates (non-agency loans serviced by in house loan servicing)

(2) Includes HPA, MDP, OHPA, and SSLP.

State of California

M E M O R A N D U M

To: Board of Directors **Date:** September 6, 2012

Timothy Hsu, Director of Financing

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:

1) Outstanding Bonds
2) Variable Rate Debt
    a) Variable Rate Debt Exposure
    b) Types of Variable Rate Debt
    c) Liquidity Providers
    d) Interest Rate Swaps
3) Financing Risk Factors
    a) Unhedged Variable Rate Risk
    b) Basis Risk
    c) Amortization Risk
    d) Termination Risk
    a) Collateral Posting Risk

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1) 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 $537 million

BONDS OUTSTANDING
As of September 1, 2012
($ in millions)

	Fixed Rate	Variable Rate	Totals
Single Family	$2,192	$2,146	$4,338
Multifamily	337	609	946
TOTALS	$2,529	$2,755	$5,284

2) VARIABLE RATE DEBT

a) 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 $2.7 billion, 52% of our $5.3 billion of total indebtedness as of September 1, 2012.

VARIABLE RATE DEBT
($ in millions)

	Swapped to Fixed Rate	Not Swapped or Tied to Variable Rate Assets	Total Variable Rate Debt
HMRB (SF)	$1,194	$924	$2,118
MHRB (MF)	393	183	576
HPB (SF & MF)	0	61	61
Total	$1,587	$1,168	$2,755

b) TYPES OF VARIABLE RATE DEBT

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

TYPES OF VARIABLE RATE DEBT
($ in millions)

	Auction Rate & Similar Securities	Indexed Rate Bonds	Variable Rate Demand Obligations	Total Variable Rate Debt
HMRB	$0	$776	$1,342	$2,118
MHRB	108	0	468	576
HPB	0	0	61	61
Total	$108	$776	$1,871	$2,755

c) 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 Agency has negotiated a commitment from Treasury to extend the deadline for the TCLP to December 23, 2015.)

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

LIQUIDITY PROVIDERS
As of 9/1/2012
($ in millions)

Financial Institution	$ Amount of Bonds
Freddie Mac	$ 935
Fannie Mae	935
Total	$1,870

d) Interest Rate Swaps

Currently, we have a total of 93 “fixed-payer” swaps with thirteen different counterparties for a combined notional amount of $2.1 billion. All of these fixed-payer swaps are intended to establish synthetic fixed rate debt by converting our variable rate payment obligations to fixed rates. The table below provides a summary of our swap notional amounts.

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

	Tax-Exempt	Taxable	Totals
HMRB	$1,379	$183	$1562
MHRB	566	0	566
TOTALS	$1,945	$183	$2,128

SWAPS
($ in millions)

	Hedging Bonds	Not Hedging Bonds	Totals
HMRB	$1,194	$3681	$1,562
MHRB	393	173	566
TOTALS	$1,587	$541	$2,128

For all of our fixed-payer swaps, we receive floating rate payments from our counterparties in exchange for a fixed-rate obligation on our part. In today’s market, the net periodic payment owed under these swap agreements is from us to our counterparties. As an example, on our August 1, 2012 semiannual debt service payment date we made a total of $42 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

Swap Guarantor	Credit Ratings Moody's	S & P	Notional Amounts Swapped as of 9/1/2012 ($ in millions)	Number of Swaps
Merrill Lynch Derivative Products	Aa3	AAA	$ 602	34
JPMorgan Chase Bank, N.A.	Aa3	A+	525	18
Goldman Sachs Mitsui Marine Derivative Products, , L.P.	Aa2	AAA	214	7
Citigroup Financial Products, Inc.	Baa2	A-	201	8
AIG Financial Products, Corp. [2]	Baa1	A-	193	7
Deutsche Bank AG	A2	A+	182	11
Morgan Stanley Capital Services, Inc.	Baa1	A-	112	2
BNP Paribas	A2	AA-	50	2
Bank of New York Mellon	Aa1	AA-	25	1
UBS AG	A2	A	13	1
Dexia Credit Local New York Agency [2]	Baa2	BBB	10	1
Merrill Lynch Capital Services, Inc.	Baa2	A-	1	1
			$ 2,128 [1]	93

[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*

3) FINANCING RISK FACTORS

a) Unhedged Variable Rate Risk

As shown in Sec. 2(a), the Variable Rate Debt table, our "net" variable rate exposure is $1.2 billion, 22% 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 $1.2 billion of net variable rate exposure ($669 million taxable and $499 million tax-exempt) is offset by the Agency’s variable rate investments and excess swap positions. The Agency’s balance sheet has: i) $550 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) $541 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 $1.2 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 $1.2 billion of net variable rate exposure translates to $670 million of net variable rate exposure. This $670 million is further reduced by the $550 million of funds invested in SMIF. Thus the "true" net variable rate debt, from the Agency's balance sheet perspective, is $101 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.

b) 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 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 2 basis point or 0.02% below SIFMA, whereas in 2009, our VRDOs were resetting at an average of 106 basis points or 1.06% above SIFMA. 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.

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	65%

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

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

	Tax-Exempt	Taxable	Totals
% of LIBOR (+ spread)	$1350	$0	$1,350
SIFMA (+ spread)	388	0	388
Stepped % of LIBOR [1]	203	0	203
3 mo. LIBOR (+ spread)_	0	102	102
% of SIFMA	19	0	19
1 mo. LIBOR	0	40	40
3 mo. LIBOR	0	16	16
6 mo. LIBOR	0	10	10
TOTALS	$1,960	$168	$2,128

[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%.

c) **<u>AMORTIZATION RISK</u>**

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	$12,145,000.00
2005	35,435	$35,435,000.00
2006	20,845	$20,845,000.00
2007	28,120	$28,120,000.00
2008	18,470	$18,470,000.00
2009	370,490	$370,490,000.00
2010	186,465	$186,465,000.00
2011	288,700	$288,700,000.00
2012	361,975	$361,975,000.00
	$1,322,645	

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

SEMI-ANUAL PREPAYMENT SPEED
FOR PAST FIVE YEARS

6-mo Period Ending:	PSA
Jun-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%
Jun-2012	278%

Of interest is an $541 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.

d) 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

Date	Termination Value ($ in millions)
6/30/11*	($253)
9/30/11	($338)
12/31/11	($330)
3/31/12	($302)
6/30/12	($324)

** As reported in the Financial Statements*

e) 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 8/29/2012
($ in millions)

	JPMorgan	Goldman Sachs	BofA	BofA / Merrill Lynch	Deutsche	AIG	Total
Marked-to-Market	69.64	37.84	65.09	38.3	39.62	18.24	
Credit Support Amount	34.64	24.09	6.25	22.2	9.62	0	96.8

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State of California

M E M O R A N D U M

To Board of Directors **Date:** September 6, 2012

Timothy Hsu, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: MERRILL LYNCH DERIVITIVE PRODUCTS GUARANTEE ON MERRILL LYNCH AND BANK OF AMERICA SWAPS

On June 4, 2012 the Agency executed six revised ISDAs with Bank of America, N.A. (“BANA”) for the purpose of “wrapping” these ISDAs with the guarantee of Merrill Lynch Derivative Products AG (“MLDP”). In response to an anticipated downgrade by Moody’s which would trigger an Additional Termination Event (“ATE”), BANA proposed wrapping their Merrill Lynch and Bank of America trades with MLDP as the guarantor. The wrap would mean that the Schedule to the Master Agreement would refer to the ratings of MLDP for the ATE. The wrap effectively reduces the chance of a termination event as MLDP was rated “AAA” by Moody’s, whereas the current counterparties, Merrill Lynch Capital Services and Bank of America, N.A. were rated “A1” and “A”, respectively, by Moody’s.

In addition to the wrap of MLDP as the swap guarantor, the Agency was also effective in negotiating a higher collateral threshold for one of the ISDAs that the Agency was currently posting collateral, thereby reducing or eliminating the posting of collateral for that ISDA.

The table below shows the ISDAs that were wrapped by MLDP.

Swap Counterparty	ISDA Date	Number of trades	Swap Guarantor	Notional Outstanding
BofA N.A	12/1/2002	2	MLDP	$25,510,000
BofA N.A	1/16/2004	1	MLDP	$27,085,000
BofA N.A	7/18/2011	25	MLDP	$310,980,000
BofA N.A	7/19/2011	6	MLDP	$179,305,000
BofA N.A	7/20/2011	1	MLDP	$50,000,000
MLCS	8/20/2003	3	MLDP	$30,695,000
				$623,575,000

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State of California

M E M O R A N D U M

To Board of Directors **Date:** September 6, 2012

Timothy Hsu, Financing Risk Manager

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: REPORT OF BOND SALE
RESIDENTIAL MORTGAGE REVENUE BONDS 2009 SERIES A-5

On Thursday, June 7, CalHFA closed $466.115 million of bonds under its Residential Mortgage Revenue Bond Indenture. The bonds were issued in one tax exempt fixed rate series, 2009 Series A-5. The 2009 Series A-5 bonds are a conversion of the RMRB 2009 A-1 bonds initially issued in late 2009 under the Federal HFA Initiatives New Issue Bond Program (NIBP). The GSEs (Fannie Mae and Freddie Mac) will retain ownership of the Program Bonds. The bonds are rated A3 by Moody's. The 2009 Series A-5 bonds will initially bear interest at a short-term rate of 2.06% and will reset to a long term rate of 3.16% on August 7, 2012.

On July 1, 2012, the bond proceeds will be transferred to the HMRB Indenture to refund certain un-hedged variable rate bonds backed by the Temporary Credit and Liquidity Program (TCLP) on July 4, 2012. In exchange for bond proceeds, certain participations in single family mortgage loans and participations in single family mortgage-backed securities and cash will be transferred to the RMRB 2009 A-5 Indenture on July 1, 2012. The refunding benefits the HMRB Indenture in a number of ways:

- reliance on the TCLP is reduced by refunding variable rate debt backed by this program.
- HMRB asset-to-liability ratio will increase with the refunding.
- potential rising interest rate risk on un-hedged variable rate debt will decrease.

In addition, on June 7, 2012, the Agency secured the refunding with a deposit of assets from the Housing Assistance Trust totaling $49,957,892 in order to obtain a single-A rating on the bonds to make the refunding economically feasible. The Agency's deposit consisted of certain single family mortgage loans, certain participations in single family mortgage-backed securities, certain multifamily mortgage-backed securities and cash. The Agency's deposit was authorized by the Board with approval of Resolution 12-01 as revised on January 19, 2012. As required in Resolution 12-01, the Executive Director, Claudia Cappio, has certified that she has determined that this deposit is expected to result in a net economic benefit to the Agency.

State of California

M E M O R A N D U M

To: Board of Directors **Date:** September 20, 2012

Tim Hsu, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: HOME AFFORDABLE MODIFICATION PROGRAM PARTICIPATION

The Agency is planning to release a notice to all loan servicers notifying them that CalHFA loans will be eligible for Home Affordable Modification Program (HAMP) loan modifications. HAMP is a federally supported loan modification program with financial incentives for both the servicer and the investor to modify loans. The Agency would like to modify as many loans as possible with the help of Keep Your Home California (KYHC) to keep as many borrowers in their homes and out of foreclosure. An increase in loan modifications will also help the finances of the Home Mortgage Revenue Bonds (HMRB) indenture. The Agency is attempting to increase modifications in two ways. First, the Agency is planning to begin allowing HAMP loan modifications on loans serviced by HAMP approved loan servicers. Second, the Agency has revised its internal CalHFA Modification Program (CMP) to conform to KYHC changes. This memo discusses the HAMP loan modification approval, and a separate report details the changes to CMP loan modifications.

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HOME AFFORDABLE MODIFICATION PROGRAM SUMMARY

Many of the Agency's single-family loan servicers have been reluctant to participate in the Agency's loan modification program, because the servicers did not want to run multiple loan modification programs. The federally supported HAMP program is the most widely used modification program, but only servicers that signed up to participate when it was introduced are allowed to modify loans with incentives. CalHFA loan servicing is not a participating servicer. For all loans that are modified, the federal government will provide incentive payments to the servicer and borrower, and an ongoing incentive payment to the investor to make up part of the mortgage payment reduction.

HAMP loan modifications must be done under HAMP regulations including the following:

- The borrower must have a qualifying hardship.
- Target debt-to-income (DTI) ratio established at 31% for HAMP modifications.
- The federal government will provide an ongoing subsidy of 50% of the payment reduction from a maximum of 38% DTI through a minimum of 31% DTI for up to 5 years.
- The federal government will also provide incentives to the investor for forgiving loan principal.
- Modified interest rates will increase after 5 years at 1.00% per year until the rate reaches the lower of the original note rate or the Freddie Mac Mortgage Survey rate as of the date the loan modification was completed.
- All HAMP loan modifications will be run through the federal government's HAMP net present value model to ensure that each loan modification provides expected positive economic value to CalHFA's bondholders. The Agency will not have control over approving HAMP loan modifications on a case-by-case basis.

HOME AFFORDABLE MODIFICATION PROGRAM APPROVAL

The Agency is expecting to allow HAMP modifications by those servicers that are eligible to increase the number of successful modifications completed, while benefitting from the federal incentives and the KYHC contributions. The following conditions will be included to loan servicers along with any approval of HAMP modifications.

- Target loan-to-value (LTV) is established at 140% for all modifications in order to meet KYHC minimum standards.
- Principal forgiveness and forbearance will be allowed to reach LTV and DTI targets.
- Loans serviced by HAMP-approved servicers that fail HAMP modification requirements should still be attempted to be modified under CMP.

<u>HAMP MODIFICATION WATERFALL</u>

Each qualified loan will be modified following the same criteria. Below is the order in which each loan will be modified under HAMP.

1. Mortgage arrearages will be capitalized into modified UPB.
2. KYHC PRP payments (up to $100,000) are first applied to borrower principal to reduce the LTV to a minimum of 105% LTV if other qualifications are met. If this step brings the borrower to a 140% LTV and 38% DTI, no further steps are necessary.
3. Forgive loan principal to reach 140% LTV.
4. Reduce interest rate to minimum rate of 2.00% or until 31% DTI is reached (in 1/8th % increments).
5. Extend loan term to a maximum of 480 months or until 31% DTI is reached.
6. Forbear principal until the new maturity date until 31% DTI is reached. This amount will bear no interest.

All of these changes will be run through HAMP's net present value test provided by FHFA.

<u>MORTGAGE INSURANCE PRE-CLAIM ADVANCE STATUS</u>

Under the current CMP, there is an agreement with the California Housing Loan Insurance Fund (CaHLIF) and Genworth Mortgage Insurance Company (Genworth) to make up any lost interest to the indenture due to loan modifications on insured mortgages through pre-claim advances (PCA) of mortgage insurance claims. The PCAs offset any future claims on a loan-by-loan basis. Since CaHLIF no longer has the ability to make scheduled or future PCAs, Genworth continues to pick up 50% of the lost interest in the form of PCAs. The mortgage insurers benefit from loan modifications through having fewer claims and are willing to contribute to the modification to reflect this benefit.

The prospect of allowing HAMP on Agency loans has led the Agency to work with Genworth to update our PCA agreement. HAMP loan modifications as well as principal forgiveness and principal forbearance were not contemplated under the original PCA agreement. The negotiations have progressed, but are still ongoing. We expect to have a new agreement in place by the time the first modifications are completed under HAMP.

State of California

M E M O R A N D U M

To: Board of Directors **Date:** September 20, 2012

Tim Hsu, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: CALHFA LOAN MODIFICATION PROGRAM UPDATE

The Agency is planning to release an update to its loan modification program this month to meet revised Keep Your Home California (KYHC) requirements and to keep in line with industry standards. The Agency would like to modify as many loans as possible with the help of KYHC to keep as many borrowers in their homes and out of foreclosure. An increase in loan modifications will also help the finances of the Home Mortgage Revenue Bonds (HMRB) indenture. The Agency is attempting to increase modifications in two ways. First, the Agency is planning to begin allowing federally supported Home Affordable Modification Program (HAMP) loan modifications on loans serviced by HAMP approved loan servicers. Second, the Agency has revised its internal CalHFA Modification Program (CMP) to conform to KYHC changes. This memo discusses the changes to CMP, and a separate report details the approval of HAMP loan modifications.

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KEEP YOUR HOME CALIFORNIA CRITERIA CHANGES

KYHC has implemented changes to its program to increase participation across the state. These changes can benefit CalHFA borrowers and bondholders if the Agency is able to meet the new requirements. Following are some highlights of the KYHC changes.

- Individual borrower limit on money received from KYHC has increased to $100,000 from $50,000.
- All KYHC contributions will be received up front with a forgivable note and deed of trust given to KYHC.
- The modified loan-to-value (LTV) on the first loan must be reduced to a 140% to qualify for the Principal Reduction Program (PRP) under KYHC. This can include principal forgiveness by the lender beyond the amount given through the PRP contribution. PRP will be provided until the loan's LTV reaches a 105% LTV (previously the floor was 115% LTV).
- The housing debt-to-income ratio (DTI) must be reduced to 38% or below to qualify for a PRP payment. The DTI has no floor, and can be achieved by combining principal forgiveness (including PRP payments), rate reductions, loan term extensions, and principal forbearance.
- Any loan modification after PRP money is applied must begin with a rate reduction.
- KYHC will allow a recasting of the loan only if the LTV and DTI ranges are met after the PRP payment is made. If a re-amortization of the loan meets the 140% LTV and 38% DTI requirements, no rate reduction, or loan term extension is necessary. If only principal forgiveness is necessary to reach the LTV and DTI requirements, a recast can be completed with both the PRP reduction and principal forgiveness taken into account.

PROPOSED CALHFA LOAN MODIFICATION CHANGES

In order to receive the increase KYHC payments, the Agency will have to change CMP to meet the new LTV and DTI requirements. Currently, CMP uses a cash flow test to determine how much the borrower can pay towards a mortgage on a monthly basis. The borrower qualifications for modifications will not change significantly from the current loan modification program, but the modified loan target ratios have been changed to conform to KYHC requirements. Also, the Agency has added principal forgiveness and principal forbearance to the toolbox of options in CMP. Following is a list of the major changes for the revised CMP.

- The borrower must have a qualifying hardship and the loan payment must exceed 31% DTI.
- Target LTV is established at 140% for all modifications in order to meet KYHC minimum standards.
- Target DTI established at 38% for CMP modifications.
- Principal forgiveness and forbearance will be allowed to reach LTV and DTI targets.
- Interest rate reductions will take place prior to loan term extensions.
- Modified interest rates will increase after 5 years at 1.00% per year until the rate reaches the original note rate.
- Loans serviced by non-HAMP approved servicers (including CalHFA Loan Servicing) will be modified under CMP.
- Loans serviced by HAMP-approved servicers that fail HAMP modification requirements should still be attempted to be modified under CMP.
- All CMP loan modifications will be run through a net present value model to ensure that each loan modification provides expected positive economic value to CalHFA's bondholders. Also, cash flows will be run periodically to ensure that the loan modifications are not harming the long-term financial viability of the HMRB bond indenture.

REVISED CMP MODIFICATION WATERFALL

Each qualified loan will be modified following the same criteria. Below is the order in which each loan will be modified under CMP.

1. Mortgage arrearages will be capitalized into modified UPB.
2. KYHC PRP payments (up to $100,000) are first applied to borrower principal to reduce the LTV to a minimum of 105% LTV if other qualifications are met. If this step brings the borrower to a 140% LTV and 38% DTI, no further steps are necessary.
3. Forgive up to $40,000 of loan principal to reach 140% LTV.
4. Reduce interest rate to minimum rate of 2.00% or until 38% DTI is reached (in 1/8th % increments).
5. Extend loan term to a maximum of 480 months or until 38% DTI is reached.
6. Forbear up to 30% of the UPB until the new maturity date until 38% DTI is reached. This amount will bear no interest.

MORTGAGE INSURANCE PRE-CLAIM ADVANCE STATUS

Under the current CMP, there is an agreement with the California Housing Loan Insurance Fund (CaHLIF) and Genworth Mortgage Insurance Company (Genworth) to make up any lost interest to the indenture due to loan modifications on insured mortgages through pre-claim advances (PCA) of mortgage insurance claims. The PCAs offset any future claims on a loan-by-loan basis. Since CaHLIF no longer has the ability to make scheduled or future PCAs, Genworth continues to pick up 50% of the lost interest in the form of PCAs. The mortgage insurers benefit from loan modifications through having fewer claims and are willing to contribute to the modification to reflect this benefit.

The changes to CMP have required the Agency to work with Genworth to update our PCA agreement. The principal forgiveness and principal forbearance were not contemplated under the original PCA agreement. The negotiations have progressed, but are still ongoing. We expect to have a new agreement in place by the time the first modifications are completed under the revised CMP.

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State of California

M E M O R A N D U M

To: **CalHFA Board of Directors** **Date: 6 Aug 2012**

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

Subject: **Legislative Report**

Today the Legislature returns for the final month of session. Below is info on a number of bills. A number of the bills are no longer active or alive because they failed to move forward by required deadlines. Next report will be the final for this session. If you have any questions or comments about any bills, whether listed below or not, please let me know. I'm always interested in knowing your thoughts and concerns, and it helps ensure I'm reporting on the bills you are most interested in.

Affordable Housing

SB 1220 **(DeSaulnier D) Housing Opportunity and Market Stabilization (HOMeS) Trust Fund Act of 2012.**

Status: 6/1/2012-Failed Deadline pursuant to Rule 61(b)(11). (Last location was S. THIRD READING on 5/31/2012)

Location: 6/1/2012-S. DEAD

Summary: This bill would have enacted the Housing Opportunity and Market Stabilization (HOMeS) Trust Fund Act of 2012. The bill would have made legislative findings and declarations relating to the need for establishing permanent, ongoing sources of funding dedicated to affordable housing development, and would have imposed a fee, except as provided, 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.

Bonds

AB 505 **(Harkey R) Housing programs: audits.**

Status: 7/6/2012-Failed Deadline pursuant to Rule 61(b)(13). (Last location was S. 2 YEAR on 8/26/2011)

Location: 7/6/2012-S. DEAD

Summary: This bill would have required the Bureau of State Audits, on or before January 1, 2013, and every 4 years thereafter, to conduct a performance audit of all programs funded through special or General Fund sources and administered by HCD.

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

Status: 7/6/2012-Failed Deadline pursuant to Rule 61(b)(13). (Last location was A. B.,P. & C.P. on 6/19/2012)

Location: 7/6/2012-A. DEAD

Summary: This bill would have incorporated 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 that is authorized to allocate funds from the sale of bonds does not take the corrective action or measure prescribed by the department within 60 days of receiving notice of the corrective action or measure from 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 sale of those bonds. The bill would have applied only to the allocation of funds that are authorized under a bond act that is adopted on or after January 1, 2013.

CalHFA Misc

AB 2447 **(Skinner D) California Neighborhood Revitalization Partnership Act of 2012.**

Status: 7/5/2012-Do pass as amended, and re-refer to the Committee on Appropriations

Location: 7/5/2012-S. APPR.

Calendar: 8/6/2012 9 a.m. - John L. Burton Hearing Room (4203)
SENATE APPROPRIATIONS, KEHOE, Chair

Summary: This bill would establish the California Neighborhood Revitalization Partnership Act of 2012, to be administered by the Department of Housing and Community Development, to finance affordable housing for low- to moderate-income households. The bill would authorize specified applicants, to apply for grant or loan moneys from the agency on a competitive basis for purposes of financing, among other things, the purchase of foreclosed homes, the demolition of blighted structures, and the redevelopment of demolished or vacant properties. The bill would transfer $25,000,000 from bond moneys made available to the California Homebuyer's Downpayment Assistance Program from the Self-Help Housing Fund to a newly created fund, the California Neighborhood Revitalization Fund.

Economic Development

AB 2144 **(John A. Pérez D) Local government: infrastructure and revitalization financing districts.**

Status: 7/3/2012-Read second time and amended. Re-referred to Com. on APPR.

Location: 7/3/2012-S. APPR.

Calendar: 8/6/2012 Anticipated Hearing SENATE APPR., Not in daily file.

Summary: This bill would authorize the creation of an infrastructure and revitalization financing district and the issuance of debt with 55% voter approval. The bill would authorize the creation of a district for up to 40 years and the issuance of debt with a final maturity date of up to 30 years. The bill would delete the prohibition on a district including any portion of a redevelopment project area, and would specifically authorize a district to finance projects in redevelopment project areas and former redevelopment project areas and former military bases. The bill would authorize the legislative body of a city to dedicate any portion of its funds received from the Redevelopment Property Tax Fund to the district, if specified criteria are met. The bill would authorize a city to form a district to finance a project or projects on a former military base, if specified conditions are met. The bill would provide that the issuance of debt by such a district on land of a former military base that is publicly owned is not subject to voter approval, as specified.

Notes: According to the author's office, "AB 2144 facilitates the formation and broadens the purposes of IFDs (renamed IRFDs) in order to make them more useful local tools – in light of the end of redevelopment – for economic development, affordable housing, sustainable communities, military base reuse, and brownfields cleanup and mitigation. IRFDs will encourage local cooperation and include appropriate protections for state and local taxpayers. Opposition, including the Howard Jarvis Taxpayers Association and the California Association of Realtors, believes that by reducing the voter-approval requirements for the creation of an IFD and for the issuance of bonds, this will reduce input or direct voter oversight for matters affecting their communities.

Energy Efficiency

AB 1124 **(Skinner D)** **Landlord and tenant.**

Status: 6/20/2012-Read second time. Ordered to third reading.

Location: 6/20/2012-S. THIRD READING

Calendar: 8/6/2012 #77 SENATE ASSEMBLY BILLS-THIRD READING FILE

Summary: Existing law requires that any building with a dwelling unit maintain certain characteristics in order to be tenantable, including the maintenance of adequate heating and hot water systems that conform to the standard of quality set by applicable law. This bill would require that these provisions would not be interpreted to prohibit a tenant or owner from qualifying for energy savings assistance programs for repair or replacement of heating or hot water systems.

Notes: The PUC's rules for the ESA program prohibit the use of program funds for replacement or repair of heating and cooling systems in multifamily rental apartment buildings. The author argues that more than one-third of ESA-eligible low-income households reside in such buildings, where the primary energy savings opportunity is to increase the efficiency of these heating and hot water systems. The PUC apply specific principles while maintaining the utilities' flexibility in program design.

HCD

AB 1699 **(Torres D)** **Affordable housing.**

Status: 7/5/2012-Do pass as amended, and re-refer to the Committee on Appropriations

Location: 7/5/2012-S. APPR.

Calendar: 8/6/2012 9 a.m. - John L. Burton Hearing Room (4203)
SENATE APPROPRIATIONS, KEHOE, Chair

Summary: This bill would authorize HCD 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 make changes with regard to existing rent subsidies and rents under existing department housing programs, as specified. The bill would authorize the department to adopt guidelines that are not subject to the Administrative Procedures.

Notes: This bill would give HCD the authority to extend and modernize the loans in its older portfolio through conversion to MHP. Many of these loans were awarded in the late 1990s and are coming close to their term. Once the loan is paid off, the regulatory agreement which requires the units to remain affordable is extinguished. Many affordable housing providers would like to keep their projects affordable but need to take on additional debt financed with a low interest rate. By extending the loans on those projects this bill could preserve numerous affordable housing units currently in existence.

Insurance

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

Status: 7/6/2012-Failed Deadline pursuant to Rule 61(b)(13). (Last location was A. INACTIVE FILE on 5/31/2012)

Location: 7/6/2012-A. DEAD

Summary: This bill would have prohibited a mortgage servicer, from obtaining 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, unless there is a reasonable basis to believe that the borrower has failed to comply with contract requirements to maintain hazard, flood, or homeowner's insurance. The bill would have required, if a borrower's existing hazard, flood, or homeowner's insurance policy is paid through an escrow account, that the mortgage servicer advance payments to continue the borrower's existing policy.

Notes: According to the author, the increasing practice of mortgage servicers force-placing insurance on homeowners is one of the more troubling practices associated with the still unfolding foreclosure crisis throughout California and our nation. The idea that servicers can purchase insurance coverage for a property at exorbitant prices and pass the burden of the payments on to struggling families with little or no constraints is completely unacceptable. Homeowners who are teetering on the precipice of foreclosure and bankruptcy must not be pushed over the edge simply to satisfy the desire of bigger profits for servicers or insurance companies when alternative approaches exist to protect the servicers' obligations to bond holders and to preserve the homeowners' goal of keeping their home. Supporters argue that force-placed insurance policies have become an increasingly lucrative business – growing from $1 billion to $6 billion annually in just a few short years – for mortgage servicers, who regularly purchase force-placed insurance policies from their own subsidiaries or affiliated companies. The Association of California Insurance Companies (ACIC) submitted a letter of opposition to the Committee prior to the proposed amendments contending that the bill would create a new body of law and standards for force placed insurers who are already regulated by the California Department of Insurance (CDI). ACIC also expresses concerns with the remedies available under the bill, contending that force placed insurers are already heavily regulated.

AB 2303 **(Committee on Insurance) Insurance omnibus.**

Status: 6/26/2012-Read second time. Ordered to third reading.

Location: 6/26/2012-S. THIRD READING

Calendar: 8/6/2012 #105 SENATE ASSEMBLY BILLS-THIRD READING FILE

Summary: This bill would prohibit mortgage insurance from being an insurance product that may be offered in this state.

Notes: According to the author, this bill would establish a regulatory scheme for the sale of “mortgage guaranty insurance,” which has superseded "mortgage insurance.” Repeals obsolete statutes relating to mortgage insurance. Among other things, the bill repeals existing law establishing "mortgage insurance." These statutes are obsolete because these policies are now issued under separate statutory authority for "mortgage guaranty insurance."

SB 1450 **(Calderon D) Mortgage guaranty insurance.**

Status: 7/13/2012-Chaptered by the Secretary of State, Chapter Number 105, Statutes of 2012

Location: 7/13/2012-S. CHAPTERED

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, until January 1, 2018, delete those requirements with regard to that class of insurance.

Notes: According to the sponsor, Mortgage Insurance Companies Association (MICA), this bill will permit insurers to reduce costs, lift burdens from regulators, and bring California on track with a majority of other states.

Land Use

AB 710 **(Skinner D) Local planning: infill and transit-oriented development.**

Status: 9/9/2011-From inactive file. Senate Rule 29 suspended. (Ayes 24. Noes 12. Page 2453.) Ordered to third reading. Read third time. Refused passage. (Ayes 18. Noes 19. Page 2474.).

Location: 9/9/2011-S. THIRD READING

Summary: The Planning and Zoning Law requires specified regional transportation planning agencies to prepare and adopt a regional transportation plan directed at achieving a coordinated and balanced regional transportation system, and requires the regional transportation plan to include, among other things, a sustainable communities strategy, for the purpose of using local planning to reduce greenhouse gas emissions. This bill would state the findings and declarations of the Legislature with respect to parking requirements and infill and transit-oriented development, and would state the intent of the Legislature to reduce unnecessary government regulation and to reduce the cost of development by eliminating excessive minimum parking requirements for infill and transit-oriented development. This bill would also express a legislative finding and declaration that its provisions shall apply to all cities, including charter cities. This bill contains other related provisions.

Notes: Supporters argue that AB 710 provides a significant incentive to housing and commercial developers to pursue needed infill and TOD projects. According to the supporters, increases in public transportation options and the development of more walkable and bikeable neighborhoods reduce the demand for parking. Relaxing minimum parking requirements allows developers to be more creative and efficient in supplying housing, especially in inner city areas. Opponents argue that AB 710's one-size-fits-all approach impedes local discretion in land use decision-making and ignores the fact that every community is different and has different needs. Opponents feel that decisions about parking are best left to the discretion of local governments, who are in a much better position to determine how much parking their community requires.

Landlord Tenant

AB 265 **(Ammiano D) Tenancies: unlawful detainer.**

Status: 1/31/2012-Failed Deadline pursuant to Rule 61(b)(3). (Last location was 2 YEAR on 6/3/2011)

Location: 1/31/2012-A. DEAD

Summary: Existing law specifies that a tenant is guilty of unlawful detainer upon default in the payment of rent under the lease after receipt of 3 days' notice of that violation and failure to correct it. Existing law authorizes a court to relieve a tenant against the forfeiture of a lease or rental agreement in case of hardship, and also grants a court the discretion to relieve any person against forfeiture on its own motion. This bill would authorize a residential tenant who has been served the 3 days' notice to redeem a tenancy and continue in lawful possession by tendering to the owner or the owner's agent the amount of rent in arrears, any subsequent rent that has become due, and the reasonable court costs and attorney's fees incurred by the plaintiff in an unlawful detainer action as of the date of tender, in accordance with specified procedures.

AB 1953 **(Ammiano D) Rental housing: tenant notice.**

Status: 7/6/2012-Read second time. Ordered to third reading.

Location: 7/6/2012-S. THIRD READING

Calendar: 8/6/2012 #203 SENATE ASSEMBLY BILLS-THIRD READING FILE

Summary: Existing law requires an owner of a dwelling structure, or a party signing a rental agreement or lease on behalf of the owner, or in the case of an oral rental agreement, the owner or a person acting on behalf of the owner, to provide specified information to a tenant, including, among other things, the name, telephone number, and address of the person or entity to whom rent payments shall be made. Existing law requires a successor owner or manager to comply with these requirements within 15 days of succeeding the previous owner or manager. This bill would prohibit a successor owner or manager from evicting a tenant for nonpayment of rent that accrued during the period of noncompliance by a successor owner or manager with the above-described information requirements. The bill would provide that these provisions would not relieve the tenant of any liability for unpaid rent.

Notes: According to the author, purchasers of rental properties, especially foreclosed homes, are increasingly allowing months to go by without notifying tenants where to pay rent. When a new owner fails to timely inform the tenant to whom rent should be paid, but then months later serve a three-day notice demanding all of the accumulated rent, many low-income tenants no longer have the money to pay and keep their homes. Good tenants end up losing their housing because their landlord failed to comply with the law, unnecessarily creating nonpayment situations. This bill will help prevent unnecessary evictions after ownership changes.

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

Status: 7/3/2012-Do pass as amended.

Location: 7/3/2012-A. JUD.

Summary: Existing law, until January 1, 2013, requires a tenant of property upon which a notice of sale has been posted to be provided a specified notice advising the tenant that, among other things, 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 secured by a single-family dwelling, or a multifamily dwelling not exceeding 4 units, and who has received a notice of default from the mortgagee, trustee, or other person authorized to take the foreclosure sale to disclose the notice of default in writing to any prospective tenant prior to executing a lease agreement for the property. The bill would also provide that a violation of those provisions would allow the tenant to void the lease and entitle the tenant to recovery of twice the monthly rent or twice the amount of actual damages from the landlord, and all prepaid rent, in addition to any other remedies that are available. The bill would also provide that if the tenant elects not to void the lease and the foreclosure sale has not yet occurred, the tenant may deduct a total amount equal to two months ' rent from future rent obligations owed the landlord who received the notice of default. The bill would specify the content of the written disclosure notice.

Notes: According to the author, this bill is intended to ensure that Californians make rental decisions with full and accurate information about the property that may become their home. While it seems like common courtesy to tell someone that the apartment they're considering is in foreclosure, it's not legally required. As a result, tenants often sign leases only to find out that in just a few days or weeks, the property will be up for auction. There are several risks associated with leasing a property in foreclosure.

Misc

SB 1039 **(Steinberg D) State government: Business, Consumer Services, and Housing Agency.**

Status: 7/17/2012-Chaptered by the Secretary of State, Chapter Number 147, Statutes of 2012

Location: 7/17/2012-S. CHAPTERED

Summary: This bill would eliminate the State and Consumer Services Agency and instead establish in state government the Business, Consumer Services, and Housing Agency, comprised of the Department of Consumer Affairs, the Department of Housing and Community Development, the Department of Fair Employment and Housing, the Department of Business Oversight, the Department of Alcoholic Beverage Control, the Alcoholic Beverage Control Appeals Board, the California Horse Racing Board, and the Alfred E. Alquist Seismic Safety Commission. The bill would make conforming changes necessary to effectuate certain provisions of the Governor's Reorganization Plan No. 2 of 2012.

Notes: During hearings on GRP 2 several interest groups expressed concern that not including "housing" in the title of the newly formed agency would somehow diminish the status of housing in the newly formed agency. As such, this bill was introduced to add "Housing" to the title of the newly created Business and Consumer Service Agency. This would elevate housing to the level of the other agencies.

Mortgage Lending

AB 1547 **(Eng D) Residential mortgage loans: foreclosure procedures.**

Status: 4/27/2012-Failed Deadline pursuant to Rule 61(b)(5). (Last location was A. B. & F. on 2/9/2012)

Location: 4/27/2012-A. DEAD

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: 5/11/2012-Failed Deadline pursuant to Rule 61(b)(6). (Last location was A. B. & F. on 2/9/2012)

Location: 5/11/2012-A. DEAD

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. This bill would extend the operation of these provisions until January 1, 2018.

AB 1599 **(Feuer D) Mortgages and deeds of trust: foreclosure: languages.**

Status: 7/3/2012-Do pass as amended, and re-refer to the Committee on Appropriations

Location: 7/5/2012-S. APPR.

Summary: (1) 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, including recording a notice of sale prior to exercising a power of 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 notice of default to contain a summary of the notice of default in English and 5 specified languages. The bill would also require a notice of sale to contain a summary of the information required to be contained in the notice of sale in English and 5 specified languages. The bill would require a mortgagee, trustee, beneficiary, or authorized agent to provide to the mortgagor or trustor a copy of the notice of default and a copy of the notice of sale containing these summaries. The bill would require the Department of Real Estate, contingent upon sufficient private funding, to provide a standard summary translation of a notice of default and a notice of sale in those languages, and to make those documents available without charge on its Internet Web site. The bill would provide that any mortgagee, trustee, beneficiary, or authorized agent who uses the department summary translation shall not be liable for errors in translation. This bill contains other related provisions.

Notes: According to the author, this bill is intended "to help more homeowners obtain equal access to the basic information they need to make an informed decision when they are hit with foreclosure, regardless of whether they have become fully proficient in English." Although the foreclosure crisis is a systemic problem, numerous studies have documented that foreclosures have hit immigrants and communities of color especially hard. Although white borrowers make up the majority (56%) of households that have suffered foreclosures, minorities have had significantly higher foreclosure rates. Studies show that minorities are 70% more likely than white borrowers to lose their homes to foreclosure.

AB 1763 **(Davis D) Grand jury proceedings: Attorney General: powers and duties.**

Status: 6/26/2012-From committee: Do pass and re-refer to Com. on APPR. (Ayes 7. Noes 0.) (June 26). Re-referred to Com. on APPR.

Location: 6/26/2012-S. APPR.

Calendar: 8/6/2012 9 a.m. - John L. Burton Hearing Room (4203) SENATE APPROPRIATIONS, KEHOE, Chair

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. Existing law authorizes the Attorney General to impanel a special grand jury to investigate, consider, or issue indictments for specified activities relating to Medi-Cal fraud. This bill also would authorize the Attorney General to impanel a special statewide grand jury, as prescribed, for cases involving fraud or theft that occur in more than one county and were conducted by a single defendant or multiple defendants acting in concert.

Notes: Sponsored by AG. According to the author, the existing methods of indicting large-scale financial crimes under existing California statues are inadequate. For example, deadlines required by the preliminary hearing process are too short to allow for an adequate presentation of the extensive documentary evidence that typically accompanies a major financial criminal investigation. Additionally under existing law, a grand jury has authority only over crimes occurring within its county of jurisdiction. This is a serious impediment to prosecutions of crimes that occur over multiple jurisdictions.

AB 1950 **(Davis D) Prohibited business practices: enforcement.**

Status: 7/3/2012-Do pass as amended, and re-refer to the Committee on Appropriations

Location: 7/3/2012-S. APPR.

Calendar: 8/6/2012 9 a.m. - John L. Burton Hearing Room (4203) SENATE APPROPRIATIONS, KEHOE, Chair

Summary: Existing law prohibits any person from engaging in the business, acting in the capacity of, advertising or assuming to act as a real estate broker or a real estate salesperson without first obtaining a real estate license, as specified. This bill would additionally prohibit any person from engaging in the business, acting in the capacity of, advertising or assuming to act as a mortgage loan originator without being so licensed or without having obtained a license.

Notes: Sponsored by AG. This bill is intended to expand consumer protection related to mortgage fraud by making permanent certain prohibitions on mortgage loan origination, increasing the power of the California Office of the Attorney General to prosecute alleged fraud, and imposing a new $25 recordation fee on notices of default to fund further anti-fraud efforts by the Attorney General.

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AB 2057 **(Carter D) Mortgages and deeds of trust.**

Status: 5/11/2012-Failed Deadline pursuant to Rule 61(b)(6). (Last location was A. PRINT on 2/23/2012)

Location: 5/11/2012-A. DEAD

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 have made a nonsubstantive change to those provisions.

AB 2314 **(Carter D) Real property: blight.**

Status: 7/6/2012-Read third time. Passed. Ordered to the Assembly. (Ayes 36. Noes 0. Page 4321.).

Location: 7/5/2012-S. CONSENT CALENDAR

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. This bill would delete the repeal clause for these provisions and thus extend the operation of these provisions indefinitely.

Notes: Sponsored by AG. According to the author, one consequence of the foreclosure crisis is that foreclosed properties often remain empty, fall into disrepair, and become a source of blight in many California communities. This bill, therefore, seeks to give local jurisdictions more tools to fight blight. It does so first by removing the sunset on an existing law that requires the legal owner of vacant foreclosed property to maintain that property or potentially face a fine of up to $1000 per day per violation. In addition, this bill seeks to facilitate the existing authority of local enforcement agencies to take various actions against owners of substandard buildings.

AB 2425 **(Mitchell D) Mortgages and deeds of trust: foreclosure.**

Status: 4/27/2012-Failed Deadline pursuant to Rule 61(b)(5). (Last location was

A. B. & F. on 4/10/2012)

Location: 4/27/2012-A. DEAD

Summary: Existing law prescribes foreclosure procedures, including, among other things, procedures for recording a notice of default, recording a notice of sale, and conducting a foreclosure sale. This bill would define a mortgage servicer, and would, commencing July 1, 2013, require a mortgage servicer to establish a single point of contact when a borrower on a residential mortgage or deed of trust is 60 or more days delinquent, has had a notice of default recorded, or is seeking a loan modification or other loss mitigation, as specified. The bill would impose various obligations on the single point of contact in connection with loan modification or other loss mitigation options. This bill contains other related provisions and other existing laws.

AB 2528 **(John A. Pérez D) Mortgages and deeds of trust: foreclosure: military members.**

Status: 5/11/2012-Failed Deadline pursuant to Rule 61(b)(6). (Last location was A. JUD. on 4/9/2012)

Location: 5/11/2012-A. DEAD

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. Existing law requires that, upon a breach of the obligation of a mortgage or transfer of an interest in property, 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. This bill would require that in order for a notice of default to be recorded, it include a declaration stating that the mortgagee, trustee, or authorized agent contacted the borrower to determine if the borrower is an active duty service member, and if the borrower is an active duty service member, or was an active duty service member 90 days prior to the date the notice of default is to be recorded, that the mortgagee, trustee, or authorized agent has complied with the federal Service members Civil Relief Act .

AB 2532 **(Wagner R) Mortgages and deeds of trust: foreclosure.**

Status: 5/11/2012-Failed Deadline pursuant to Rule 61(b)(6). (Last location was A. PRINT on 2/24/2012)

Location: 5/11/2012-A. DEAD

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) Tenants: foreclosure and unlawful detainer.**

Status: 7/5/2012-From committee: Do pass and re-refer to Com. on APPR. (Ayes 5. Noes 0.) (July 3). Re-referred to Com. on APPR.

Location: 7/5/2012-S. APPR.

Calendar: 8/6/2012 Anticipated Hearing SENATE APPR., Not in daily file.

Summary: Existing law requires a notice of sale to be posted before any power of sale can be exercised under the power of sale contained in any deed of trust or mortgage. 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. Existing law makes it an infraction to tear down the notice within 72 hours of posting. Existing law requires a state government entity to make translations of the notice available in 5 specified languages, for use by a mortgagee, trustee, beneficiary, or authorized agent, in order to satisfy the notice requirements. This bill would revise certain portions of the notice to instead require a resident of property upon which a notice of sale has been posted to be advised that 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 90-day eviction notice. The bill would require the notice to advise a tenant who has a lease that the new property owner is required to honor the lease unless the new owner will occupy the property as a primary residence or under other limited circumstances. The bill would require the Department of Consumer Affairs to make translations of the notice available, as described above. The bill would provide that these changes to the notice would become operative on March 1, 2013, or 60 days following posting of a dated notice incorporating those amendments on the Department of Consumer Affairs Internet Web site, whichever date is later. The bill would extend the operation of these provisions until December 31, 2019.

SB 900 **(Leno D) Mortgages and deeds of trust: foreclosure.**

Status: 7/11/2012-Chaptered by the Secretary of State, Chapter Number 87, Statutes of 2012

Location: 7/11/2012-S. CHAPTERED

Summary: Existing law, until January 1, 2013, requires a mortgagee, trustee, beneficiary, or authorized agent to contact the borrower prior to filing a notice of default to explore options for the borrower to avoid foreclosure, as specified. Existing law requires a notice of default or, in certain circumstances, a notice of sale, to include a declaration stating that the mortgagee, trustee, beneficiary, or authorized agent has contacted the borrower, has tried with due diligence to contact the borrower, or that no contact was required for a specified reason. This bill would add mortgage servicers to these provisions and would extend the operation of these provisions indefinitely, except that it would delete the requirement with respect to a notice of sale. The bill would, until January 1, 2018, additionally require the borrower, as defined, to be provided with specified information in writing prior to recordation of a notice of default and, in certain circumstances, within 5 business days after recordation. The bill would prohibit a mortgage servicer, mortgagee, trustee, beneficiary, or authorized agent from recording a notice of default or, until January 1, 2018, recording a notice of sale or conducting a trustee's sale while a complete first lien loan modification application is pending, under specified conditions. The bill would, until January 1, 2018, establish additional procedures to be followed regarding a first lien loan modification application, the denial of an application, and a borrower's right to appeal a denial. This bill contains other related provisions and other existing laws.

Notes: Sponsored by AG. Homeowner’s Bill of Rights

SB 980 **(Vargas D) Mortgage loans.**

Status: 7/3/2012-From committee: Do pass and re-refer to Com. on APPR. with recommendation: To consent calendar. (Ayes 10. Noes 0.) (July 3). Re-referred to Com. on APPR.

Location: 7/3/2012-A. APPR.

Calendar: 8/8/2012 9 a.m. - State Capitol, Room 4202
ASSEMBLY APPROPRIATIONS, FUENTES, Chair

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 performance 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 1069 **(Corbett D) Deficiency judgments.**

Status: 7/9/2012-Chaptered by the Secretary of State, Chapter Number 64, Statutes of 2012

Location: 7/9/2012-S. CHAPTERED

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 that no deficiency judgment shall lie in any event on any loan, refinance, or other credit transaction that is used to refinance a purchase money loan, as defined, or subsequent refinances of a purchase money loan, except to the extent that the lender or creditor advances new principal which is not applied to any obligation owed or to be owed under the purchase money loan, or to fees, costs, or related expenses of the refinance. The bill would provide, for purposes of these provisions, that any payment of principal for a refinanced purchase money loan would be deemed to be applied first to the principal balance of the purchase money loan, and then to the remaining principal balance, as specified. The bill's provisions would apply to a loan, refinance, or other credit transaction used to refinance a purchase money loan which is executed on or after January 1, 2013.

Notes: Under current state law, lenders may seek a deficiency judgment in a judicial foreclosure for a non-purchase money loan. Refinanced loans are considered non-purchase. The author argued it is unfair to subject homeowners to new personal liability merely because they refinanced the original mortgage. California has extended protection from deficiency judgments to homeowners in the event of a short sale with the enactment of Senate Bill 458 (Corbett, 2011) and Senate Bill 931 (Ducheny, 2010). The unfairness is particularly acute in that almost no borrowers understood the new liability that was being acquired along with the refinance.

SB 1470 **(Leno D) Mortgages and deeds of trust: foreclosure.**

Status: 4/27/2012-Failed Deadline pursuant to Rule 61(b)(5). (Last location was S. B. & F. I. on 4/10/2012)

Location: 4/27/2012-S. DEAD

Summary: Existing law, until January 1, 2013, requires a mortgagee, trustee, beneficiary, or authorized agent to contact the borrower prior to filing a notice of default to explore options for the borrower to avoid foreclosure, as specified. Existing law requires a notice of default to include a declaration stating that the trustee, beneficiary, or authorized agent has contacted the borrower, or has tried with due diligence to contact the borrower, or that no contact was required for a specified reason. This bill would additionally require the borrower to be provided, if applicable, with a deadline for the borrower to submit an initial application for a loan modification. The bill would require the declaration to also state that the borrower was not a service member or dependent of a service member entitled to benefits under the federal Service members Civil Relief Act, that the mortgagee, trustee, beneficiary, or authorized agent has possession of the note and mortgage, or deed of trust, and other specified documents that evidence the right to foreclose, and has attached copies thereof to the declaration, as specified, or a separate declaration containing specified information, if the above described documents cannot be located. The bill would prescribe procedures and notices that must be sent by the mortgagee, trustee, beneficiary, or authorized agent if the notice of default was filed prior to January 1, 2013, and a notice of rescission was not subsequently recorded. The bill would prohibit recording a notice of default unless a specified written notice has been sent at least 14 days before a notice of default is recorded.

SB 1471 **(DeSaulnier D) Mortgages and deeds of trust: foreclosure.**

Status: 4/27/2012-Failed Deadline pursuant to Rule 61(b)(5). (Last location was S. B. & F. I. on 4/10/2012)

Location: 4/27/2012-S. DEAD

Summary: Existing law prescribes foreclosure procedures, including, among other things, procedures for recording a notice of default, recording a notice of sale, and conducting a foreclosure sale. This bill would define a mortgage servicer, and would, commencing July 1, 2013, require a mortgage servicer to establish a single point of contact when a borrower on a residential mortgage or deed of trust is 60 or more days delinquent, has had a notice of default recorded, or is seeking a loan modification or other loss mitigation, as specified. The bill would impose various obligations on the single point of contact in connection with loan modification or other loss mitigation options.

SB 1472 **(Pavley D) Real property: blight.**

Status: 7/5/2012-Read second time. Ordered to consent calendar. From consent calendar. Ordered to third reading.

Location: 7/5/2012-A. THIRD READING

Calendar: 8/6/2012 #122 ASSEMBLY SENATE THIRD READING FILE

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. This bill would delete the repeal clause for these provisions and thus extend the operation of these provisions indefinitely

Notes: Sponsored by AG. According to the author, this bill seeks to address blight associated with foreclosures by providing an incentive to potential homebuyers, investors, or developers to purchase blighted properties by preventing code enforcement actions against the new purchaser for 60 days, provided repairs are being made to the property, and by making permanent the Civil Code tools that allow local agencies to combat blight with fines of up to $1,000 per violation per day.

SB 1473 **(Hancock D) Tenants: foreclosure and unlawful detainer.**

Status: 7/5/2012-Read second time and amended. Re-referred to Com. on APPR.

Location: 7/5/2012-A. APPR.

Calendar: 8/8/2012 9 a.m. - State Capitol, Room 4202
ASSEMBLY APPROPRIATIONS, FUENTES, Chair

Summary: Existing law requires a notice of sale to be posted before any power of sale can be exercised under the power of sale contained in any deed of trust or mortgage. 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. Existing law makes it an infraction to tear down the notice within 72 hours of posting. Existing law requires a state government entity to make translations of the notice available in 5 specified languages, for use by a mortgagee, trustee, beneficiary, or authorized agent, in order to satisfy the notice requirements. This bill would revise certain portions of the notice to instead require a resident of property upon which a notice of sale has been posted to be advised that 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 90-day eviction notice. The bill would require the notice to advise a tenant who has a lease that the new property owner is required to honor the lease unless the new owner will occupy the property as a primary residence or under other limited circumstances. The bill would require the Department of Consumer Affairs to make translations of the notice available, as described above. The bill would provide that these changes to the notice would become operative on March 1, 2013, or 60 days following the issuance of an amended notice translation by the Department of Consumer Affairs Internet Web site, whichever date is later. The bill would extend the operation of these provisions until December 31, 2019.

Redevelopment

AB 1585 **(John A. Pérez D) Community development.**

Status: 7/5/2012-From committee: Do pass and re-refer to Com. on APPR. (Ayes 8. Noes 1.) (July 3). Re-referred to Com. on APPR.

Location: 7/5/2012-S. APPR.

Summary: Under existing law, the Housing and Emergency Shelter Trust Fund Act of 2006, authorizes the issuance of bonds in the amount of $2,850,000,000 pursuant to the State General Obligation Bond Law. 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, housing-related parks, and transit-oriented development administered by the Department of Housing and Community Development. This bill would appropriate $50,000,000 of bond revenues to the Department of Housing and Community Development and from that amount, allocate $25,000,000 from the Regional Planning, Housing, and Infill Incentive Account for infill incentive grants, and $25,000,000 from the Transit-Oriented Development Implementation Fund for transit-oriented grants and loans.

SB 654 **(Steinberg D) Redevelopment.**

Status: 7/6/2012-Failed Deadline pursuant to Rule 61(b)(13). (Last location was A. H. & C.D. on 4/16/2012)

Location: 7/6/2012-A. DEAD

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. The bill would make conforming changes.

SB 986 **(Dutton R) Redevelopment: bond proceeds.**

Status: 5/31/2012-Amendments by Senator Huff tabled on motion of Senator Corbett. (Ayes 21. Noes 13. Page 3747.) Read third time. Urgency clause refused adoption. (Ayes 7. Noes 18. Page 3747.)

Location: 5/31/2012-S. THIRD READING

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 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 require that unencumbered balances of funds that are derived from tax exempt bond proceeds be used in accordance with the requirements of this bill. The bill would also require that the proceeds of bonds issued by a former redevelopment agency on or before December 31, 2010, 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 by the former redevelopment agency prior to its dissolution. The bill would also provide that if the bond proceeds are not subject to an enforceable obligation, 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.

Notes: According to the author: There are hundreds of shovel-ready projects up and down the state of CA that are stranded because they are waiting for clarification of this issue. By clarifying that bonds can be used for their intended purpose, jobs will be created, infrastructure will be improved and the economy will be stimulated.

SB 1151 **(Steinberg D) Sustainable Economic Development and Housing Trust Fund: long-range asset management plan.**

Status: 7/6/2012-Failed Deadline pursuant to Rule 61(b)(13). (Last location was A. H. & C.D. on 6/15/2012)

Location: 7/6/2012-A. DEAD

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 establish a Sustainable Economic Development and Housing Trust Fund, to be administered by a Sustainable Communities Investment Authority (authority), to serve as a repository of the unencumbered balances and assets of the former redevelopment agency. The bill would authorize moneys from the fund to be expended for specified purposes relating to economic development and affordable housing. The bill would require an authority to prepare a long-range asset management plan that governs the disposition and ongoing use of the fund. The bill would require an authority to submit the plan to the Department of Finance by December 1, 2012, and would require the department to approve or return the plan for revision to the authority prior to final approval by December 31, 2012.

SB 1156 **(Steinberg D) Sustainable Communities Investment Authority.**

Status: 8/3/2012-Hearing postponed by committee. (Refers to 8/2/2012 hearing)

Location: 7/3/2012-A. APPR.

Calendar: 8/8/2012 9 a.m. - State Capitol, Room 4202
ASSEMBLY APPROPRIATIONS, FUENTES, Chair

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 authorize the legislative bodies of the city and county of a sustainable communities investment area, as described, to form a Sustainable Communities Investment Authority (authority) to carry out the Community Redevelopment Law in a specified manner. The bill would require the authority to adopt a plan for a sustainable communities investment area and authorize the authority to include in that plan a provision for the receipt of tax increment funds provided that specified requirements are met.

Notes: The author introduced this bill to set forth a new vision of local economic development and housing policy for the 21st century, focused on building sustainable communities and creating the high skill, high wage jobs that are the key to our future prosperity.

SB 1157 **(Berryhill R)** **Redevelopment: successor agencies: duties.**

Status: 5/11/2012-Failed Deadline pursuant to Rule 61(b)(6). (Last location was S. RLS. on 3/1/2012)

Location: 5/11/2012-S. DEAD

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.