



BOARD OF DIRECTORS

*California Housing Finance Agency
Board of Directors*

September 12, 2013

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

9:30 a.m.

***8:00 a.m. to 9:00 a.m.: BOARD PICTURES FOR 2012/2013 ANNUAL REPORT**

1. Roll Call.
2. Approval of the minutes of the May 9, 2013 Board of Directors meeting1
3. Chairman/Executive Director comments.
4. Report of the Chair of the Compensation Committee. (Michael Gunning)
5. Discussion, recommendation and possible action adopting a resolution changing the name of the Compensation Committee and to amend the provisions of its Charter.
(Michael Gunning)
Resolution 13-10135
6. Closed session under Government Code section 11126(a)(1) to evaluate the performance of a public employee.
7. Closed session under Government Code sections 11126(a)(1) and 11126(b) to consider the appointment of a Programs Administrator.

8.	Closed session under Government Code section 11126(e)(2)(B)(i); significant exposure to Litigation against the state body (one potential case).	
9.	Discussion, recommendation and possible action adopting a resolution to appoint a Programs Administrator. (Claudia Cappio)	
	Resolution 13-11	145
10.	Discussion, recommendation and possible action adopting a resolution authorizing the Executive Director or her designee to negotiate and enter into a contract for Single Family Re-platforming Services. (Liane Morgan/Therese Volk)	
	Resolution 13-12	147
11.	Discussion, recommendation and possible action to modify Resolution 96-20 to further Clarify the Non-Profit Predevelopment Loan Program. (Jim Morgan/Rick Okikawa)	
	Resolution 13-13	151
12.	Update of Single Family Loan Products. (Ken Giebel/Rick Okikawa)	[handout]
13.	Update on proposed capital/liquidity allocation. (Tim Hsu)	[handout]
14.	Discussion, recommendation and possible action relative to the approval of a resolution approving amendments to the regulations of the Agency regarding the Conflict of Interest Code. (Victor James/Misty Miller)	
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	E. Update on the Reorganization efforts between CalHFA and HCD as part of Governor’s Reorganization Plan	
16.	Discussion of other Board matters.	

17. Public testimony: Discussion only of other matters to be brought to the Board's attention.
18. Adjournment
19. 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 12, 2013, 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 9, 2013
10:00 a.m.



Reported by: DANIEL P. FELDHAUS
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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

GRANT BOYKEN
for Bill Lockyer
State Treasurer
State of California

RUSSIA CHAVIS
for Brian P. Kelly
Acting Secretary
Business, Transportation & Housing
State of California

JANET FALK
formerly Vice President, Real Estate Development
Mercy Housing

MICHAEL A. GUNNING
Vice President
Personal Insurance Federation of California

MATTHEW JACOBS
Co-Managing Partner
Bulldog Partners, LLC

TIA BOATMAN PATTERSON
General Counsel
Sacramento Housing and Redevelopment Agency

LAURA WHITTALL-SCHERFEE
 for Randall Deems, Acting Director
 Department of Housing and Community Development
 State of California

A P P E A R A N C E S

Board of Directors Present

continued

RUBEN A. SMITH
 Partner
 AlvaradoSmith

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Participating CalHFA Staff

SHERYL ANGST
 Secondary Marketing Specialist
 Marketing Division

KENNETH H. GIEBEL
 Director
 Marketing Division

TIM HSU
 Director
 Financing Division

VICTOR J. JAMES II
 General Counsel
 Legal Division

LIANE MORGAN
 Chief Information Officer

JOJO OJIMA
 Office of the General Counsel
 Legal Division

RICK OKIKAWA
Interim Programs Administrator

JACKIE RILEY
Acting Director
Administration Division

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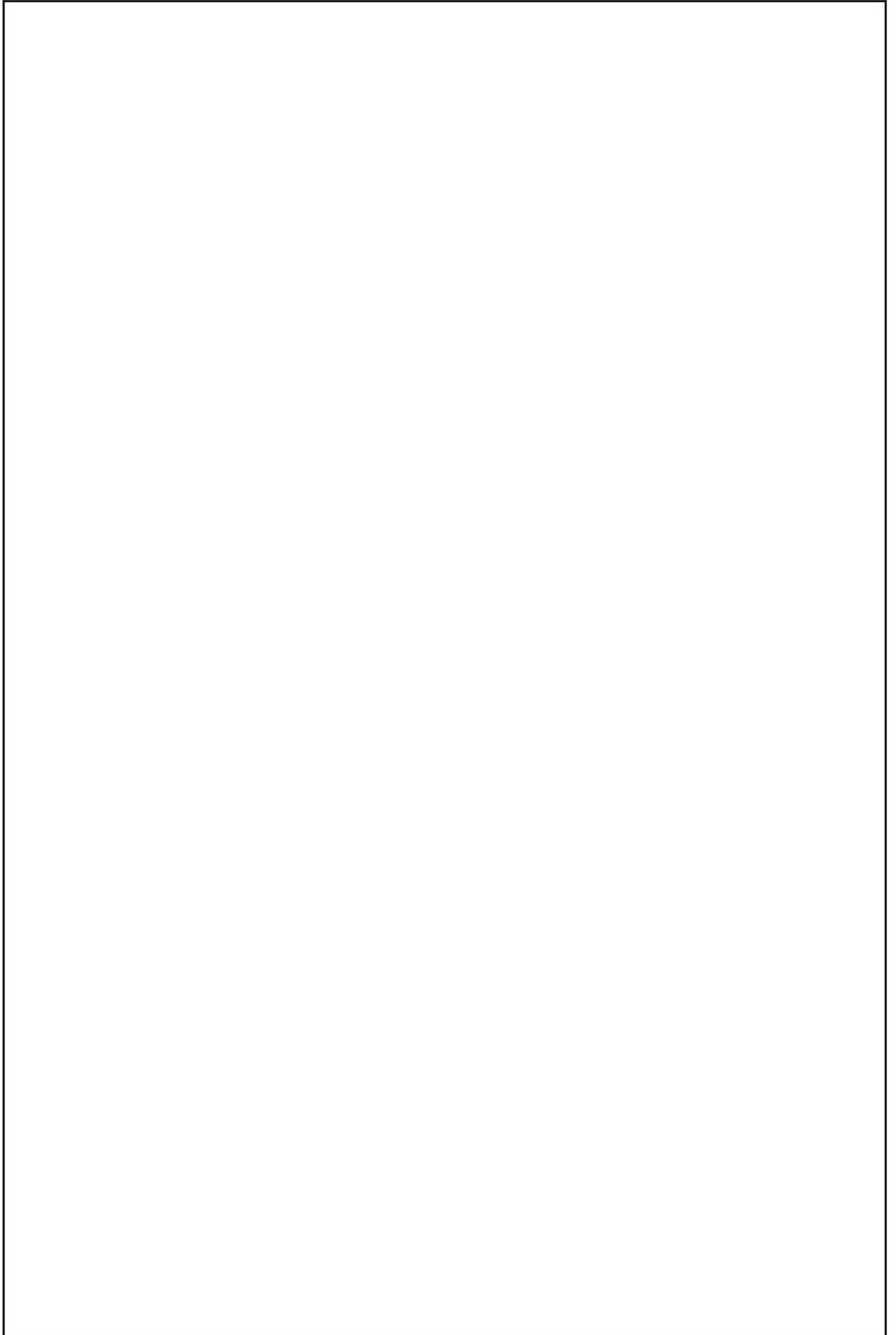
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CalHFA Board of Directors Board Meeting – May 9, 2013

1 *BE IT REMEMBERED* that on Thursday, May 9,
2 2013, commencing at the hour of 10:07 a.m., at the
3 Holiday Inn Capitol Plaza, 300 J Street, Sacramento,
4 California, before me, DANIEL P. FELDHAUS, CSR #6949,
5 RDR and CRR, the following proceedings were held:

6 --oOo--

7 CHAIR CAREY: I would like to welcome everyone
8 to the May 9th meeting of the California Housing Finance
9 Agency Board of Directors.

10 --oOo--

11 **Item 1. Roll Call.**

12 CHAIR CAREY: Our first item of business will
13 be roll call.

14 JoJo?

15 MS. OJIMA: Thank you.

16 Ms. Falk?

17 MS. FALK: Here.

18 MS. OJIMA: Mr. Gunning?

19 MR. GUNNING: Here.

20 MS. OJIMA: Mr. Hunter?

21 *(No response)*

22 MS. OJIMA: Mr. Jacobs?

1 MR. JACOBS: Here.

2 MS. OJIMA: Ms. Chavis for Mr. Kelly?

3 MS. CHAVIS: Here.

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

5 MR. BOYKEN: Here.

6 MS. OJIMA: Ms. Patterson?

7 MS. PATTERSON: Here.

8 MS. OJIMA: Mr. Shine?

9 *(No response)*

10 MS. OJIMA: Mr. Smith?

11 MR. SMITH: Here.

12 MS. OJIMA: Ms. Whittall-Scherfee for
13 Mr. Deems?

14 MS. WHITTALL-SCHERFEE: Here.

15 MS. OJIMA: Mr. Alex?

16 *(No response)*

17 MS. OJIMA: Ms. Matosantos?

18 *(No response)*

19 MS. OJIMA: Ms. Cappio?

20 MS. CAPPPIO: Here.

21 MS. OJIMA: Mr. Carey?

22 CHAIR CAREY: Here.

1 MS. OJIMA: We have a quorum.

2 CHAIR CAREY: Thank you.

3 --oOo--

4 **Item 2. Approval of the Minutes of the November 13,**
5 **2012, and March 7, 2013, Board of Directors**
6 **Meetings**

7 CHAIR CAREY: The next item of business is
8 approval of the minutes of November 13th, 2012, and
9 March 7th, 2013.

10 MR. BOYKEN: I'll move the minutes.

11 CHAIR CAREY: A motion.

12 MS. FALK: Second.

13 CHAIR CAREY: And a second.

14 Roll call?

15 MS. OJIMA: Is that Ms. Falk?

16 CHAIR CAREY: Yes.

17 MS. OJIMA: Thank you.

18 Ms. Falk?

19 MS. FALK: Yes.

20 MS. OJIMA: Mr. Gunning?

21 MR. GUNNING: Yes.

22 MS. OJIMA: Mr. Jacobs?

1 MR. JACOBS: Aye.

2 MS. OJIMA: Ms. Chavis?

3 MS. CHAVIS: Aye.

4 MS. OJIMA: Mr. Boyken?

5 MR. BOYKEN: Yes.

6 MS. OJIMA: Ms. Patterson?

7 MS. PATTERSON: Yes.

8 MS. OJIMA: Mr. Smith?

9 MR. SMITH: Yes.

10 MS. OJIMA: Ms. Whittall-Scherfee?

11 MR. WHITTALL-SCHERFEE: Yes.

12 MS. OJIMA: Mr. Carey?

13 CHAIR CAREY: Yes.

14 MS. OJIMA: The minutes have been approved.

15 CHAIR CAREY: And for November 13th, finally.

16 MS. OJIMA: Finally.

17 Thank you, everyone.

18 --oOo--

19 **Item 3. Chairman/Executive Director Comments**

20 CHAIR CAREY: The next item of business, I'll
21 simply turn to our Executive Director, Ms. Cappio.

22 MS. CAPPPIO: Good morning.

1 Today, I'd like to report out on two items of
2 interest to the Board. One is the cost study on
3 affordable housing that we've been involved with our
4 sister agencies the last year or so. CDLAC, TCAC, HCD,
5 and CalHFA are in a joint study to comprehensively look
6 at the key cost factors of producing affordable housing
7 in California.

8 We are making good progress. Obviously, a
9 little bit more delayed than I may have reported out the
10 last time I talked about this. But we are looking at a
11 draft cost study out sometime this summer. I'll forward
12 it to the Board. Basically, we're comparing
13 costs -- we're looking at key indicators of cost, as
14 well as comparing the differences between a unit
15 produced with subsidy versus a private-market rate unit.

16 And I'm surprised at this, but we are getting
17 some headway that we're having trouble with obtaining
18 adequate private-market data. But we are digging deeper
19 into our contacts, and we will be hopefully gaining
20 enough data to make it statistically significant.

21 Secondly, we have been involved with HCD in a
22 Chronic Homelessness Policy Academy sponsored by

1 SAMHSA -- which stands for Substance Abuse and Mental
2 Health Services Agency -- money. They're part of the
3 Federal Health and Human Services Department.

4 We've been getting great participation, and
5 recently completed a day and a half workshop with our
6 federal partners and our state partners in this.

7 We have focused on building a framework that
8 is different in providing services to that very hard
9 group to effectively intervene with. And I hope that
10 during the next couple of months, we are in this process
11 for about the next three or four months; that in
12 September, we'll be able to report out to you specific
13 actions to make the state a more effective intervener in
14 serving that very difficult group.

15 When you look at homelessness, you have people
16 who are homeless temporarily, and then you have a harder
17 group, that is very expensive to actually effectively
18 serve but very important to look at more effective ways
19 to do that.

20 So we have great participation from the
21 Department of Corrections, our own Health and Human
22 Services Department, HCD, CalHFA, and the vets. So we

1 have been getting really good traction on the ground,
2 and hope to continue that.

3 Thanks.

4 CHAIR CAREY: Great.

5 Any questions or comments?

6 *(No response)*

7 --oOo--

8 **Item 4. Report of the Chair of the Audit Committee**

9 CHAIR CAREY: Okay, the next item of business
10 is report from the Audit Committee.

11 Chairman Ruben Smith?

12 MR. SMITH: Yes. I'm glad to say that we
13 received the audit for the housing fund, and everything
14 was in order. Unfortunately, the amount of money we're
15 getting there is not great, but we are dealing with
16 that.

17 And I understand in the next couple
18 years -- we have at least five years before there's any
19 real problem there, as I understand it, given the
20 current projections. And then in the next few years,
21 we'll have some kind of a plan to deal with that.

22 I don't know, Claudia, if you wanted to

1 comment on that or not.

2 MS. CAPPPIO: No. Just that we'll have a plan.
3 That's part of our job.

4 MR. SMITH: Great. And other than that, the
5 Audit Committee did a great -- or the audit was well
6 done, and there were no issues other than the going-
7 concern issue, which is the good news/bad news.

8 CHAIR CAREY: Any questions or comments from
9 anyone else?

10 *(No response)*

11 CHAIR CAREY: Okay, thank you very much.

12 --oOo--

13 **Item 5. Report of the Chair of the Compensation**
14 **Committee**

15 **Item 6. Discussion, recommendation, and possible**
16 **action**

17 **adopting a resolution to amend the**
18 **Compensation**

19 **Committee charter by changing the name of the**
20 **Committee**

21 CHAIR CAREY: The next item of business is
22 report from the Compensation Committee.

1 Mr. Gunning?

2 MR. GUNNING: Thank you, Mr. Chairman, Members
3 of the Committee.

4 The Compensation Committee met last week to
5 finally begin the evaluation of our Executive Director.
6 Before we got to that, though, we realized that there
7 was some significant things we want to do; specifically,
8 change the name of the body. But as we got into it, we
9 recognized that there are some other issues.

10 So in front of you, you'll see the language,
11 the charter that actually authorizes the committee and
12 its responsibilities. And so what we're hoping is that
13 you'll take a look at this.

14 And, Mr. Chairman, we'd like to table the
15 decisions of the committee until everyone has had a
16 chance to review this and put it on the agenda for the
17 next board meeting, if that's possible.

18 Did I miss anything, Victor?

19 MR. JAMES: No.

20 MR. GUNNING: Okay.

21 CHAIR CAREY: Okay.

22 MR. GUNNING: That's it. Thank you.

1 CHAIR CAREY: Thank you.

2 With that, we will move on to discussion,
3 recommendation, and possible action regarding the --

4 MR. GUNNING: I think I did both of those,
5 Mr. Chairman.

6 CHAIR CAREY: Yes. Thank you.

7 MR. GUNNING: I wanted to be efficient.

8 CHAIR CAREY: Thank you.

9 You got ahead of me.

10 MR. GUNNING: I don't want to ever get ahead
11 of the Chairman. Sorry.

12 CHAIR CAREY: Which is easy, yes, right?

13 --o0o--

14 **Item 7. Discussion, recommendation, and possible**
15 **action**

16 **regarding the adoption of a resolution**

17 **approving the Agency's Strategic Business Plan**

18 **for Fiscal Year 2013/2014**

19 CHAIR CAREY: All right, next is the
20 recommendation and action regarding the Strategic
21 Business Plan for the next fiscal year.

22 MS. CAPPPIO: I'm going to change hats here.

1 CHAIR CAREY: Great.

2 MS. CAPPIO: So I'm now Claudia Cappio,
3 Executive Director, sitting, presenting before you.

4 I am pleased to present the Strategic Business
5 Plan for the next year. And this plan, in large part,
6 builds on the foundation of last year, and adds some new
7 action items.

8 And this plan, along with the proposed budget
9 that you will be reviewing as well this meeting,
10 presents our efforts to move ahead and do the work of
11 this agency in a successful way.

12 I can note to you that we still face continued
13 fiscal challenges, the need to diversify revenue sources
14 and lending products to respond to a changed context.
15 But that we feel in a much better place -- not only
16 feel, but can demonstrate that we are in a much better
17 place a year later -- and that we have continuing work
18 to do, both in our fiscal side, but also to respond and
19 make real the Governor's Reorganization Plan, and our
20 part in that.

21 You will note before you, there are seven key
22 strategies, along with specific actions, due dates, and

1 identified team leader and team members.

2 The most important strategy remains our work
3 toward financial stability and increased liquidity, with
4 the immediate goal of getting out of the VRDO, balanced
5 down by \$500 million or below, by the fall of 2015.

6 That's significant because we have an extension of the
7 Temporary Credit and Liquidity arrangement or plan with
8 the U.S. Treasury -- thank you. But we want to be out
9 of it, and so do they. So we're working toward that
10 goal.

11 Pursuing loss mitigation actions to buttress
12 the single-family loan portfolio is another key
13 strategy. And I will note to you, you may note that some
14 of the objectives have already been accomplished. And I
15 can just say that this is due to the hard work of our
16 loan servicing and our portfolio management folks. And
17 I can certainly say from my experience, how often does
18 that happen? But it's really good when it does. So
19 some of the goals that we outlined in February, we've
20 already accomplished.

21 A related strategy in this vein, continues to
22 be, making sure that we distribute the money, the

1 Hardest Hit Fund money through the *Keep Your Home*
2 *California* Program. That relates and doesn't relate to
3 making ourselves healthier; but where we can connect the
4 dots with our own portfolio, we have done so more
5 aggressively.

6 On the lending side of the business, which is
7 our main purpose, as the Board discussed during its
8 previous few meetings, we are now in a position to lend
9 again, and under our own capital steam. And you will
10 review that as part of the single-family piece of the
11 meeting today. But as you have agreed last time, we are
12 going to continue the preservation and capitalization
13 strategy with the multiple family side, with a goal of
14 \$125 million, including an expanded prepayment program
15 this year.

16 Part of this strategy also includes work on a
17 few longer-term initiatives, including the multi-year
18 use of the earned surplus account, and how we most
19 effectively use that, given where we are now.

20 We are also a part of a federal pilot program
21 with HCD again, which is called the Section 811 program,
22 which is a rent-subsidy program geared toward stabilized

1 or permanent supportive housing. And we are well
2 underway with this program. We appreciate the fact that
3 California was chosen for this; and hopefully it will
4 demonstrate the concept.

5 On the reorganization front, quickly, it's an
6 ongoing process, as you learned last meeting. We
7 continue to research the cost and effectiveness of
8 coordination and consolidation with HCD, with an eye
9 toward making sure that we have as effective a delivery
10 of programs and services for California as we can.

11 This is intensive work from both a senior
12 management standpoint and from an administration and
13 human-resources standpoint. Again, we are in the midst
14 of this. We will continue to report out on our
15 progress.

16 Lots of work ahead of us.

17 I'm very heartened by our outcomes over the
18 past year. And because of a renewed accountability
19 structure, both internal and with the Board -- and most
20 of all, a great staff behind me -- I recommend that you
21 consider this and adopt it for the next year.

22 And I will be glad to address any specific

1 questions you have.

2 CHAIR CAREY: Great. Thank you.

3 Questions? Comments?

4 *(No response)*

5 CHAIR CAREY: I see we're still looking at
6 pieces of this.

7 MS. FALK: Well, I have one.

8 CHAIR CAREY: Yes?

9 MS. FALK: I was just curious, under Number 3,
10 there were several things, and sort of at the latter
11 part of the -- the back end of that, that looked like
12 might have sort of new programs -- new uses of funds if
13 they come in.

14 And I was just wondering if you have to have
15 specific uses for each -- or separate uses for each
16 program, or are you identifying things that you'd like
17 to do, and then looking for sources to fund those? This
18 is my question for you.

19 MS. CAPPPIO: I think I'm going to get Jim and
20 Rick up here. But my short answer is --

21 MS. FALK: I don't need it in detail, but I
22 was just --

1 MS. CAPPPIO: Yes, my short answer is that it's
2 both, that we have these resources.

3 MS. FALK: Okay.

4 MS. CAPPPIO: And part of dealing with a
5 constrained resource environment is looking at what you
6 have and being able to use it differently. So that's
7 what we're doing. And we really want to do it in a
8 multiple-year strategy, so that people coming in for
9 recapitalization preservation, or when we're -- some of
10 these RHCP properties that we're facing challenges with,
11 we can provide a certain path out toward a better place
12 for them.

13 MS. FALK: Yes, so what I'm getting at is, you
14 have identified what your priority uses would be and
15 then looking for the --

16 MS. CAPPPIO: We are in the midst of that, yes.

17 MS. FALK: -- and then helping to find the
18 funds to go there?

19 MS. CAPPPIO: That's correct.

20 MS. FALK: Okay.

21 CHAIR CAREY: Any other questions?

22 *(No response)*

1 CHAIR CAREY: We do have a resolution, it's
2 13-06.

3 MR. GUNNING: Mr. Chairman, I'll move the
4 adoption.

5 CHAIR CAREY: A motion.

6 MR. BOYKEN: Second.

7 CHAIR CAREY: And we have a second.

8 MS. OJIMA: Mr. Boyken?

9 CHAIR CAREY: Mr. Boyken, yes.

10 MS. OJIMA: Thank you.

11 CHAIR CAREY: Roll call.

12 MR. JAMES: Comments, Mr. Chair, from
13 the public.

14 CHAIR CAREY: Thank you very much.

15 This is an opportunity, if there's anyone from
16 the public who would like to comment on this, please
17 indicate.

18 *(No response)*

19 CHAIR CAREY: Seeing none, roll call.

20 MS. OJIMA: Thank you.

21 Ms. Falk?

22 MS. FALK: Aye.

1 MS. OJIMA: Mr. Gunning?

2 MR. GUNNING: Aye.

3 MS. OJIMA: Mr. Jacobs?

4 MR. JACOBS: Aye.

5 MS. OJIMA: Ms. Chavis?

6 MS. CHAVIS: Aye.

7 MS. OJIMA: Mr. Boyken?

8 MR. BOYKEN: Aye.

9 MS. OJIMA: Ms. Patterson?

10 MS. PATTERSON: Aye.

11 MS. OJIMA: Mr. Smith?

12 MR. SMITH: Aye.

13 MS. OJIMA: Ms. Whittall-Scherfee?

14 MS. WHITTALL-SCHERFEE: Aye.

15 MS. OJIMA: Mr. Carey?

16 CHAIR CAREY: Yes.

17 MS. OJIMA: Thank you. Resolution 13-06 has
18 been approved.

19 CHAIR CAREY: Thank you.

20 MS. CAPPPIO: Thank you.

21 And I have to say editorially, I sweat a
22 little when it's this easy, but it's okay.

1 --oOo--

2 **Item 7. Discussion, Recommendation, and Possible**
3 **Action**

4 **regarding the Adoption of a Resolution**

5 **Approving the Fiscal Year 2013/2014 CalHFA**

6 **Operating Budget**

7 CHAIR CAREY: The next item -- perhaps we can
8 change that dynamic --

9 (Laughter)

10 CHAIR CASEY: -- the next item of business is
11 review and adoption of the fiscal year 2013-14 operating
12 budget.

13 MS. CAPPPIO: I'm going to let Jackie Riley,
14 the administrative officer, pull the weight on this one.

15 And I'm available for questions as well.

16 CHAIR CAREY: Great.

17 MS. RILEY: Claudia's challenge to all of us
18 was to reduce costs, find efficiencies. So that was my
19 main calling in putting together this budget.

20 So with that, I'm going to go through,
21 number one, keeping in mind the strategic projects that
22 we put all the funds in here in support of the strategic

1 projects.

2 We were able to eliminate ten and a half
3 positions because of no longer using -- being reliant on
4 retired annuitants and students, we reduced that cost by
5 a half a million dollars over that, and our overtime
6 cost is going down because we've been able to fill some
7 positions. So we have achieved some cost savings there.
8 And I just wanted to go through the areas that briefly
9 Claudia mentioned in her memo, but I just wanted you to
10 know we're really serious about this. And even though
11 some of them are minor, they're still where we were able
12 to reduce some of our cost.

13 And that was in the general expense category
14 of \$48,000; communications, sixty. And also some of our
15 I.T. expense is going down. It doesn't look like it
16 when you look at the strategic project. But, you know,
17 due by actually \$200,000 because we've done our
18 upgrades.

19 The ECM, our major electronic document
20 management, that's due to be finalized and up and
21 running. So that cost is going away.

22 As is equipment. We're really well equipped

1 this year, so that's going down by a hundred thousand.

2 The areas that I need to point out of
3 increase, our consulting services is going up. \$200,000
4 has been added, for a contract for system integrator to
5 help with CalHFA and HCD, sort of like a project
6 manager, to keep things on track and keep all of us
7 moving forward.

8 A little bit of an increase for fiscal
9 services, general counsel, marketing, and single-family
10 servicing. Nothing major, but just little that has
11 added to that consulting services.

12 We also have money in there for a strategic
13 project. And that's replatforming from an old language
14 which is probably at least 25 years old. And we need to
15 do that. So that's budgeted at \$2 million.

16 The other piece that has gone up is pro rata.
17 And the pro rata is one of those things that we have
18 been dealing with the Department of Finance, because
19 that cost has gone up \$561,000. And that's a result of
20 having the merged budgets, HCD and ours, looking as one,
21 to the system that DOF manages, their CALSTARS system.
22 So their costs have gone up, ours have gone up. We're

1 actually working with them to try and identify how we
2 can lower these costs.

3 I got a new missive this morning that I passed
4 to Lori, because it really has more to do with
5 accounting. So we have been -- as Claudia said, a lot
6 of us have been working on this issue, so that we can
7 see and be able to budget for our discrete cost and
8 separate them from the HCD cost.

9 So with that, I would ask approval of the
10 budget.

11 If you have any questions, we're both here to
12 answer them.

13 CHAIR CAREY: Questions? Questions?

14 MS. FALK: I always have questions.

15 CHAIR CAREY: Good.

16 MS. FALK: Well, this is a basic one, about
17 how I don't understand this budgeting process. But it
18 seems to me we've only got half of it, which are the
19 expenditures, and where is the other half, which is the
20 revenue, and what's the bottom line?

21 MS. RILEY: We don't put -- revenue is not
22 shown in here.

1 I have to say, I worked for the Agency for
2 25 years and retired, and I'm back again. And we used
3 to include a revenue piece to it. And apparently, in
4 the last intervening years, we have not. So this is
5 just the cost of the operation, what we think our
6 operating budget is going to be. So I can't answer the
7 revenue piece.

8 MS. CAPPPIO: I can try to respond here: That
9 we have been trying to maintain a level of two years of
10 operating expenses in reserve, knowing that our revenues
11 have substantially decreased, but trying to keep an
12 equilibrium. And part of that is holding costs down and
13 providing, roughly -- what are we at, about \$45 million?

14 MS. RILEY: The budget this year is
15 forty-three nine.

16 MS. CAPPPIO: Yes, which is actually
17 proportionately lower. So the mandate for me is still
18 continue to contain and possibly decrease, find
19 efficiencies.

20 But as Tim went through in January, we're at
21 that point where we are building up liquidity again,
22 building up reserves. We're not there yet; but we have

1 been trying to maintain, and have been pretty solidly
2 two years of operating expenses in reserve.

3 MS. RILEY: And if you will note, from the
4 budget that was enacted last year of \$47 million, it
5 looks like we're projecting spending about forty-two.

6 And so we're hoping -- please know that going
7 forward this year, that we'll be looking at every --
8 you know, we're looking at every expenditure and every
9 position we fill: Is it really essential, do you really
10 need it?

11 MR. HSU: The easiest way, Janet, to answer
12 your question, is at the last board meeting I presented
13 a chart that looks like this (*pointing*), which is not in
14 front of you today.

15 But this is a projection of the revenues from
16 unencumbered sources for this coming year, and it does
17 show the revenue side. And the red line that I have
18 presented at that chart on the last board meeting is
19 based on their budget for the coming year.

20 So what that is showing -- the punch line is,
21 what that's showing is that we do have a surplus, when
22 you measure those remedies against the expenses for this

1 year and the next couple years.

2 CHAIR CAREY: Questions?

3 Yes?

4 MS. PATTERSON: So, Tim, what's the projected
5 revenue for 2013-14 that you have, the dollar amount
6 there?

7 MR. HSU: This is on the chart so I don't have
8 the exact number.

9 The projected revenue, it's about \$48 million
10 for 2013-14.

11 And following that, it's a little bit -- it's
12 about the same. And then the year after that, we're a
13 little bit lower.

14 So if we are on this trajectory of the low
15 forties for the next three years, we should be okay from
16 the revenue-to-expenses basis.

17 MS. PATTERSON: Do you have the dollar amount
18 that was actually the 2012-13 year? Do you have -- you
19 are giving us projected for 2013-14. But do you know
20 what our actual revenue was that we brought in for
21 2012-13?

22 MR. HSU: No, I don't have that in front of

1 me. I can get you that.

2 MS. PATTERSON: Okay.

3 MS. CAPPPIO: But what I'm hearing is that you
4 would like to review the expenses and the revenues
5 together as you adopt a budget. And that is easy to do.
6 We used to do it. We will be doing that.

7 MS. FALK: I mean, even it's a --

8 MS. CAPPPIO: Yes.

9 MS. FALK: I understand that, but it's just
10 like -- it feels like we are only seeing half the
11 picture.

12 MS. CAPPPIO: Yes. Got it.

13 CHAIR CAREY: Other questions?

14 MR. JACOBS: The pension expenditures are
15 included in the salary line? Or where?

16 MS. RILEY: That's under something called that
17 "OPEB."

18 MR. JACOBS: Okay, got it.

19 And that's sufficient?

20 MS. RILEY: And that's showing there.

21 We did not -- last year, it was included as
22 part of the bottom-line budget, but it's not an

1 expenditure. We don't expense that out.

2 It may show up on financials as a liability,
3 but it's not something that you're actually drawing down
4 in your budget. So we did not include it this year,
5 because some of those pro rata costs that we're talking
6 about, things that are central admin services in state
7 government, get billed directly off your bottom-line
8 budget number. So we took that out.

9 CHAIR CAREY: Yes?

10 MR. BOYKEN: A quick question, or possibly
11 correction.

12 The OPEB is "other post-employment benefits."
13 So that does not include pensions.

14 MS. RILEY: Right, it's not pension.

15 MR. BOYKEN: Oh, okay.

16 MS. RILEY: Yes, it's the --

17 MR. BOYKEN: It's the health and --

18 MS. RILEY: The pension line is showing up in
19 benefits, staff benefits.

20 MR. BOYKEN: Thank you.

21 CHAIR CAREY: Other questions?

22 *(No response)*

1 CHAIR CAREY: Speaking of the allocated costs,
2 I mean, it is a little frustrating to see that it's
3 going up a half a million dollars. And that's on top of
4 a \$700,000 increase last year, which isn't apparently
5 reduced by the fact that the Agency has spent less in
6 the current year.

7 MS. RILEY: No -- well --

8 CHAIR CAREY: And are you saying that, in the
9 aggregate, both HCD and CalHFA will pay more as a result
10 of consolidating?

11 MS. RILEY: Yes, at least at this moment.

12 CHAIR CAREY: I know we don't control that,
13 but it certainly seems unreasonable somehow, as we look
14 to reduce costs overall, that that share of costs just
15 seems to grow.

16 MS. RILEY: Staff have spent a considerable
17 amount of time talking to the Department of Finance
18 about why this is. Because HCD is bearing additional
19 costs too. And they use a CALSTARS program for tracking
20 all
21 of their budgetary. And that has gone up because of the
22 increased numbers.

1 We don't get that because we don't use
2 CALSTARS. But both programs are seeing additional
3 increases. And that's because in state government, with
4 the CALSTARS system that is pretty old, it tracks things
5 by organization code.

6 There is a few things that we can discretely
7 see; but other than that, it's tracked there. And some
8 of it, they cannot, when it's tracked by org. code,
9 separate out. So we've been trying to figure out, is
10 there a methodology that we can use to separate our
11 workload from -- you know, and that's transactional
12 stuff that runs through SCO and all these other central
13 -- you know, State treasurer, whatever. And we get
14 billed.

15 And part of that, I think -- looking at
16 pro rata, there's several things that go into it. And
17 it's no one thing that drives it up. But some of it is
18 the combined, looking at both budgets together is a
19 bigger piece of the State budget. So your costs go up a
20 little bit with that. And it's a little bit workload
21 and several other factors.

22 And I'm not sure their system is set up

1 because they don't have the capacity to really break it
2 out in any other way. So we've been dealing a lot with
3 that.

4 In fact, like I said, I just got some more information
5 this morning.

6 MS. CAPPPIO: So we're continuing to -- I don't
7 say bump against it, but proactively deal with it, and
8 make sure that we are trying to meet our obligations as
9 an agency to the bondholders into making ourselves
10 discrete with regard to tracking and expenses. We fully
11 realize that.

12 CHAIR CAREY: The other question I'd like to
13 ask is, what's the time frame for the mortgage
14 origination system? Is there a...?

15 MS. RILEY: Liane is our I.T. person, so I
16 would have to defer to her.

17 MS. MORGAN: We have not actually put out the
18 request for proposal yet. We anticipate next month.
19 And we anticipate it will be about a year project.

20 CHAIR CAREY: Great. We certainly need it.

21 MS. MORGAN: Yes.

22 CHAIR CAREY: Okay, thanks.

1 Other questions?

2 *(No response)*

3 CHAIR CAREY: Then this is an opportunity, if
4 anyone in the audience would like to address the Board
5 on this matter, please feel free to indicate.

6 *(No response)*

7 CHAIR CAREY: Seeing none, we do have a
8 resolution before us, 13-07.

9 MR. BOYKEN: Move approval of Resolution 13-
10 07.

11 CHAIR CAREY: Thank you.

12 MR. GUNNING: Second it, Mr. Chairman.

13 CHAIR CAREY: And a second.

14 Roll call?

15 MS. OJIMA: Falk?

16 MS. FALK: Aye.

17 MS. OJIMA: Mr. Gunning?

18 MR. GUNNING: Aye.

19 MS. OJIMA: Mr. Jacobs?

20 MR. JACOBS: Aye.

21 MS. OJIMA: Ms. Chavis?

22 MS. CHAVIS: Aye.

1 MS. OJIMA: Mr. Boyken?

2 MR. BOYKEN: Aye.

3 MS. OJIMA: Ms. Patterson?

4 MS. PATTERSON: I'm going to abstain.

5 MS. OJIMA: Thank you.

6 Mr. Smith?

7 MR. SMITH: Aye.

8 MS. OJIMA: Ms. Whittall-Scherfee?

9 MS. WHITTALL-SCHERFEE: Aye.

10 MS. OJIMA: Mr. Carey?

11 CHAIR CAREY: Aye.

12 MS. OJIMA: Resolution 13-07 has been
13 approved.

14 CHAIR CAREY: Thank you.

15 Thank you for the presentation.

16 --o0o--

17 **Item 9. Update on Moody's Annual Review of the**
18 **Agency's**

19 **Credit Ratings**

20 CHAIR CAREY: Next, Tim Hsu, an update on
21 Moody's.

22 MR. HSU: Good morning, Mr. Chairman and

1 Members of the Board.

2 Since 2008, Bruce Gilbertson, my predecessor,
3 and I have made a lot of presentations to this Board;
4 and the Board has heard a lot about the Agency's
5 restructuring efforts and the various things that we are
6 doing, for example, to get liquidity assistance from the
7 Treasury and to restructure our balance sheet.

8 It is my greatest aspiration that the Board
9 hears less from me and more from our program folks.

10 Yes, swaps are sexy, and some may say that
11 they're dangerous. Warren Buffett calls them the
12 financial weapons of mass destruction. And sexy and
13 dangerous makes interesting topics. But the Agency is
14 about putting more Californians in a place they can call
15 home.

16 The two themes from the last couple of
17 presentations have been, one, that we need to get back
18 into the lending space. We can and, indeed, we must get
19 back into lending.

20 And, two, is that even with a fairly
21 conservative allocation of our liquidity, we have
22 internal resources to support a warehouse line that can

1 support lending.

2 Today, I'm here to talk to you about the
3 outcome of Moody's annual update of our credit ratings.
4 And I hope you agree that this particular outcome does
5 affirm these two themes that I've been talking about in
6 the last couple board meetings.

7 So on March 19th -- this is about a month ago
8 or so -- Moody's released their annual credit rating on
9 the Agency's two credit ratings, and they kept our
10 general obligation at A3, and they kept our special
11 obligation, which is the HMRB indenture that houses our
12 single-family loans at Baa2.

13 The outlooks are still negative, but this is
14 a huge win for us. And I'll show you why this is in a
15 second.

16 I have selectively chosen some quotes from
17 their write-up. It is true that there is a little bit
18 of selection bias here. These are all the good things.

19 Generally, the theme is that things are
20 getting better.

21 And the one thing that I would emphasize to
22 tie to one of the questions that was brought up at the

1 last board meeting, this is actually the first time I've
2 seen the write-up including a strong relationship with a
3 State.

4 And I think at the last board meeting, there
5 were a couple Board members, including Matt, who
6 mentioned about the rating agency's possible concerns
7 with respect to the consolidation.

8 I think that this particular kind of statement
9 addresses that they don't really feel that there are
10 concerns on that front. And, generally speaking, a
11 strong relationship with the state is something that
12 supports the credit of the Agency.

13 And the reason why I say that this is such a
14 big win for us is that you will see on this chart -- on
15 the left-hand side of this chart is a history of our
16 General Obligation ratings. And you can see that prior
17 to 2009, our General Obligations rating was AA- with
18 S & P and it was Aa3 with Moody's.

19 And since 2009, for better or worse, in every
20 year, Moody's annual review has resulted in a downgrade.
21 We were downgraded in 2009 to A1, in 2010 to A2, and in
22 2011 to A3.

1 And you will see, last year they didn't
2 complete an annual review because their review was
3 suspended by CreditWatch for downgrade for Genworth. So
4 it delayed their review until March of this year.

5 You can see that this is the first year in
6 which one of their annual reviews actually kept us in
7 the same place and didn't result in a downgrade.

8 We've reached this state of what I've referred
9 to as an inflection point with S & P last year, when
10 they finished -- S & P -- when they finished the annual
11 review last year, they kept us at the same place as we
12 were the prior year.

13 So I truly believe that our ratings have
14 reached an inflection point. Whether or not we can
15 bounce back from here to a higher rating is waiting to
16 be seen. But I think we have certainly wrested our
17 descent, if you will.

18 And this outcome, in my opinion, affirms one
19 of the things that we talked about at the last board
20 meeting, which is at the last board meeting, staff
21 presented a proposed allocation of our liquidity; and
22 the posture that we had was that we assumed that we will

1 maintain our current A- rating, but we would be prepared
2 from a liquidity point of view for -- and downgrade that
3 we do not expect. With this affirmation, I think that
4 this really does affirm our posture as one that is both
5 prudent and viable.

6 And we talked about it at the last Board
7 meeting, even with this particular conservative posture
8 in terms of liquidity allocation, we can still have
9 about \$30 million carved out as a warehouse line to
10 support lending: \$27 million for multifamily and
11 \$3 million for single-family.

12 And since I'm a finance guy, there is one
13 slide about swaps. But this slide about swaps
14 says -- this is a slide that I've shown the Board
15 numerous times. This slide says that the collateral
16 posting risk is better contained than it has been in the
17 past.

18 At the last Board meeting, our collateral
19 posting was closer to about \$70 million or so. You can
20 see -- so we were about over here, or so, at the last
21 board meeting, you can see that our collateral has crept
22 with up about \$10 million, to about \$81 million because

1 rates have descended. But that number is still well
2 within the amount of liquidity we have allocated for
3 this risk, which is \$158 million.

4 And lastly, about two weeks ago, we did close
5 a refunding of a set of NIBP bonds that were issued
6 about two or three years ago. We expect that in the
7 first year we will save about \$700,000. And the net
8 present value of the savings, after the cost issuance,
9 we expect it to be between \$2 million to \$3 million or
10 so, depending on how fast this loan portfolio pays down.

11 But really, as I mentioned, we can talk about
12 swaps and bonds for as much time as you're willing to
13 listen. But it is really my hope that this coming year
14 the Board can hear more from our program folks, and our
15 financing divisions and our various plans to restructure
16 our balance sheet can more or less recede into the
17 background.

18 It is true, as Claudia mentioned, that
19 restructuring a balance sheet and attaining financial
20 stability is still the number-one goal of the Agency.
21 But I think, as I said, it's very much my hope that the
22 Board hears less from me and more from our program folks

1 in this coming year; and that the Agency can get back
2 into putting more Californians into a place they can
3 call home.

4 Thank you.

5 CHAIR CAREY: Thank you.

6 Questions or comments?

7 MS. FALK: Good job.

8 CHAIR CAREY: Yes, excellent.

9 And let me just say that if you're successful
10 in your desired outcome that we hear more from program
11 folks, there are a lot of us who know that it's only due
12 to the extremely hard work of the folks who have managed
13 the finances of this agency over the last few years. So
14 we appreciate all the success and the hard work.

15 MR. HSU: Thank you. I stand on the shoulders
16 of giants, and I have a fantastic staff.

17 --o0o--

18 **Item 10. Discussion, Recommendation, and Possible**
19 **Action**

20 **regarding the Adoption of a Resolution**

21 **Approving the use of the TBA Model for**

22 **Financing CalHFA Single Family Loan products**

1 **Item 11. Update of potential CalHFA Single Family Loan**
2 **Products**

3 **Item 12. Discussion, recommendation, and possible**
4 **action**

5 **regarding the adoption of a resolution**
6 **approving program parameters for CalHFA Single**
7 **Family Loan Products**

8 CHAIR CAREY: Okay, our next item of business
9 is consideration of use of a TBA model for financing
10 single-family.

11 And Rick Okikawa and Ken Giebel are up.

12 MR. OKIKAWA: Good morning. Thank you,
13 Mr. Chairman, Members of the Board.

14 Be careful what you ask for, when you ask to
15 see more programs people. Here we are, three of us.

16 To my right is Ken Giebel, who is the head of
17 our single-family lending department. And to his right
18 is Ms. Sheryl Angst, our specialist underwriter.

19 Today, we'd like to look at items, I think,
20 10, 11, 12, on your agenda. We put them together
21 because it's all in one package.

22 Basically, back in May of 2011, there was a

1 board resolution, I think 11-06, which passed, basically
2 stating that any new financing strategies or new loan
3 products must be passed through the Board. And
4 basically that was a direct result of some of our
5 interest-only payment loans, which were very high risk.
6 And rightfully so, the Board in its duties, wanted to
7 eliminate, or at least restrict our risks.

8 So here we are today. And we've heard the
9 Board. We're looking at our mission in terms of to
10 create and finance progressive housing solutions so more
11 Californians have a place to call home.

12 Basically, we answer to you, in the sense we
13 are looking at what we've performed before -- I mean,
14 what we presented before in terms of this TBA model,
15 okay. And that TBA model should be looked at as a
16 vehicle for how we get our products out to the public
17 in terms of what specific targets, what specific target
18 populations we're using, okay. That TBA model is
19 something where we feel that the financing presents
20 minimal risk.

21 If you look at Item 10, there is also a
22 resolution that goes along with that, 13-08, which we

1 will be asking for Board approval of this TBA model at
2 the end of the presentation.

3 We also are presenting new loan products. And
4 what I mean by "new loan products," Sheryl will be
5 presenting down the road, anything of these new loan
6 products that we're looking at in terms of developing
7 products.

8 And finally, in spite of Resolution 11-06,
9 Item number 12, we are looking at the Board providing us
10 parameters to make these loans.

11 And the reason we're looking at the parameters
12 versus the loan products, is because this allows us
13 certain flexibilities, to mix and match the certain loan
14 products that we have in order that we can make loans
15 and reach certain populations.

16 So if we would, the first slide, we can go
17 back over what we call that TBA model. And as you
18 remember, back in January, we made an initial
19 presentation for discussion. And in March, it was also
20 discussed for risk analysis.

21 It probably would be good to review this, and
22 just because it can kind of be a little confusing as to

1 where this is headed. But what we would like to do is
2 kind of walk through an example of how this model works.
3 And it might be better if I use -- if I use that one,
4 can you turn -- is it okay to turn this one?

5 So basically the TBA model provides a vehicle
6 for our products to reach our target populations. So
7 initially, we have approved lenders. These approved
8 lenders are going to originate and credit-underwrite
9 what we call the "first loan." The first loan will be a
10 30-year fully amortized fixed loan. So it's really an
11 approved lender's money that comes in up-front, along
12 with what we have as our down-payment assistance
13 programs. Those down-payment assistance programs
14 combined with the first loan create this product, which
15 we want to, again, get our products out to our
16 designated groups.

17 So if you follow this, what happens is,
18 CalHFA reviews the first subordinate loans -- the first
19 and subordinate loans for compliance and approval prior
20 to the loan closing.

21 This dotted line resembles the loan -- is the
22 loan closing date. So now, the loan is closed and the

1 lender funds and closes the first loan with the
2 subordinate debts.

3 So what is the significance of that? To this
4 point is, there is a contract with CalHFA and its master
5 servicer. What the master servicer does, is provides a
6 service in that they will pull these loans, and in
7 pulling those loans, and forming securities, which are
8 more liquid and less risk, all right.

9 As part of this whole process, we're only
10 talking about the first loan now, in terms of
11 securitizing, they have pooled these loans. The master
12 servicer will then, for a momentary short period of
13 time -- an hour, to a day -- sell those securities to
14 CalHFA.

15 Now, immediately, there is the hedge
16 facilitator we have a contract with also that will
17 finance our purchase of those securities, all right.

18 At the same time, almost instantaneously, that
19 master servicer -- master facilitator, sorry -- master
20 facilitator will purchase those securities.

21 Now, the significance of that is, in this
22 whole line, the progression for the first loan, is that

1 the risk, the risk never really falls on CalHFA. At the
2 end, really it's the hedge facilitator taking the risk.

3 Now, this is kind of something we ran
4 through -- Tia, did you have a question?

5 MS. PATTERSON: I must have looked like I had
6 a question, huh?

7 MR. OKIKAWA: Yes, you did. You did. And I'm
8 sorry, there was really a basic --

9 MS. PATTERSON: No, but I do.

10 So you're saying the risk is falling on the
11 hedge facilitator?

12 MR. OKIKAWA: Yes.

13 MS. PATTERSON: But the time period that the
14 Agency is holding on to it, is there a guarantee that
15 the hedge facilitator is going to buy it? I mean, what
16 happens if they don't buy it from us?

17 MR. OKIKAWA: We have a contract with the
18 hedge facilitator.

19 MS. PATTERSON: That requires that they buy
20 it?

21 MR. OKIKAWA: That requires that they buy it.

22 MS. PATTERSON: Okay.

1 MR. OKIKAWA: Now, thinking also along those
2 lines, what risk could there be? At the point when we
3 buy it, that the hedge facilitator, say, goes bankrupt,
4 et cetera. We would still have securities that we could
5 sell.

6 So, once again, it's not a hundred percent
7 risk-free, but it's minimalized.

8 MR. JACOBS: For loans that get kicked out
9 during the securitization process, what happens on the
10 second in those cases?

11 MR. OKIKAWA: On the second, if the loan gets
12 kicked out?

13 MR. JACOBS: Yes, like if the first loan gets
14 kicked out during securitization?

15 MR. GIEBEL: We don't fund it.

16 MR. OKIKAWA: Then basically, there's just a
17 loan.

18 I mean, there wouldn't be -- we would still
19 have -- I guess at what point here are you talking that
20 it gets kicked out?

21 MR. JACOBS: During securitization. So for
22 some reason, the loan, it gets audited, and someone does

1 not like it, it's not eligible, it gets thrown out of
2 pool. Are we still doing the second? And then --

3 MR. GIEBEL: No.

4 MR. JACOBS: Okay.

5 MR. OKIKAWA: That would be before we do the
6 approval.

7 MR. GIEBEL: We haven't funded.

8 MR. OKIKAWA: I'm sorry, go ahead.

9 MS. PATTERSON: Okay. So our second only goes
10 in if the first is part of the secured pool?

11 MR. OKIKAWA: Right.

12 MS. PATTERSON: Okay.

13 MR. GIEBEL: And that would go back to the
14 master servicer.

15 MR. OKIKAWA: And the master servicer wouldn't
16 secure, wouldn't pool and securitize --

17 MR. GIEBEL: It's their loan now.

18 MR. OKIKAWA: -- until we actually gave
19 approval.

20 MR. JACOBS: And are we doing random audits
21 on --

22 MR. GIEBEL: Yes.

1 MR. OKIKAWA: Go ahead, Grant.

2 MR. BOYKEN: You might have said this, and
3 maybe I didn't hear, but at what point in the process
4 does our contract with the hedge facilitator get signed?

5 MR. OKIKAWA: It's signed ahead of time.

6 MR. BOYKEN: Okay.

7 MR. OKIKAWA: But if your talking about the
8 actual -- when we are actually looking at the pricing of
9 this --

10 MR. BOYKEN: Right.

11 MR. OKIKAWA: -- it would be before the loan
12 closing through the contract.

13 MR. BOYKEN: Thanks.

14 MR. OKIKAWA: So under that scenario -- let's
15 look at that as the basic model of the vehicle, right,
16 on how we want to get our products out.

17 So in the past, what we've talked about, we
18 talked about CHAP, CHDAP loans, and everyone has heard
19 all these acronyms. So let's talk a little about what
20 they really are and how we can get those products -- and
21 we will talk about who those products will go to, and
22 that will be Ken's part of the presentation.

1 But initially, when we're looking at the
2 origination process, whatever products we're looking at
3 combining, let's look at a CHAP-CHDAP combination now.

4 CHAP is California Housing Assistance Program.
5 It's basically statutorily provided: I think 51504.
6 And so -- I'm sorry, I'm sorry, CHAP is our money, CHAP
7 is our money. It's is not statutorily provided. CHDAP
8 is the one that is statutorily provided. So CHDAP is
9 California Home-Buyers Down-Payment Assistance Program.
10 And that one is 51504.

11 So the distinction is, this other money, the
12 CHAP money, is basically what we would consider our
13 money.

14 And the CHAP money would be an addition, like
15 a 3 percent down payment, to, say, the CHDAP money. And
16 I'm hoping the acronyms aren't confusing many people.

17 So these down-payment products are associated
18 with the first loan, the first loan being the FHA
19 30-year fully amortized loan. At closing, the lender
20 delivers the subordinate loan to CalHFA, which are our
21 loans, not to be confused with the first 30-year fixed,
22 right. So basically, because we're able to supply this

1 subordinate loan, the CHDAP and the CHAP, it comes down
2 to the end: What price are we going to get for that, in
3 terms of on the first?

4 So some of those are sold for what we call a
5 premium.

6 If you're able to get the CHDAP and the CHAP
7 together, because of the extra CHAP loan, that we can
8 buy those -- I mean, we can actually sell those for a
9 premium to the hedge facilitator.

10 So that's what we're talking about later -- or
11 earlier, when I was talking to you, Grant, about the
12 difference, say, between the market and the premium
13 rate. Because of the extra CHAP down payment, the
14 borrower, because of that deeper down payment, is now
15 willing to pay a little more in the interest rate. And
16 because they're willing to pay a little more on the
17 interest rate, the value of that is higher in terms of
18 the security.

19 So what will happen is, at the front, we want
20 to have, say, what we call a premium, 104 percent
21 premium. For example, if it's, say, a hundred dollars,
22 and a 104 percent premium would be at a certain interest

1 rate, that is predetermined with our contract with the
2 hedge facilitator.

3 So I'm trying to work this through because
4 it's getting a vehicle that's getting our products out
5 to the types in our target populations.

6 So that, in essence, what we are doing is
7 either doing the premium loan or what they call a
8 "market," okay. And that depends on the earlier values
9 that we determined, what premium we want to settle this
10 thing.

11 Is that helping? Any other questions about
12 that?

13 I mean, I'm trying to make it so we can
14 distinguish between what we call the premium loans and
15 the actual market loans.

16 Now, the market loans would be the ones where
17 the first, the FHA first, would say just "CHDAP loan."
18 The CHDAP loan doesn't really have a premium for it
19 because it's really just the basic CHDAP loan, and
20 that's at the 3 percent down payment.

21 And so going forward, at the end of the deal,
22 that's really pretty much what other lenders can

1 provide, is really the CHDAP loan.

2 What is our space in this is, no, if other
3 lenders can provide that, we're looking for new niches.
4 We're looking for what is our place in this marketplace?
5 What can we provide that other lenders don't provide?

6 And when we add on the CHAP loan that's
7 actually our money, that's really where it's the extra
8 down payment that can allow for this premium, which can
9 allow for us to reach certain target groups.

10 And so those target groups, which we will
11 likely discuss, and Ken will go through some of the
12 demographics and some statistics in which our entire
13 crews are.

14 So what happens is, like what Tim was talking
15 about earlier when he had that slide, if we had to
16 finance the CHAP loan -- because that's our money,
17 right? So the money has to come from somewhere, and
18 there was that \$3 million that Tim had showed from
19 single family lending. Part of that \$3 million would
20 actually finance, finance the CHAP loan until you get to
21 a point where the actual security is sold.

22 So if, for example, we're talking a hundred

1 dollar example, which is a par example, if we were able
2 to get the premium, which means 104 percent premium,
3 there is 4 percent that we would make off the first
4 loan.

5 Out of that 4 percent, since it's a 3 percent
6 CHAP down payment, we would pay that CHAP loan,
7 3 percent, right? Keep that 1 percent as the profit.

8 And eventually, that 1 percent will keep
9 building. And we would have a pool, which could then be
10 our line of credit on that \$3 million. And we could
11 take out that \$3 million and kind of self-supporting for
12 the CHAP.

13 I'm hoping this is helping. But is it -- if
14 anybody has questions?

15 Tia?

16 MS. PATTERSON: So the total down payment
17 would be like 6 percent as opposed to 3 percent, because
18 you're using a mixture of finances?

19 MR. OKIKAWA: Basically, yes.

20 MS. PATTERSON: And then who is responsible
21 for paying the second? Does the borrower -- is the home
22 buyer paying the second? Because I thought you just

1 said that we would be paying down a portion of that.

2 MR. OKIKAWA: I was using that -- I'm sorry if
3 I didn't clarify that. But it was really the
4 warehousing of that money, until we actually get to the
5 point where the securities are sold. So that we would
6 get that -- pay that premium so we could pay off that
7 part of the loan.

8 So really it is just the warehousing part we
9 are talking about, not --

10 MS. PATTERSON: Okay. Physically, who is
11 paying?

12 MR. OKIKAWA: Meanwhile, still, the borrower
13 is still obligated under the note.

14 MS. PATTERSON: Okay, so the second isn't like
15 a deferred, forgivable or something like that? They're
16 actually making payment? The home buyer is making a
17 payment?

18 MR. OKIKAWA: It's deferred, but they still
19 are obligated. They aren't making payments. It's
20 deferred. It's not a grant. It's clearly a loan.

21 MS. PATTERSON: Deferred...?

22 MS. ANGST: To pay.

1 MS. FALK: So when is it paid?

2 MR. OKIKAWA: Pardon?

3 MS. FALK: When is it paid?

4 MR. OKIKAWA: It's usually paid over --
5 usually they match the period of the loan, which is
6 usually 30 years. So it's coterminous with the first.

7 MS. PATTERSON: So they don't have any
8 payments due until the end of the 30 years?

9 MR. OKIKAWA: Right, right, most of the
10 interest deferred, usually at 3 percent.

11 But, once again, when we're looking at this,
12 the TBA model is the deal. And we're looking at what
13 risk there is to the Agency. It's like, okay, now, we
14 have the car, it has the air bags, it has the steel
15 frame. Where are we going with this? You know, what
16 products do we want to get out there? And that is what
17 Ken, right now -- and that is part of the presentation
18 where Ken is going.

19 And so we'd like to kind of show you a few
20 more slides as to where we're headed with this in terms
21 of our target groups and target populations.

22 Ken?

1 MR. GIEBEL: Good morning.

2 I'd like to take you through some background
3 information so you get a feeling for -- we have a pretty
4 distinct first-time home-buyer market for low- to
5 moderate-income Californians.

6 I'm going to take you through who the current
7 CalHFA borrowers are, because right now, we are
8 supporting the FHA market for first-time home buyers.
9 We have kind of a percent I'll go over with you later in
10 the presentation. We will do about -- in this fiscal
11 year, we will do about 6,400 CHDAP loans. We're going
12 to be close to \$40 million in CHDAP financing. 97.5% of
13 those loans are with FHAs, and they're all first-time
14 home buyers.

15 Then Sheryl Angst, who is the project manager
16 on these products, is going to talk to you about some
17 product parameters. We've separated these into two kind
18 of pools of products. One, we're calling the core
19 products. We talked to you about that. And the other
20 are some pilot programs, built around some specific
21 initiatives that have been laid out by the Governor and
22 also laid out around economic development.

1 And then we'll talk to you about our
2 recommendations and the timing.

3 Hedge facilitator was discussed. That RFP is
4 due the 21st of May. We have to have that selection made
5 by the first week of June. So we are proceeding. And
6 we have a master servicer lined up; we just need to get
7 the contract in place.

8 So with that, these are overall loan
9 statistics on CHDAP from July through March of 2012-13.

10 We had purchased -- these aren't reservations,
11 the reservations will be about 30 percent higher than
12 this -- 3,000 -- a little more than 3,000 CHDAPs.
13 97.5 percent, as I said, are with FHA first mortgages.
14 64 percent of these ethnic borrowers that are listed
15 here.

16 Interestingly, if you were around CalHFA in
17 the late 1900s and 2000, this is pretty much what our
18 population used to be when we did FHA loans. I think
19 the highest I've ever seen Hispanic actual purchases of
20 CalHFA products is about 56 percent.

21 15 percent of them are single head of
22 households, and half of those are single-female head of

1 households, just to let you know. Those are the average
2 sales price and purchase price.

3 The CHDAP loan amount, which is 3 percent. So
4 they have about less than a half a percent in there.

5 This is where we're doing business. This,
6 again, as Peter will tell you that, is pretty much what
7 we used to do around 2000, when we did the FHA business.
8 We were located in the Central Valley and the Inland
9 Empire. Those are the loan counts by counties, and
10 75 percent of our CHDAP loans are in those seven
11 counties.

12 Yes?

13 MS. PATTERSON: Do you know the historical
14 trends or default rates of the FHA loans? Like --

15 MR. GIEBEL: Well, I could go back -- and I
16 think you'd have to look at two pools, okay.

17 The pools from the 1998 to about 2002 were
18 very small.

19 Off the top of my head, I'd say about less
20 than 4 percent -- in these markets.

21 When you get to 2000, it's not really apples
22 to apples; because from 2005 to 2007 and a half, we

1 didn't do FHA business. It was too small because they
2 weren't really in the market because the sales prices
3 were up over their low four-seventeen, even in these
4 markets. So that's the issue.

5 We can tell you that when the LTVs, because of
6 being underwater, went over 125, even as high as 187,
7 yes, they were about 17 percent, when people started to
8 walk away.

9 MS. PATTERSON: Because what I'm trying to do
10 is, I'm trying to match when we started getting into
11 trouble with the trends. And I'm making assumptions
12 here, but I need to be corrected, if I am incorrect.

13 So when we were doing FHA loans to this
14 targeted population, our default rate was much lower?

15 MR. GIEBEL: Yes.

16 MS. PATTERSON: It's when we stopped marrying
17 our product with the FHA products and that population,
18 that we started to get in trouble?

19 MR. GIEBEL: Right. And it's not that we
20 stopped doing FHA loans. We did some; but there were,
21 first of all, a lot of lenders basically stopped doing
22 FHA. They didn't push those. They started pushing the

1 other products because the sales prices went up so high.

2 MS. PATTERSON: And FHA wasn't available for
3 those?

4 MR. GIEBEL: Right. And in a couple of
5 lenders -- I mean, even in people like Wells, you had
6 trouble finding someone who would write an FHA loan.

7 MS. PATTERSON: Yes.

8 MR. GIEBEL: So it's really hard to compare.

9 Now, if we go all the way back to the early
10 nineties, when the market went down again, yes, the
11 rates were over 5 -- 5 to 7 on FHAs. But around 1998 to
12 2002, they were low, 4, so...

13 So we've seen some studies, I've shown them to
14 Claudia on the LTVs, and it's between 95 and 105.

15 What happens when people's houses go
16 underwater? The LTVs go out the window, and they're at
17 150, and they just don't -- it doesn't make any sense
18 anymore. Again, you're trying to compare LTVs when they
19 were underwritten, and then they're way underwater, so...

20 MS. CAPPPIO: And through the Chair, if I may,
21 I think the key factor for me, with 20/20 hindsight, is
22 the appreciation or the meteoric rise in property values

1 and the race that we've made, however ill-informed it
2 turned out to be in hindsight, to try to keep up with
3 that. And there's a place that you say we can't go
4 there. And I think we're going to be doing that
5 differently than last time around.

6 MR. GIEBEL: As I think we mentioned this the
7 last time, we have gone back, Sheryl and staff, we've
8 gone back and looked at everything, we've looked at best
9 practices today and what the other HFAs are doing with
10 similar TBA models; and we think the way that we have
11 put the parameters together, the ability, as everybody's
12 talking, is the ability to repay, I think we've
13 addressed that in a very responsible manner. But we
14 will get there.

15 MS. FALK: Can I ask you a question?

16 MR. GIEBEL: Yes.

17 MS. FALK: You had mentioned that the
18 demographics were different after you stopped doing the
19 FHA loan.

20 MR. GIEBEL: Oh, yes.

21 MS. FALK: What were they?

22 MR. GIEBEL: Well, I can tell you as a fact,

1 that the Hispanic loans went down in 2007-08. They were
2 down below 20 percent, Hispanic families; and the Anglo
3 and the Asian loans -- I think our Asian loans went up
4 to -- let me see, what are they here -- they were
5 about -- I think they got up to 10 or 12, and the Anglo
6 market was in the forties.

7 So the whole demographic shift -- and to be
8 honest, with our down-payment assistance program, we
9 supported some of that shift. We had HiCAP, which was
10 our money in high-cost areas of San Diego, Santa Clara,
11 San Francisco, the East Bay; and we had CHAP in the
12 other markets. And the localities help support that
13 because they did overlays on those products. So it was
14 kind of like just throwing gasoline on the fire. So the
15 demographics shifted considerably.

16 And this is -- what you're seeing here is a
17 major change shift back to FHA-based products and
18 FHA-based borrowers, okay.

19 65 percent -- and this is the highest
20 percentage I think we have ever done -- I could be wrong
21 because I'm old, but I'm not that old -- is 80 percent
22 of median income. That's a very high figure that these

1 CHDAP loans are being used for. And you'll see
2 something else out there.

3 I just threw in the affordability indexes in
4 these counties.

5 You can see the State is at 67. We looked
6 at -- this is a March number. At the bottom, I put
7 high-cost counties. But you can see Riverside,
8 Sacramento, San Bernardino, Fresno. Those are their
9 affordability indexes.

10 L.A., 61. But where we're doing business in
11 L.A. is Compton, Lancaster, Antelope Valley, and the
12 outlying areas. That's where our loans are. L.A., 658.
13 85 percent of them are in that locality inside L.A.
14 County.

15 So then we went in a little deeper because we
16 wanted to take -- and I'll run through these quicker.
17 We went a little deeper, and we pulled some loans and
18 did an audit in these seven counties, to see what the
19 borrowers looked like, where we were doing 75 percent of
20 our business.

21 The average appraised value is one
22 seventy-five. That's \$25,000 lower. And you can see

1 the average price. The CHDAP is a little lower.

2 And the statistics are a little bit higher.

3 So instead of 60, we are up 64 to 65, loans to borrowers
4 were up to 67 percent, 80 percent median of income.

5 And you can see the average ratios -- you
6 might want to remember that number for something we're
7 going to show you later, in the FICO scores. And so
8 that's what that profile looks like of borrowers in
9 those seven counties.

10 Interestingly -- yes?

11 MS. PATTERSON: So I don't see very many
12 Northern California counties.

13 MS. CAPPIO: Right.

14 MS. PATTERSON: Is it just because it costs
15 too much to live there?

16 MR. GIEBEL: Yes. And if you look at the
17 income, it's driven around, we have income limits on the
18 CHDAP loans also. And you get into two families, in
19 some of these counties, you're over the limit.

20 And the CHDAP limits, income limits are pretty
21 low.

22 MS. WHITTALL-SCHERFEE: When were these sample

1 loans from?

2 MR. GIEBEL: At the same time, in March. We
3 picked from January to March, for the 154.

4 Interestingly, these same -- we took the 154
5 in the seven counties, and we looked at the average
6 bedroom size, average square foot, what the average
7 principal and interest, and what the average rents were
8 in these markets.

9 So you can see the population we're serving,
10 we're saving them a considerable amount of money,
11 because we had 3.58 was yesterday's 30-year fixed rate
12 for FHA. It's cheaper for them to buy than to rent
13 homes. And this is not atypical of anywhere.

14 So we're actually helping people, regardless
15 if their home appreciates, they should be able to build
16 some wealth by saving 400 bucks a month.

17 And just to let you know, in these counties,
18 all home sales for FHA were 48,000. Those are the
19 number of CHDAPs that were purchased. We did about
20 9 percent of all FHA loans in those markets.

21 Of first-time home buyers, it's an
22 estimate -- FHA first-time home buyers are about

1 38 percent of FHA loans across the country. We don't
2 have it for California.

3 If you just assume it's a third, and you say
4 ours is about 9 percent, we're doing somewhere between
5 25 and 30 percent of the first-time home-buyer FHA loans
6 in these markets with down-payment assistance.

7 I'm going to turn this over to Rick to talk
8 about the objectives of the products. You're going to
9 see in a few minutes -- in a minute or so.

10 MR. OKIKAWA: Before we do that, can we go
11 back to, I think it was slide -- page 7 -- there. "It
12 is currently more affordable to purchase a home than
13 rent a similar home in many counties."

14 The reason we're going back to this slide is,
15 when we're talking about the vehicle, when we're talking
16 about the TBA model, and they were saying, where are we
17 going with this, where are we going with our products?
18 And clearly to us, this is a very strong indication of
19 where we need to go. And if you look at these rents,
20 for example, in Los Angeles County, when you're looking
21 at a differential between the rents and what the P & I
22 is, let's also throw in taxes and insurance, so PITI.

1 And if you're looking at the differential
2 there, say, you know, tax and insurance and let's add on
3 another \$300. So if you're looking at the average PITI,
4 you're looking maybe in Los Angeles somewhere around,
5 oh, let's go as high as \$1,200. You're still saving
6 anywhere between \$247, and up to, say, \$700 a month.
7 And that's after-tax dollars that these people are
8 paying for rent.

9 So after-tax dollars, if you're considering
10 that, you're looking at a pretty substantial amount of
11 income.

12 If you're looking at \$700, maybe you are
13 looking -- if you are even in the 30 percent bracket,
14 you're looking at a thousand dollars gross that these
15 people who don't have the ability to put the down
16 payment now, we could put those people into the housing
17 with the extra down payments that we have. And that is
18 the key is, like, if we use, say, CHDAP, and you add
19 that extra CHAP down payment, these people now can enter
20 the housing market, build equity, build wealth, and save
21 that kind of money.

22 And, Matt, what we're talking about before, in

1 our previous board meeting, that there is this cushion.
2 And where would that cushion come from? We could put up
3 reserves, things like that. Just in case
4 a refrigerator goes out, something like that, right?
5 We're saying that the money that they can save, you
6 know, just by not having to pay rent, the fact that they
7 can save that kind of money allows for cushion for these
8 kind of situations, along with other parameters which
9 we're asking the Board today to approve, such as home
10 warranty insurance, et cetera.

11 But because of that, we're looking at this
12 population, this particular population, and allowing
13 them to enter the household.

14 And that's why we are really looking at this
15 very closely. Because if you go down the whole line
16 from Los Angeles, all the way down the San Joaquin
17 Counties, you'll see the rental differential.

18 Now, also, on the other hand, about building
19 wealth, in terms of the P & I, there's also the interest
20 deduction. All right, and so what is real important
21 here is that not only will they get the interest
22 deduction, it's also possible if we can mix and match

1 with our products, that we could use mortgage credit
2 certificates.

3 And mortgage credit certificates are actual
4 credits as you well know, Tia. They are actually
5 credits against the income, which even means more
6 savings.

7 So instead of, you have a \$500 mortgage credit
8 versus a \$500 deduction -- you know, a \$500 deduction
9 would only allow maybe, if you're in the 30 percent tax
10 bracket, what, \$1,500 of savings. Whereas I'm sorry,
11 \$150 worth of savings. Whereas if you aren't getting
12 that tax credit, that \$500, that's substantial, in
13 addition to the rent savings. And so that is the target
14 population, what we're looking at with this
15 CHAP-CHDAP.

16 And by combining those two products, we are
17 able to reach that population, get people into the
18 homes, at a stage where it would take years for them to
19 build that kind of home down-payment assistance, and
20 have them build wealth.

21 Matt?

22 MR. JACOBS: What percentage of these

1 transactions are in attached product, a condominium
2 or --

3 MR. GIEBEL: Excuse me, what did you say?

4 MR. JACOBS: What percentage of these are in
5 attached product, townhouses, condominiums?

6 MR. GIEBEL: Pretty low.

7 MR. JACOBS: Pretty low?

8 MR. GIEBEL: Sheryl looks at -- we review all
9 the CHDAPs for compliance up-front, so we approve the
10 loans, and later we purchase them.

11 So you would say --

12 MS. ANGST: Currently, probably 10 to
13 15 percent.

14 MR. GIEBEL: And virtually, none of them are
15 new construction, either, just to let you know. Because
16 as that market starts to bubble up, we should see more
17 of that business. But it's not new construction,
18 either.

19 MR. OKIKAWA: Yes, so back to the
20 objectives -- and this is pretty much just what we were
21 just discussing -- but, you know, much of the objectives
22 enable these low- and moderate-income first-time home

1 buyers to enter the market. And by being able to enter
2 the market now rather than have to go -- I mean, rather
3 than wait years before they can save for the down
4 payment, they can build this wealth, they can build this
5 equity.

6 And in this way, we can provide for first-time
7 home-buyer loan products for a special public-purpose
8 types of loans.

9 So when you look at the resolution which
10 pertains to this -- it's 13-09, I believe,
11 Item 12 -- when you look at that resolution, what we're
12 asking is that you look at -- as the Board provides
13 certain parameters, how we can make loans, and how we
14 can mix and match some of our products. And in order
15 to meet the changing needs and the changing
16 demographics of the state of California, what we're
17 asking, is that we go by these parameters rather than
18 discussing with the Board the new loan products.

19 But we're able to use these certain parameters
20 to make loans. And that way, we can mix and match and
21 meet whatever needs, and be flexible to meet the needs
22 of the state of California.

1 Clearly, we will be monitoring these loans.

2 In regards to whatever the parameters we decide on
3 today, we will be monitoring all these loans very
4 closely, especially loans with high loan-to-value.

5 And so we want to let the Board know that
6 we're not just saying, okay, we want to make these loans
7 and then we'll forget about them. We want to make sure
8 that the Board -- everybody is aware that we will be
9 looking at these loans, monitoring them very closely
10 down the future.

11 And that is pretty much what we are looking
12 at, in terms of our objectives.

13 MR. GIEBEL: Just to let you know, we monitor
14 these loans on a quarterly basis. We break out the
15 CHDAPs and look at them this way, just to make sure we
16 know what's going on with the population, and also to
17 project how much money we're going to -- because it is
18 bond money on the CHDAP. So we have to keep an eye on
19 that, because we have to go request it, that it be moved
20 into the account; so we do take a close look at them.

21 Just one other statement and then I'll turn it
22 over to Sheryl, is -- the interesting part is, if you

1 get the mortgage, you can budget and you can plan. In
2 this day and age, it's very difficult to plan rents
3 because they keep going up. They keep going up to the
4 tune, in some areas -- in the Bay Area and L.A., they're
5 up 8, 9 percent a year. So that spread could even get
6 bigger until there's more units built for sale.

7 So, anyway, Sheryl, we're on page --

8 MS. ANGST: 10.

9 MR. GIEBEL: 10.

10 MS. ANGST: Good morning.

11 Let's start with the proposed Phase I
12 products. The first one are our core products.
13 In developing and looking at the core products, we
14 actually spoke to our lenders. We had several focus
15 groups. And the one thing that our lender said that all
16 the borrowers had in common, was they did not have money
17 for down payment. So these products were developed
18 because of that.

19 The first one we're calling the "CalHFA FHA
20 Premium." Using the TBA model, what we will do is have
21 a guaranteed rate and premium price that will be set by
22 the hedge facilitator.

1 We're using 104 in this example. The
2 104 percent is going to allow us to provide down-payment
3 assistance, or the CHAP in this case is, for the
4 borrower. The CHAP is for down payment only; it cannot
5 be used for closing costs. So it is not going over the
6 100 percent loan-to-value.

7 This product is distinctive to CalHFA. And
8 the reason it's distinctive to CalHFA is because our
9 down-payment assistance per FHA guidelines is allowed to
10 be counted as the borrower's own funds. No other lender
11 can do this.

12 This premium product can be combined with our
13 existing CHDAP.

14 A second product we're going to do is a
15 market-rate FHA. The market-rate FHA is not distinctive
16 to CalHFA. Anybody can do it. However, we have the
17 Extra Credit Teacher Program, which can only be used
18 with the CalHFA first mortgage. This gives the borrower
19 up
20 to -- the teachers up to \$7,500, or 3 percent, the
21 greater of; and in high-cost areas, \$15,000, or
22 3 percent of the sales price to use for down payment.

1 Again, down payment only.

2 MS. PATTERSON: How do those borrowers look?

3 Do they look different?

4 MS. ANGST: The teachers?

5 MS. PATTERSON: No, the premium -- those that
6 you would provide with the premium down payment and
7 those that would get the market rate. Do the
8 demographics of those borrowers look different?

9 MS. ANGST: The demographics are going to be a
10 little bit different because to use the market rate,
11 well, they're going to have a lower interest rate; but
12 we don't think it's going to be used all by itself. We
13 think it's going to be used either primarily with our
14 CHDAP or the Extra Credit Teacher Program, because it's
15 not distinctive to CalHFA. It's what everybody else can
16 do. It's only here because of the Extra Credit Teacher
17 Program.

18 MS. PATTERSON: And you would only do it if
19 you were marrying it with the Extra Teacher Credit or
20 something else?

21 MR. GIEBEL: I think to get to your first
22 question, to answer it, I think what it will do, it is

1 the same population as the CHDAP population that you
2 just saw; I think it will permit a little bit deeper on
3 the lower income of the moderate side, because it will
4 give them more down-payment assistance. So we expect it
5 will go a little bit lower on income.

6 So that 64 percent number you saw could go to
7 67 or 68. But it's still an FHA-built product against
8 an FHA target audience. We're just going to give them a
9 little bit deeper.

10 MS. PATTERSON: So you anticipate that the
11 premium, the buyers will be -- you'll have more
12 lower-income buyers using that?

13 MR. GIEBEL: We think so.

14 I think so. I can speak for myself.

15 Yes, we do, because we don't think the markets
16 are going to change. Those counties are going to change
17 because of the affordability indexes.

18 Now, as you know, as you've all read, it's
19 pretty hard for a first-time home buyer to compete for a
20 home in markets like Sacramento. So maybe Sacramento
21 will go down.

22 But the Inland Empire and Fresno, where there

1 are still affordable homes left over from the bubble, we
2 think, yes.

3 MR. OKIKAWA: And, Grant, when we had talked a
4 little bit earlier about the market rate -- and this is
5 where we're talking about with the Extra Credit Teachers
6 Program -- this may warrant a market rate rather than a
7 premium.

8 MR. GIEBEL: And we're giving them the option.
9 So if you don't want to pay the premium interest rate,
10 you can go with the regular FHA and use the products
11 that way.

12 With the MCC, we're just giving them the
13 opportunity to come to one place to do that. Because
14 right now, as I said, 97 and a half of them are using
15 FHA products with the CHDAPs.

16 MS. WHITTALL-SCHERFEE: Ken, if they're going
17 to use the FHA products without any of the premium, does
18 it really make any sense to use the CalHFA product, or
19 will they just go to another --

20 MR. GIEBEL: If you want to use the Extra
21 Teachers Credit Program, you have to use it.

22 MS. WHITTALL-SCHERFEE: Right, with the Extra

1 Credit. But if you're not --

2 MS. ANGST: No, it does not.

3 MR. GIEBEL: No, it doesn't make any sense.

4 MS. WHITTALL-SCHERFEE: -- then you would just
5 go somewhere else, wouldn't you?

6 MR. GIEBEL: No. And they would come to us
7 for the CHDAP, like they are doing now.

8 MS. WHITTALL-SCHERFEE: Yes.

9 MR. OKIKAWA: And that's the difference. We
10 are trying to distinguish, what can we offer that nobody
11 else can offer. Yes, we can offer the CHDAP, but
12 everybody else can offer that.

13 It's the CHDAP and the CHAP and the Extra
14 Credit Teachers Program. And that's our target, and
15 that's why we're lending again.

16 MS. PATTERSON: And the market rate is the
17 statutory money, the CHDAP money, right?

18 MR. GIEBEL: Yes.

19 MS. PATTERSON: Okay.

20 MR. GIEBEL: Yes, that's 3 percent. That's
21 it.

22 We can do some things to it. We can't

1 increase the 3 percent, but we can do some things to it.

2 CHAIR CAREY: And what's the status of the
3 remaining CHDAP fund? Is there --

4 MR. GIEBEL: We're good for a bit. Not
5 forever.

6 You know, it's bond money. And we're using it
7 pretty quickly.

8 I mean, to be honest, it's the only
9 down-payment assistance really available in the state.

10 CHAIR CAREY: Right.

11 MR. GIEBEL: And we are now going to be up to
12 73 lenders; and we've never been that high.

13 And, too, just to let you know, you have to
14 be a CalHFA-approved lender, and you have to be a
15 master-servicer approved lender. So that will cut down
16 on some of the lenders -- not many. Most of them
17 already are. Okay.

18 Keep going, sorry.

19 MS. ANGST: Okay, that's all right.

20 The Extra Credit Teacher Program is for
21 down-payment assistance only. And they can also use
22 that with the FHA premium. So if they chose to, it

1 would just give them additional down payment. The first
2 mortgage would be reduced.

3 Now, our existing CalHFA MCC product can be
4 used with either one of these. And just so you know, to
5 date, the program launched a year ago, May. We've taken
6 451 reservations so far.

7 MR. GIEBEL: And every month, they are going
8 up.

9 MR. OKIKAWA: And just to be clear on the
10 Phase I products, these are products that we already
11 have in existence.

12 Now, we'll be looking at proposed Phase 2
13 mortgage products. And Sheryl will go in more depth on
14 that.

15 But I think, Tia, in the January Board
16 meeting, you were asking a lot of questions about this
17 energy efficiency. So hopefully, we can answer those in
18 this presentation.

19 MS. ANGST: Okay, on the Phase 2, they are the
20 proposed pilot programs. The first one is the CalHFA
21 FHA first mortgage with the energy-efficient. This is
22 to address the stas- -- I'm never going to be able to

1 say this word --

2 MR. GIEBEL: Sustainable.

3 MS. ANGST: -- sustainable and
4 energy-efficient goals.

5 Basically, it is a premium-priced first
6 mortgage. It's going to be financed very similar to the
7 premium loan. We're going to use the money, and we're
8 going to give a grant to the borrowers. This grant is
9 going to be over and above the actual FHA energy
10 efficiency.

11 So it's going to allow them to have additional
12 improvements to their home, and promote greater energy
13 efficiency.

14 The second one is a public-private loan
15 program. We currently have \$9 million of HPA funds.
16 And that's the home purchase assistance. It's a general
17 fund, and it's recycled funds. The HPA funds will
18 provide a matching down-payment assistance, which will
19 match the employer's.

20 So we're going to target companies that provide
21 some type of public assistance and are in a growing
22 employment market, i.e., health care, Pixar, waste

1 management, et cetera. So we're going to hopefully,
2 between the employer and us, give them an additional
3 down payment.

4 MS. WHITTALL-SCHERFEE: What is the
5 anticipated source of the CalHFA grant that you're
6 considering?

7 MS. ANGST: The energy-efficient grant?

8 MS. WHITTALL-SCHERFEE: Well, you said that
9 there's an additional CalHFA grant, and I was just
10 wondering what the source is.

11 MR. GIEBEL: It's that premium --

12 MS. ANGST: The premium price.

13 MR. GIEBEL: The premium price.

14 MS. FALK: What is the -- how much difference
15 is there between the premium price and the regular loan?

16 MS. ANGST: In interest rate?

17 MS. FALK: Yes.

18 MS. ANGST: Approximately a quarter to half a
19 point.

20 MR. GIEBEL: 25 to 50 basis points. More
21 likely 50 now, yes.

22 MS. PATTERSON: So, we were having a little

1 sidebar over here, so, I'm sorry, I missed that.

2 The one where you're going to target the
3 companies with the public, is there a geographic
4 location that you would be targeting that to?

5 MR. GIEBEL: Yes, we're going to -- we're
6 actually talking to Google. We're going to the South
7 Bay, because we know they are interested in housing; and
8 we know they have had, in the past, housing assistance
9 programs.

10 So we're going to talk to health-care people
11 who eventually are going to have to attract some
12 employees; and, two, to people in employment areas. And
13 we are going to talk to the Silicon Valley people
14 because they do -- they have a housing shortage, and
15 they seem to be willing to listen.

16 So we'll go talk to our friends at the Silicon
17 Valley banks.

18 MR. JACOBS: Universities as well, USC I know
19 would be a good partner.

20 MS. PATTERSON: Right.

21 MR. GIEBEL: Yes, that was one of the targets
22 that Claudia...

1 MS. PATTERSON: And if you could get multiple
2 benefits for kind of like that project area, like
3 blighted communities that you can turn around entire
4 neighborhoods, that would be wonderful.

5 MR. GIEBEL: Yes. So it's going to be many
6 discussions and a lot of outreach. Because it's
7 difficult to get to the right person that talks about
8 that. Because we have already found that the HR
9 departments don't want to talk to us about that; it's
10 the investment people we have to talk to.

11 So, anyway..

12 And you have one more, right?

13 MS. ANGST: I have one more.

14 The third product that we are proposing for
15 the pilot is a CalHFA first mortgage, which will be in
16 the metro urban area. And it's going to be very similar
17 again to the premium first mortgage. We're going to
18 finance it with premium-priced mortgages. We're going
19 to up the amount of the CHAP from 3 and a half percent
20 to
21 4 and a half percent. And this is to work in areas
22 where there are transit areas, as defined by the Agency

1 and ZIP code. We're going to kind of work with the
2 high-speed rail and pick out areas.

3 And then again, all products can be combined
4 with either the CHDAP or the MCC.

5 MR. GIEBEL: So as we said, we did look at
6 what's being done across the country by the HFAs. And
7 we have put these guidelines together. This is what
8 we're working off of for all these products. So these
9 are our general guidelines.

10 Go ahead.

11 MR. OKIKAWA: And, I'm sorry, these are the
12 parameters we're talking about on our resolution, I
13 think it's 13-09. And so these are the parameters we're
14 asking the Board to approve.

15 MR. GIEBEL: And as you know, there is stuff
16 coming out from Fannie Mae and Freddie, it came out this
17 week. And then we have stuff from FHA, and we have
18 Dodd-Frank. So we've kind of looked at that, and this
19 kind of addresses different elements in that right now.

20 We're looking at -- there are 30-year fixed
21 mortgages, FHA mortgages -- all of them. We're looking
22 at a minimum credit score of 640.

1 We came up with that when we first started.
2 Our master servicer will not accept anything less than
3 640.

4 Home-buyer education, for CHDAPs, currently,
5 you have to have a home-buyer education certificate.
6 We are going to institute our own CalHFA home-buyer
7 education. We're going to do it through eHome, who has
8 an alliance with NeighborWorks.

9 So just to let you know, if you want one of
10 our first mortgages, you have to do CalHFA's home-buyer
11 education.

12 It costs \$50. There's an online version,
13 English and Spanish; and you can go to a counselor, and
14 you don't have to pay for that. It's included in your
15 \$50, so...

16 MR. GUNNING: Ken, just a point on that.

17 Rick, earlier, you were talking about using
18 this difference to build wealth. I think it's just as
19 important to understand that you got to use that to pay
20 if something happens to the home, which goes to the
21 education piece.

22 MR. GIEBEL: Right.

1 MR. GUNNING: So I can't stress -- I mean,
2 this is so critical for new home buyers to understand
3 about maintenance and taking care of homes, so...

4 MR. GIEBEL: Michael, if you'd like
5 to -- Claudia asked us to make sure that the people we
6 picked -- selected -- went beyond just home buyer
7 education. It is about financial literacy.

8 I can send you the link to the eHome people.
9 They sent us an example; and it's really good. It takes
10 about five hours if you're a first-time home buyer.

11 CHAIR CAREY: It's really very good. We're
12 committed to it. We use it.

13 MR. GIEBEL: Yes?

14 MS. PATTERSON: And I guess I was going to ask
15 that question: What is the difference between a
16 HUD-certified home-buying counselor and what you're
17 offering?

18 This is more?

19 MR. GIEBEL: This is more, it's deeper, and it
20 takes a little bit longer because of the segments of it.
21 Because there's two segments that are definitely just
22 about financial literacy, like, how to run your

1 checkbook, that kind of stuff.

2 So, yes, this is being used by many of the
3 HFAs now. Many of the HFAs did their own -- Colorado
4 did their own -- and the maintenance of that got too
5 expensive, so...

6 And this is really good for people who are in
7 rural areas, who can't get to a counselor. And we have
8 found out that just getting a certificate is easy from
9 an MI company, so we don't want to go there.

10 MR. GUNNING: When you say "this," you mean
11 the eHome --

12 MR. GIEBEL: eHome.

13 MR. GUNNING: -- the online?

14 MR. GIEBEL: Yes, the eHome, the online
15 system, yes.

16 Debt-to-income ratio is 43 percent total DTI.
17 That's the back side, okay.

18 Remember, if you saw earlier, right now, our
19 CHDAP borrowers are at 45. So that's going to have to
20 drop.

21 MR. OKIKAWA: I'm going to interrupt.

22 MR. GIEBEL: Some people will fall out then.

1 MR. OKIKAWA: Sorry, Ken, I think we skipped
2 the major one here.

3 MR. GIEBEL: Oh, yes, I did. I was saving
4 that for last.

5 MR. OKIKAWA: Maximum combined. Yes, why
6 don't we discuss that now? And, obviously, this is the
7 big point here, and it would be the 103 percent
8 loan-to-value.

9 And as we discussed earlier, in terms of that
10 one chart, and it shows that rents exceed -- in our
11 seven counties, rents exceed the cost of owning. And
12 what we've talked about was the differential that we
13 possibly could save from not having to pay that higher
14 rent.

15 And we're hoping -- and this is what you were
16 talking about, Mike, when you were talking about
17 earlier, about building wealth, and then saying, "Well,
18 some of this -- well, they have to realize that some of
19 this money may have to go for emergency repairs,
20 et cetera," right.

21 So this is where we're looking at a
22 combination of all these parameters to protect, you

1 know; that the people aren't going to want to walk away.

2 And, for example, if the rents are so high, if
3 you are going to walk away from your house, why do you
4 want to walk away from your house where you're paying a
5 higher rent?

6 With the fact -- combined with the savings
7 that you can have on rents. We're hoping that is
8 something to protect. Instead of doing a reserve, we're
9 looking at saving this money for the rainy day.

10 And earlier, I think in the January meeting,
11 Janet, you had talked about, you know, what was the
12 reason for all this housing fallout, the housing crisis;
13 and hopefully, that we don't go back to that, and
14 realize that whatever the cause was, we need to be able
15 to address that cause.

16 And as Ken had said a little earlier, you
17 know, obviously, a lot of that was due to the financial
18 market and the economy downturn, the unemployment,
19 et cetera. And so if you're at 103 percent
20 loan-to-value, 95 percent loan-to-value, 90 percent
21 loan-to-value, people walked, anyway; because by the
22 time your values were, like, at 150 percent

1 loan-to-value, people walked. So it's difficult to
2 determine the actual -- I mean, effect of loan-to-value.
3 But clearly, it is an issue; and clearly, we're trying
4 to address it.

5 And so I'm not exactly able to answer your
6 question, but we don't believe we're going back into
7 that whole idea about economic downturn as being the
8 cause. And so we can't exactly say that we can prevent
9 that, obviously, because we can't. But we're looking at
10 what causes it, and we're looking at 103 percent
11 loan-to-value. And we're clearly trying to address that
12 in every way we can, to minimize the risk.

13 Okay, Tia has a question.

14 MR. GIEBEL: Yes?

15 MS. PATTERSON: How did you come up with 103?

16 MR. OKIKAWA: Do you want to go through
17 the -- do you want to? Or I can.

18 MS. ANGST: You can.

19 MR. OKIKAWA: If you're looking at 96 and a
20 half percent FHA first, and then you're looking at
21 basically a 3 percent CHAP second, then we're at 99 and
22 a half, and then you milking around another 3 percent on

1 the CHDAP. So we're at about 102 and a half. But we
2 want to use the round figure of about 103, so that's
3 where it comes up.

4 MS. PATTERSON: So is the 103 on both
5 products, or just the one that you're doing the
6 6 percent down?

7 MR. GIEBEL: It's on all products, even with
8 the ECTP. And if you use the premium or you use the
9 straight FHA, it's 103, period.

10 MS. PATTERSON: Okay.

11 MR. GIEBEL: They can't go over that.

12 MS. PATTERSON: So why wouldn't you use the
13 103 for the premium product and 100 percent for the
14 other product?

15 MR. GIEBEL: Well, because -- would they count
16 the -- if they use that in the Extra Credit Teachers
17 Program?

18 MS. ANGST: Yes, all of our programs can only
19 be used for down-payment assistance. So the only
20 program that we have that will allow them to go over the
21 100 percent is the CHDAP itself.

22 MS. PATTERSON: Okay.

1 MS. ANGST: And generally, that's only when
2 it's used for closing costs.

3 MS. PATTERSON: Got it.

4 MS. ANGST: 3 percent is also the actual --

5 MS. PATTERSON: It gives them the ability to
6 use your other things and combine it -- in combination
7 with it?

8 MS. ANGST: Correct.

9 MR. GIEBEL: Right.

10 MS. PATTERSON: Okay, got it.

11 MR. GIEBEL: We are asking them -- we've done
12 this before on CHDAP stand-alones. We've asked them for
13 a thousand dollars before. We're just tying the lower
14 FICO score to \$1,500, cash, and a thousand above that,
15 680, we're asking for a thousand dollars cash
16 contribution. We have done that before.

17 Matthew, we have worked out a deal with a
18 company to provide warranty insurance. It's going to be
19 somewhere -- we don't have a final number -- of about
20 \$300 a year. We have agreed for the first two years to
21 split that with them, 50-50. It covers heating, air,
22 and basic appliances. I didn't put the garbage disposal

1 in there because -- or a dishwasher because we thought
2 you could dry your own dishes. I had to when I was
3 little.

4 So, anyway...

5 MS. PATTERSON: So you've made that optional?

6 MR. GIEBEL: Well, they have to sign up for it
7 because they have to pay --

8 MR. GUNNING: It's mandatory.

9 MR. GIEBEL: -- pay into it.

10 So if they're paying, I can't --

11 MS. PATTERSON: Well, in my opinion, I would
12 rather see that to be required, and then get rid of the
13 cash contribution, or work something out between the
14 two.

15 But when I was a first-time home buyer, it was
16 very important. I can't tell you how many times I used
17 my homeowner warranty insurance because I was clueless
18 and I didn't know what I was doing and everything was
19 breaking. And I think that's extremely important.

20 MR. OKIKAWA: And thank you for that. We will
21 make that change, and we will change the resolution
22 accordingly.

1 Thank you.

2 MS. FALK: Well, are we talking about changing
3 the cash contribution? Because I think it's really
4 critical that people have some cash in the bank.

5 MS. PATTERSON: I don't mind you having some
6 skin in the game; but if it's \$500 and then required
7 \$500 to pay my --

8 MR. GIEBEL: It's about -- it will be about --

9 MS. PATTERSON: Just work that out.

10 MR. GIEBEL: It will be somewhere in the
11 neighborhood of one twenty-five a year for them. And
12 we'll pay the other one twenty-five.

13 And then after Year 2, we would assume they
14 would have enough equity, or they have their budget
15 straightened out that they can do their home warranty
16 on their regular insurance policy.

17 Another thing to remember is, home-buyer
18 mortgage protection, that will be covered by *Keep Your*
19 *Home*.

20 So unemployment insurance, for their mortgage,
21 that will -- we will let them know -- typically six
22 weeks after they're in their home, we send them a letter

1 to let them know they actually received a CalHFA-FHA
2 mortgage -- because a lot of them don't know -- and that
3 they received down-payment assistance from the State.
4 And at that time, we'll let them know about the *Keep*
5 *Your Home* program, should they run into a problem, and
6 remind them about their warranty. Okay?

7 MR. GUNNING: I'm sorry, say that again, Ken.
8 They don't know it's CalHFA?

9 MR. GIEBEL: Many times -- no, because
10 remember, the lenders underwrite these loans, and they
11 don't typically tell them --

12 MR. GUNNING: They're not going to tell them
13 where it comes from?

14 MR. GIEBEL: No. You'd be shocked, Michael.

15 But that's okay. We let them know. We send
16 them a key chain; and we let them know that: You have a
17 CalHFA loan, all right. Put your keys on the key chain,
18 and you're okay, good to go.

19 MR. GUNNING: Okay, thank you.

20 MS. CAPPPIO: A T-shirt.

21 MR. GUNNING: A T-shirt?

22 MR. GIEBEL: And we just want to let you know

1 that there are income limits on this. If you use a
2 CHDAP, if you use an FHA with down-payment assistance,
3 they have income limits, and they're lower than the
4 actual CHDAP income limits, and there are sales price
5 limits. And they are by county, okay.

6 So with that, I will just take you through our
7 recommendations for Phase 1.

8 Yes, Tia?

9 MS. PATTERSON: So these parameters, do you
10 have an idea of what the impact on the demographics is
11 going to be? So if you know what demographics of who
12 you think you might want to serve and who you have been
13 serving, with these parameters, do you have a projection
14 of whether those demographics are going to change?

15 MR. GIEBEL: We do not think so, except my
16 comment, if we go from 45 to 43 DTI, it will knock some
17 of them out. Maybe 10 percent.

18 And we also think, with the premium price
19 product, that we will get a little lower
20 income -- moderate -- lower, moderate income mix.

21 We have kind of -- not kind of -- we have
22 built these around who we are serving.

1 MS. PATTERSON: Okay.

2 MR. GIEBEL: Because we see all the FHA first,
3 because we have to look at those for compliance
4 purposes, the CHDAPs they are attached to now.

5 Yes?

6 MR. BOYKEN: Let me follow up on that and ask,
7 do we have a sense of how the demographics would change
8 if we went to a different loan-to-value?

9 MR. GIEBEL: We could make a projection, yes.

10 If we dropped it to a hundred --

11 MR. BOYKEN: And, you know -- for a hundred,
12 that just --

13 MR. GIEBEL: -- it would be pretty much right
14 where we are right now, because that is what we are
15 doing.

16 MR. BOYKEN: I guess that was the
17 number -- and a caveat, I've had the least expertise,
18 probably, at this table -- not probably.

19 But in the postmortem -- and I get the
20 wealth-building argument. But in all of the
21 postmortems, in most of them, one of the key
22 issues -- of the recent housing crisis, one of the key

1 issues, is the issue of not having enough skin in the
2 game. And so I understand the population we're trying
3 to serve, and --

4 MR. GIEBEL: Well, we can tell you, we went
5 back and we looked at our loans during the housing
6 bubble, and we looked at 103 to 107, 100 to 103, 95 to
7 100, 90 to 95. And we can tell you from 95 to 107
8 really didn't make a difference on foreclosures. It
9 didn't.

10 I mean, the numbers are a little bit different; but when
11 you look at the conventional products, no. We are
12 talking degrees of percentages, okay.

13 MS. CAPPPIO: Nevertheless, through the Chair,
14 I just want to be careful that we are on it.

15 MR. GIEBEL: Right.

16 MS. CAPPPIO: That this is a changing market.
17 We're entering it in a different era, with a whole
18 different set of buyer needs and characteristics, and we
19 be will monitoring accordingly.

20 MR. BOYKEN: I appreciate that. One more --

21 MR. GIEBEL: And, Grant, one other thing to
22 keep in mind. There's probably a pretty good chance

1 that FHA may go to 95. So we won't get near 103.

2 MR. BOYKEN: And then one other follow-up to
3 that, I guess when we -- well, I'll do it now rather
4 than when we get to the resolution. But the terms that
5 we approve now, if there is any changes that you would
6 need, if you're seeing something different in the
7 market, you would have to come to the Board first?

8 MR. OKIKAWA: In terms of the parameters, yes.
9 But in terms of like what Claudia was saying, we
10 would -- if there's changes, we are constantly
11 monitoring this, we will keep the Board informed.

12 MR. BOYKEN: Thank you.

13 MS. PATTERSON: So along those lines, you know
14 what kind of red flags you would be looking for, like,
15 what are the things that would trigger me coming back
16 and taking a look at this again.

17 MR. GIEBEL: Right.

18 MS. PATTERSON: I mean, you've looked at that,
19 and you kind of know: Here's my data set, if something
20 goes off the rails that I know I need to go back and do
21 some analysis.

22 MR. GIEBEL: We have a projection on how many

1 loans we're going to do and how much per loan.

2 MS. PATTERSON: Okay.

3 MR. GIEBEL: And if we start seeing that it's
4 going up considerably higher, you'll know about it
5 immediately.

6 MS. PATTERSON: Okay.

7 MR. GIEBEL: We also went back and looked at
8 all the CHDAPs since we started writing them, again, in
9 2010. And it's pretty hard to say -- because it takes
10 so long to get the foreclosure, and we can't look at
11 delinquencies; but there's not one loan, CHDAP loan,
12 since 2010 that's gone to foreclosure.

13 MS. PATTERSON: And is there any way that we
14 could look at not deferring to the first, but actually
15 having them make some type of payment towards that
16 second -- I mean, the down-payment assistance, right now
17 it's deferred for however long.

18 MR. GIEBEL: Well, we can tell you, some
19 people pay the interest on their CHDAPs, so they don't -
20 - it's simple interest.

21 MS. PATTERSON: And when it's refinanced or
22 anything like that, is it required to be paid off?

1 MR. GIEBEL: Or you can resubordinate. That
2 legislation went through on the CHDAPs earlier this
3 year.

4 Because people that are refinancing, and what
5 was happening is, we were holding up their refis. But
6 you can refi. And the loan can go with the loan, the
7 new loan.

8 MS. PATTERSON: Well, if you're refi'ing and
9 putting in a backyard, but if you're refi'ing to buy a
10 boat -- I mean, I don't want to subordinate to a boat.

11 CHAIR CAREY: Yes, are there any limitations
12 to the refi?

13 MR. GIEBEL: No, no.

14 MS. PATTERSON: I don't like that.

15 MS. ANGST: It's hardship.

16 MR. GIEBEL: It's hardship -- oh, you have to
17 have a hardship.

18 MS. ANGST: It's hardship.

19 MS. PATTERSON: Okay, so you can only refi if
20 you're --

21 MS. ANGST: You can only resubordinate under a
22 hardship.

1 MR. GIEBEL: Yes, sorry, you have to have a
2 hardship.

3 Yes?

4 MR. OKIKAWA: And, of course, lately, we
5 haven't had the issue of refi'ing because there hasn't
6 been equity.

7 But, yes, in the future, in the future,
8 absolutely, it's the hardship. And that's why we had to
9 kind of think about that.

10 MR. GIEBEL: Yes. Our subordinations are up
11 considerably because of the interest rate, and people
12 are refi'ing.

13 We were doing 50. We'll probably do 600 this
14 year.

15 MS. PATTERSON: I have to say that if there
16 is the ability to pay on their down-payment assistance,
17 considering that they're saving, I would like to see
18 some of that repaid. I don't know how the rest of the
19 Board feels, but it seems to me that we're creating
20 wealth on one end, we're helping out a segment of the
21 population that, but for down-payment assistance,
22 wouldn't be able to purchase.

1 But I had down-payment assistance when I
2 bought my first house, and I paid off that second. I
3 had some savings, I had the ability to repay, and I
4 repaid my second.

5 So I'd like --

6 MR. GIEBEL: But they have that option, it's
7 just not a requirement in the statute.

8 MS. PATTERSON: And so the statute -- so
9 you're dictated to defer because of the statute or --

10 MR. GIEBEL: No, you could --

11 MS. PATTERSON: -- we could require repayment,
12 if you had the ability to repay?

13 MR. GIEBEL: I don't know. I'd have to --

14 MR. OKIKAWA: On the CHAP, I believe we can,
15 because that is considered our money.

16 MS. PATTERSON: So our money has to be
17 deferred, but the -- what about the premium piece?

18 MR. GIEBEL: No, the premium, we could --

19 MS. PATTERSON: Which one is required
20 statutorily to be deferred?

21 MR. GIEBEL: CHDAP.

22 MS. ANGST: The 3.

1 MR. GIEBEL: The 3 percent.

2 MR. OKIKAWA: The 3 percent.

3 MS. PATTERSON: The statutory money?

4 MR. OKIKAWA: Yes. It's 51504 money, Health
5 and Safety Code.

6 MR. GIEBEL: Yes, but you can. You can pay
7 it.

8 MS. PATTERSON: Right. And that's the income
9 population that if they did that, would be more likely
10 to pay because of the mix, the premium, is the one
11 that's going to be the lower income.

12 So the ones that are at a higher income are
13 getting the deferred?

14 MR. GIEBEL: Right.

15 MS. PATTERSON: Right, okay.

16 MR. BOYKEN: Does the home-buyer's education
17 emphasize the value of paying more upfront?

18 MR. GIEBEL: Yes. They talk about 10-, 15-,
19 and 30-year fixed loans.

20 CHAIR CAREY: And just touching back on
21 homeowner education, we're all convinced about how
22 important it is -- I think everybody here, and it really

1 is. Nobody pays for it, realistically.

2 MS. PATTERSON: Yes, it never gets paid.

3 CHAIR CAREY: Nobody pays for it. And so the
4 reliance is on NeighborWorks organizations or whatever.
5 And they have really limited resources.

6 There is one reason why the eHome works,
7 because it is a reasonable fee, and it is a pretty good
8 program out there.

9 MR. GIEBEL: Right, yes. And we looked across
10 the country, and everybody's just charging. And it
11 doesn't go to us; it goes to eHome. And that helps
12 facilitate NeighborWorks, so...

13 So just recommendations, just to let you know,
14 approval on the resolutions, we need to get the master
15 servicer contract up and running -- or not running --
16 we need to get the contract approval sometime in May or
17 early June.

18 We issued the hedging facilitator RFP. That
19 will be proposals that are due on the 21st.

20 We moved the selection date for the
21 facilitator to June 7th.

22 And that's our schedule, to try to get -- to

1 announce the product sometime in July. Announce
2 it -- like everything else, it will take a bit for the
3 lenders to get up to speed, get the products in their
4 systems. It will take us about six weeks to educate
5 them. We have to do training with the master servicer,
6 so we have dual training to do.

7 So we're thinking September we'll start seeing
8 a volume of what we're going to get.

9 And then on the Phase 2 products, we're
10 working -- we've done what we need to do on the
11 energy-efficient program. We are going to work with
12 L.A. Housing. We understand they have a pilot program.
13 We're going to go talk to them immediately. And we have
14 already started discussions on the third product, with
15 the private-public partnership.

16 So we're working against -- kind of working
17 backwards from a July time-line.

18 We just want to make sure for our first-time
19 home-buyer population, we're giving them responsible
20 mortgages that they can afford. And it looks like from
21 how they're using CHDAPs, it's very affordable for them.

22 Thank you.

1 CHAIR CAREY: Thank you.

2 Are there any other questions or comments?

3 *(No response)*

4 CHAIR CAREY: Okay, we have two resolutions
5 before us. The first is 13-08, which authorizes the TBA
6 model.

7 And before the Board takes action, I would ask
8 if there is anyone in the audience who would like to
9 address the Board on either of the two actions ahead of
10 us here?

11 *(No response)*

12 CHAIR CAREY: Seeing none, the first
13 resolution is 13-08.

14 Do we have a motion?

15 MR. JACOBS: Yes, I'll make a motion.

16 MS. FALK: Well, I have a question.

17 MS. CAPPPIO: On 08?

18 MS. FALK: On 08.

19 Is there some limit on the amount of this?
20 Total amount?

21 MS. CAPPPIO: You mean, that we would lend?

22 MS. FALK: Yes.

1 And does there need to be?

2 MR. OKIKAWA: There is no -- we don't have
3 necessarily a limit.

4 MS. PATTERSON: What's available.

5 MS. CAPPIO: We have a target --

6 MR. GIEBEL: We have a target for staffing
7 purposes; but there is no limit because they're FHA
8 loans. We don't own them. We're not doing the
9 insurance.

10 The only part, as I think Rick has mentioned
11 and Tim mentioned it, is that pool we're going to build
12 up to cover the CHAPs for the \$3 million. And we're
13 projecting in eight to ten months to have that money.
14 So it will just be a revolving fund. And then all the
15 rest of the money that we make would come into the
16 Agency.

17 CHAIR CAREY: Really?

18 MR. GIEBEL: But we're not using our money,
19 per se, other than -- we're using the statutes -- the
20 bond money on the down payment, and the other money is
21 out of a pool and gets paid back from the premium.

22 MS. FALK: So it's kind of self-limiting on

1 the CHAP.

2 MS. CAPPPIO: And staff as well.

3 MR. OKIKAWA: Tia?

4 MS. PATTERSON: What's available, what's in
5 your pot right now to be able to lend? I guess I don't
6 know what that dollar amount is.

7 So you have your --

8 MR. GIEBEL: We would need the \$3 million, and
9 that's --

10 MS. PATTERSON: \$3 million, okay.

11 MR. GIEBEL: And Tim, I believe, has said that
12 put aside.

13 MS. CAPPPIO: Yes, that has been.

14 MR. GIEBEL: It's in the budget.

15 MR. OKIKAWA: That's put aside to warehouse on
16 our CHAP money. And I know Matt had asked that before
17 in the previous meeting because it's important that we
18 have this warehouse initially.

19 But the actual premium, after we pay off the
20 CHAP, that extra 1 percent, 2 percent, whatever we were
21 getting, that's going to go back in the first year, of
22 the pot.

1 And so pretty soon, like we're saying, within
2 the eight to ten months, we predict that we will no
3 longer need that \$3 million set aside because we'll have
4 our own self-funding.

5 MS. CAPPPIO: So that would be revenue -- that
6 would be counted as revenue to the Agency.

7 MR. GIEBEL: And, Janet, the faster we do
8 that, the more loans we get, the quicker we cover that
9 pool.

10 MS. FALK: Sure, okay.

11 MR. GUNNING: Mr. Chairman, that raises
12 another question for me.

13 When Tim was up here, we talked about the
14 \$30 million, the 27 multifamily, three.

15 MR. OKIKAWA: Yes.

16 MR. GUNNING: That's what for then?

17 MS. CAPPPIO: Three is the warehouse.

18 MR. GIEBEL: Three is the warehouse for the
19 CHAPs that are built into the premium product.

20 MS. CAPPPIO: And 27 is the multifamily.

21 MR. GUNNING: The multifamily, that's right.

22 MR. OKIKAWA: And in the model that we were

1 looking at, the TBA model, basically, we have to
2 purchase that CHAP from the lender.

3 MR. GUNNING: I got it.

4 MR. OKIKAWA: Sure.

5 MR. GUNNING: Thank you.

6 CHAIR CAREY: There's limited potential that
7 we'd run into a crunch. Because as it flows, the money
8 will come back in and replenish it. It seems like a
9 remarkably good way to use that \$3 million and get
10 things going.

11 Matt, I think we're ready for you now.

12 MR. JACOBS: Let's make a motion.

13 CHAIR CAREY: All right, a motion.

14 MR. GUNNING: I'll second.

15 CHAIR CAREY: And a second.

16 All in favor?

17 I'm sorry, that's the old -- that's like back
18 home.

19 Roll call.

20 Am I anxious to get out of here? No.

21 MS. OJIMA: Thank you.

22 Ms. Falk?

1 MR. FALK: Aye.

2 MS. OJIMA: Mr. Gunning?

3 MR. GUNNING: Aye.

4 MS. OJIMA: Mr. Jacobs?

5 MR. JACOBS: Aye.

6 MS. OJIMA: Ms. Chavis?

7 MS. CHAVIS: Aye.

8 MS. OJIMA: Mr. Boyken?

9 MR. BOYKEN: Aye.

10 MS. OJIMA: Ms. Patterson?

11 MS. PATTERSON: Aye.

12 MS. OJIMA: Mr. Smith?

13 MR. SMITH: Aye.

14 MS. OJIMA: Ms. Whittall-Scherfee?

15 MS. WHITTALL-SCHERFEE: Aye.

16 MS. OJIMA: Mr. Carey?

17 CHAIR CAREY: Yes.

18 MS. OJIMA: Resolution 13-08 has been

19 approved.

20 CHAIR CAREY: Thank you.

21 And the next action is 13-09, establishing

22 parameters for the broader lending products.

1 MS. PATTERSON: I move -- what is it, 13-09?

2 CHAIR CAREY: Great, thank you.

3 We have a motion.

4 MR. SMITH: Second.

5 CHAIR CAREY: And a second.

6 MS. FALK: I have a question.

7 CHAIR CAREY: Questions?

8 MS. FALK: Can we amend the motion to add the
9 home-buyer -- the warranty program? So, as amended?

10 CHAIR CAREY: Yes.

11 MS. PATTERSON: As amended. I move, as
12 amended, to take into consideration the warranty.

13 CHAIR CAREY: Yes.

14 MR. SMITH: Second.

15 MS. FALK: Does it have to be officially in
16 the record that we're amending it?

17 CHAIR CAREY: Thank you.

18 Okay, it's been moved, seconded, amended, and
19 that was agreed to.

20 With that, roll call.

21 MS. OJIMA: Thank you.

22 Ms. Falk?

1 MR. FALK: Aye.

2 MS. OJIMA: Mr. Gunning?

3 MR. GUNNING: Aye.

4 MS. OJIMA: Mr. Jacobs?

5 MR. JACOBS: Aye.

6 MS. OJIMA: Ms. Chavis?

7 MS. CHAVIS: Aye.

8 MS. OJIMA: Mr. Boyken?

9 MR. BOYKEN: Aye.

10 MS. OJIMA: Ms. Patterson?

11 MS. PATTERSON: Oh, yes. Aye.

12 MS. OJIMA: Mr. Smith?

13 MR. SMITH: Yes.

14 MS. OJIMA: Ms. Whittall-Scherfee?

15 MS. WHITTALL-SCHERFEE: Aye.

16 MS. OJIMA: Mr. Carey?

17 CHAIR CAREY: Yes.

18 MS. OJIMA: Resolution 13-09 has been

19 approved.

20 CHAIR CAREY: Thank you.

21 That was some great discussion.

22 MS. PATTERSON: Can I make a comment?

1 CHAIR CAREY: Yes.

2 MS. PATTERSON: I want to thank staff.

3 I really appreciate the hard work that you
4 guys put into this. It was very thoughtful. You
5 answered our questions. And as a Board member, I really
6 do appreciate the work that you put into this.

7 MR. OKIKAWA: Thank you.

8 MR. GEIBEL: Thank you.

9 MS. ANGST: Thank you.

10 MR. OKIKAWA: Really, there are a lot of other
11 people in the single-family that really worked hard.

12 MS. PATTERSON: All of you. Everybody.

13 MR. OKIKAWA: But thank you very much.

14 --oOo--

15 **Item 13. Reports**

16 CHAIR CAREY: Okay, the last piece on the
17 agenda is reports.

18 Are there any particular items that Board
19 Members have any questions about, which you feel deserve
20 attention? Or are we --

21 MS. CAPPPIO: Not from -- I mean, it's just
22 informational.

1 I know *Keep Your Home California* --

2 MR. HSU: Do you want --

3 MS. CAPPPIO: Just one minute, because it's...

4 MR. HSU: Yes.

5 I know I said earlier that I wished the Board
6 could hear less from me. But that doesn't mean I don't
7 enjoy presenting the report because I'm trying to get a
8 second job here in front of the Board as the Padawan
9 training on KYC.

10 Three things to note here: One is that I
11 think at the last board meeting, I mentioned that there
12 is a ramp-up in marketing efforts. And so in some of
13 these charts that we present to the Board, you'll notice
14 that there is a slight uptick on the abandonment rate.
15 And it's because of the added marketing reach has
16 resulted in more calls that have come in, in which folks
17 do not qualify. So that's the first thing to note.

18 The second thing to note is that this chart
19 here, you can really see the ramp-up in the PRP program,
20 the Principal Reduction Program, and the changes to the
21 Principal Reduction Program in the last two quarters of
22 last year, to include this recast idea has really shown

1 some tremendous acceleration in that program. You can
2 see the uptick here.

3 And the last thing to note is that this chart
4 here on the very right-hand side shows the production
5 in the first quarter. And you can see that we have
6 gotten, to date, about \$353 million actually out of the
7 door. And for the quarter, we have done about
8 \$50 million. And the amount, that \$443 million, is the
9 amount of reservations that we have in the pipeline.

10 Another way to see this ramp-up in the
11 Principal Reduction Program dollars is, if you
12 look -- what this chart is, is that this chart is a
13 breakdown.

14 I mentioned earlier we had gotten \$353 million out. On
15 the top of this chart here is a breakdown of that
16 \$353 million.

17 And below here is a breakdown of the pipeline
18 that we have right now, as we speak.

19 Well, you see on the very left-hand side here,
20 these are the dollars that are reserved for the
21 principal reduction dollars -- Principal Reduction
22 Program. And you can just see the size of that program

1 has really picked up. And that's the sort of switch
2 that we're expecting.

3 I think a good part of last year, if you go
4 back to the chart on UMA, you can see that our
5 collaboration with EDD has resulted in big upticks in
6 UMA for a good part of last year. And you can see that
7 that handover between UMA the last year to the Principal
8 Reduction Program, that sort of picked up in the second
9 half of last year.

10 MS. PATTERSON: Are one of the initial
11 threshold requirements to be eligible for the program is
12 that you actually be in default, is that true?

13 MR. HSU: No, that's not true.

14 Actually, the *Hardest Hit* program is actually
15 a foreclosure-prevention program. So if you're in
16 default, you do not qualify.

17 MS. PATTERSON: Okay.

18 MR. HSU: I'm sorry. You know what? Let me
19 rephrase that. Let me rephrase that. Sorry.

20 Well, if you're in foreclosure --

21 MS. PATTERSON: Okay, so let me reask the
22 question.

1 Not in default, but that you've not had any
2 late payments.

3 I've literally heard from people that said,
4 "I've called, I've tried to get the initial threshold
5 met, I haven't paid my water bill, I haven't paid my
6 trash bill, I haven't paid my homeowner's association
7 because I've been putting everything towards my mortgage
8 that is now upside-down, and I can't even meet the
9 eligible threshold because they tell me I have never
10 been late in making a mortgage payment."

11 MR. HSU: I'm sorry, earlier, I was mixing
12 "default" and "foreclosure."

13 You need to have a hardship. I don't think
14 you need to be in default, as in you're not paying.

15 MS. PATTERSON: Right.

16 MR. HSU: But you need to have a hardship. So
17 then...

18 MR. JAMES: That's right. Several years ago,
19 when all of these -- and this isn't the *Keep your Home*
20 program -- but several years ago, when the servicers
21 were looking at this, they were thinking hardship
22 equated with failing to make a payment --

1 MS. PATTERSON: To a late payment.

2 MR. JAMES: -- failing to make a payment.

3 MS. PATTERSON: Well, they're still making
4 that.

5 MR. JAMES: Well, I know.

6 MS. PATTERSON: Okay, so...

7 MR. JAMES: But under our program, hardship
8 does not require that you have failed to make a payment.
9 You have to show hardship, but it doesn't necessarily
10 mean that you've failed to make a payment.

11 You've got to be able to show that you --

12 MS. PATTERSON: Well, let me tell you what
13 they're asking when you call, because I've had three
14 phone calls from homeowners, and that's because we've
15 probably had some money in it as well where -- and I've
16 heard back from some of our portfolio management people,
17 that people, when they call, and they're asked the
18 initial questions to see if you meet eligibility so that
19 you can go to the next piece, one of the questions
20 they're asking is, have you ever made a late payment?
21 And if you've never made a late payment -- you could be
22 upside-down on your house, you could have a hardship,

1 but -- and so I don't know if they're using that as one
2 of the threshold questions to show hardship; but that
3 kind of concerns me, that --

4 MS. CAPPPIO: We'll check that out.

5 MS. PATTERSON: Okay.

6 MS. CAPPPIO: But one of the programs is a
7 mortgage reinstatement program. So, again, that implies
8 that you've been late.

9 So perhaps that's just triage in order to
10 figure out what program you'd become eligible for.

11 But we'll check that out. We'll alert Di.

12 MR. HSU: Did you mean that someone is calling
13 *Keep Your Home California*?

14 MS. PATTERSON: Yes, yes.

15 MR. HSU: You don't mean their servicer?

16 MS. PATTERSON: They're not calling their
17 servicer. They called *Keep Your Home California*, and
18 they --

19 MS. CAPPPIO: Yes, we'll check it out.

20 MS. PATTERSON: Yes.

21 MR. HSU: Okay, we can check on that. Because
22 I agree with both Victor and Claudia, you need to

1 demonstrate a hardship that could include a loss of
2 income.

3 MS. PATTERSON: Right.

4 MR. HSU: So if you're a two-working-
5 individuals household, if one person loses their job,
6 that's considered as a hardship. But it's not my
7 understanding that you need to actually be late on your
8 payment.

9 You don't need to be delinquent.

10 MS. PATTERSON: Okay.

11 MS. CAPPPIO: Thank you.

12 CHAIR CAREY: Any other questions?

13 *(No response)*

14 CHAIR CAREY: Okay.

15 Thank you, Tim.

16 MR. HSU: You're welcome.

17 --oOo--

18 **Item 15. Public Testimony**

19 CHAIR CAREY: This is an opportunity for
20 anybody who would like to address the Board on any
21 matter that is not on the agenda.

22 If there is anybody?

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 27th day of May 2013

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

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State of California

MEMORANDUM

To: Board of Directors

Date: September 12, 2013

Victor James, General Counsel 
From: CALIFORNIA HOUSING FINANCE AGENCY

Subject: Agenda Item 5: Board Action to Change the Name of the Compensation Committee and Make Other Changes to the Compensation Committee Charter

At the July 26, 2013 meeting of the Compensation Committee, staff was directed to prepare proposed language, for the Board's consideration, amending the Compensation Committee Charter last revised May, 2008 as follows:

1. Change the name of the Committee to the *Executive Evaluation Committee*;
2. Revise *Section 7* of the provisions under *Duties* from annual review of compensation levels to frequency of review base on direction of the Board;
3. Revise the provisions of the Charter under the headings styled: *Mission* and *Authority* to comport with substantive changes described in 1 and 2 immediately above; and
4. Under *Duties* corrected numbering (the number 5 was used twice in original resolution).

I have attached two versions of the charter for the Board's review. The first version is the current charter showing the proposed changes utilizing the "tracked changes" format. The second version of the resolution is a final version of the revision to the Charter incorporating the edits set forth in the tracked changes version.

Member Gunning will discuss the Committee's recommendations for changes to the Charter.

I have also attached proposed resolution 13-10 which, if approved, will effect the changes set forth in items 1 – 3 above.

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California Housing Finance Agency
Compensation-Executive Evaluation Committee Charter
Revised September, 20082013

Mission

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

Membership

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

Authority

The Committee was established by Board Resolutions 06-16, and revised by Resolution 08-17 and further revised by Resolution 13-10. The Committee will act in an advisory capacity to the Board. Staff of the Agency will serve as a resource to Committee. The Committee has the authority to conduct any review appropriate to fulfilling its responsibilities. All employees of the Agency are directed to cooperate as requested by members of the Committee and the Committee will have complete access to Agency records and data.

Meetings

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

Minutes

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

Duties

The Committee will conduct the following activities:

1. Make recommendations to the full Board to enable the Board to carry out its duties and functions under Health and Safety Code section 50909;
2. Periodically cause to be conducted salary surveys that will form the basis of the design of a compensation plan that will attract and retain senior executive personnel qualified to lead the Agency in its mission and maintain its competitive posture in the marketplace. Such surveys will be conducted by independent outside advisors based on a comparison of compensation plans and compensation levels of other state and local housing finance agencies, other comparable agencies of the State of California, non-profit housing agencies, for-profit institutions and other relevant labor pools;
3. The Committee shall review any proposed contracts to engage consultants needed to carry out its duties under this Charter, including the outside advisor conducting the salary survey required by Health & Safety Code section 50909. The Committee shall make recommendations regarding such contracts to the Board, and the Board shall consider such recommendations. In the event that the Board approves any such contract, the Board shall direct the Executive Director to sign such contract on behalf of the Agency;
4. It shall be the policy of the Board and Committee to avoid any conflicts of interest in connection with the exercise of its duties. In carrying out its responsibilities under this Charter, the Committee shall endeavor to create a balanced process that avoids the appearance of conflicts of interest to the extent reasonably possible, while permitting the involvement of staff in a way reasonably necessary to accomplish its purposes and duties under this charter.
5. Periodically review and evaluate, with the assistance of Agency management, staff and outside advisors, the structure and level of Agency compensation of

those senior executives whose salaries are established by the Board pursuant to section 50909;

| ~~56~~. Annually review the performance of the Executive Director;

| ~~67~~. Based on the annual review of the Executive Director's performance and the results of the salary surveys conducted by independent outside advisors, make a recommendation to the Board for the compensation level of the Executive Director;

| ~~78~~. ~~Annually~~ At the direction of the Board of Directors, review that portion of the Agency's budget containing the compensation of key exempt management and recommend to the Board approval or amendments to those compensation levels. The Committee's recommendation will be based on a review of performance evaluations completed by the Executive Director and the results of the salary surveys conducted by outside advisors;

| ~~89~~. Review and discuss management succession at least annually;

| ~~910~~. Review legal and regulatory matters that may have a material impact on the Agency's compensation philosophy, structure and plans.

Other Committee Duties

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

1. Conduct a review of its performance, including a review of its compliance with this Charter;
2. Review and assess the adequacy of this Charter taking into account all legislative, regulatory and contractual requirements applicable as well as any best practices, and, if appropriate, will recommend Charter amendments to the Board.

California Housing Finance Agency
Executive Evaluation Committee Charter
Revised September, 2013

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Duties

The Committee will conduct the following activities:

1. Make recommendations to the full Board to enable the Board to carry out its duties and functions under Health and Safety Code section 50909;
2. Periodically cause to be conducted salary surveys that will form the basis of the design of a compensation plan that will attract and retain senior executive personnel qualified to lead the Agency in its mission and maintain its competitive posture in the marketplace. Such surveys will be conducted by independent outside advisors based on a comparison of compensation plans and compensation levels of other state and local housing finance agencies, other comparable agencies of the State of California, non-profit housing agencies, for-profit institutions and other relevant labor pools;
3. The Committee shall review any proposed contracts to engage consultants needed to carry out its duties under this Charter, including the outside advisor conducting the salary survey required by Health & Safety Code section 50909. The Committee shall make recommendations regarding such contracts to the Board, and the Board shall consider such recommendations. In the event that the Board approves any such contract, the Board shall direct the Executive Director to sign such contract on behalf of the Agency;
4. It shall be the policy of the Board and Committee to avoid any conflicts of interest in connection with the exercise of its duties. In carrying out its responsibilities under this Charter, the Committee shall endeavor to create a balanced process that avoids the appearance of conflicts of interest to the extent reasonably possible, while permitting the involvement of staff in a way reasonably necessary to accomplish its purposes and duties under this charter.
5. Periodically review and evaluate, with the assistance of Agency management, staff and outside advisors, the structure and level of Agency compensation of

those senior executives whose salaries are established by the Board pursuant to section 50909;

6. Annually review the performance of the Executive Director;

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

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

9. Review and discuss management succession at least annually;

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

Other Committee Duties

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

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

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

RESOLUTION 13-10

RESOLUTION CHANGING THE NAME OF THE
COMPENSATION COMMITTEE AND TO AMEND
THE PROVISIONS OF ITS CHARTER

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WHEREAS, the California Housing Finance Agency (the "Agency") has adopted Resolution 08-17 approving the current charter of the Compensation Committee; and

WHEREAS, the Compensation Committee recommends changing the name of the Committee to *Executive Evaluation Committee*; and

WHEREAS, the Compensation Committee recommends changing the Committee's review of compensation levels from annual to a frequency of review based on direction of the Board; and

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

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

- 1. The attached "California Housing Finance Agency Executive Evaluation Committee Charter Revised September, 2013" is hereby approved and adopted.

I hereby certify that this is a true and correct copy of Resolution 13-10 adopted at a duly constituted meeting of the Board of Directors of the Agency held on September 12, 2013, at Sacramento, California.

ATTEST: _____
Secretary

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RESOLUTION 13-11

RESOLUTION APPOINTING PROGRAM ADMINISTRATOR

WHEREAS, the position of Program Administrator of the California Housing Finance Agency (“Agency”) is currently vacant; and

WHEREAS, the Agency Board of Directors is authorized to appoint an employee pursuant to California Constitution Article VI, Section 4(e); and

WHEREAS, _____ is well qualified for the position of Program Administrator; and

WHEREAS, the Board of Directors wishes to appoint _____ to the position of Program Administrator of the California Housing Finance Agency;

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

- 1. _____ is hereby appointed to the position of Program Administrator of the California Housing Finance Agency, effective upon the administration of the Oath of Office at a salary level to be determined by the Executive Director not to exceed \$_____.

I hereby certify that this is a true and correct copy of Resolution 13-11 adopted at a duly constituted meeting of the Board of Directors of the Agency held on September 12, 2013, at Sacramento, California.

ATTEST: _____
Secretary

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State of California

MEMORANDUM**To:** Board of Directors**Date:** September 12, 2013

Liane Morgan, Chief Information Officer

From: CALIFORNIA HOUSING FINANCE AGENCY**Subject:** AUTHORIZATION TO NEGOTIATE AND ENTER INTO A CONTRACT FOR SINGLE FAMILY SYSTEM RE-PLATFORMING SERVICES PER RESOLUTION 13-12

The Senior Management of the California Housing Finance Agency ("CalHFA") has determined the need for stabilizing and improving the Single Family technical infrastructure. This technology is central to the Agency's processes of Single Family lending, funding, and portfolio management and reporting. The existing technology is not meeting the current and changing business needs of critical CalHFA programs which depend on Single Family lending and portfolio management activities and data to conduct their operations.

Senior Management has concluded that this stabilization and improvement can only be realized through strategic replacement of the current Single Family technical infrastructure, resulting in a significantly reduced risk of catastrophic system failure, improved flexibility to meet changing business needs and enhanced access to timely financial management information.

Single Family loan processing is primarily supported by a set of custom-developed Unix applications operating on a 20 year old Unix server, supplemented by newer systems written using modern, user-friendly web technologies. The legacy technology was developed prior to the explosion of new programming capabilities and the rapid evolution of web-based technology of the last decade. *The current Single Family system is now fragile, at capacity, at risk for failure, and does not support the information analysis needs of management.*

As a result, CalHFA initiated the Single Family Re-Platforming Project ("Project") with the purpose of obtaining services necessary to replace the supporting applications, associated interfaces, and technical infrastructure. With the successful completion of the Project, CalHFA expects to:

- Address the critical risk of existing system hardware failure by providing a technical platform that is stable and modern
- Migrate the existing system to a new platform which is both current and consistent with CalHFA's technology standards and operations
- Provide a secure portal to allow CalHFA business partners to submit loan reservations and effectively manage loan pipelines

- Provide easier access to current loan data to better support Agency financial management
- Improve business operations and efficiencies
- Provide flexibility necessary to be responsive to changes in program areas
- Diminish the reliance on paper-driven processes

This project involves the selection of a systems integrator to reprogram and migrate the Agency's custom legacy applications to a new technical platform that is industry-standard, secure, and adaptable as the business needs change.

The Project employed a best practices procurement process described in the Strategic Initiative Briefing Book provided to the Board of Directors at the March 19, 2008 meeting. A request for proposal ("RFP") was released to 5 prospective vendors which included .NET development vendors and application conversion vendors. The Agency received only one response, submitted by the vendor who previously performed similar services for CalHFA for the Fiscal Services System Re-Platforming Project in 2009-2010, which was successfully completed on schedule and on budget. The proposal was evaluated, and, with the guidance of the CalHFA Strategic Project Governance structure, CalHFA selected Public Consulting Group (PCG).

PCG has offered a comprehensive solution to meet CalHFA Single Family re-platforming requirements; has a proven track record with CalHFA of successfully completing a similar re-platforming project and providing the necessary warranty support; has proposed a reasonable plan to be completed in a feasible time period; and has the financial and human resources necessary with more than 20 years in the consulting industry and a strong client list that includes many State of California clients.

RECOMMENDATION OF RESOLUTION 13-12

Resolution 13-12 would authorize CalHFA to negotiate and enter into a contract with PCG for the design, development and implementation of software product for \$1.5 million spread over two fiscal years. The Board of Directors has already approved funds for this Project, sufficient to cover these costs, as part of the Fiscal Year 13/14 budget.

The Executive Director may increase the total contract amount as she deems appropriate but any increase which in the aggregate amounts to more than 7% of the estimated amount must be submitted to the Board for approval.

1 Resolution 13-12
Page -2-

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3 Implementation is approximately \$1.5 million over two fiscal years, and that such cost
4 is anticipated to exceed \$1 million in one of those fiscal years: and

5 WHEREAS, Title 25 California Code of Regulations section 13302 requires Board
6 approval of such vendor contracts in which costs are reasonably expected to exceed \$1
7 million in any fiscal year;

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

10 1. The Executive Director and/or her designee is authorized to negotiate and
11 execute a contract with Public Consulting Group for the design, development and
12 implementation of software product meeting the needs of the Agency, and provide
13 additional related services, on terms and conditions that the Executive Director deems
14 reasonable and appropriate.

15 2. The Executive Director may increase the total contract amount as she deems
16 appropriate, but any increases which in the aggregate amount to more than 7% of the
17 estimated amount must be submitted to the Board for approval.

18 I hereby certify that this is a true and correct copy of Resolution 13-12
19 adopted at a duly constituted meeting of the Board of Directors of the Agency held on
20 September 12, 2013, at Sacramento, California.

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22 ATTEST: _____
Secretary

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State of California

MEMORANDUM

To: Board of Directors

Date: August 30, 2013

From: James S.L. Morgan, Housing Finance Chief
Multifamily Programs
California Housing Finance Agency



Subject: Resolution replacing Resolution 96-20 to clarify and modify the Non-Profit Predevelopment Loan Program

Agenda Item 11
Resolution 13-13

Background:

On September 14, 1995, the Board of Directors passed Resolution 95-27 (updated on July 11, 1996 with Resolution 96-20), establishing a Predevelopment Loan Program to provide temporary funding for non-profit developers for assistance with land acquisition and predevelopment costs of affordable multifamily housing projects financed by the California Housing Finance Agency ("Agency") utilizing the Agency's Housing Assistance Trust ("HAT") funds.

Proposal:

Given the revived demand for predevelopment loans to assist nonprofit developers with the increased costs of predevelopment expenditures for multifamily housing projects and to update the terms and conditions of the Predevelopment Loan Program, staff is requesting the Board of Directors to review for discussion, recommendation, and action on Resolution 13-13.

Resolution 13-13 shall completely replace Resolution 96-20 and would:

1. Increase the maximum loan amount from \$250,000 to \$500,000.
2. Remove an annual allocation requirement of \$2,500,000 and replace with a maximum aggregate amount of \$5,000,000 in Agency multifamily predevelopment loans at any given time.
3. Reduce the non-refundable loan fee from 1.50% to 1.00%
4. Replace the variable interest rate indices with a fixed interest rate based on current market conditions

5. Prohibit multifamily predevelopment loans funds to be utilized to acquire land.
6. Allow the option to secure multifamily predevelopments loans by the real and personal property of the qualified project and/or the tangible assets of the nonprofit housing developers or their affiliates.
7. Amend the source of funding from HAT funds to non-HAT funds.

Attachment

RESOLUTION 13-13

RESOLUTION AMENDING RESOLUTION 96-20
TO CLARIFY AND MODIFY THE NON-PROFIT
PREDEVELOPMENT LOAN PROGRAM
AND TO DELEGATE AUTHORITY TO EXECUTIVE DIRECTOR

WHEREAS, the Agency has authority to make loans for the purpose of developing multifamily rental housing for low and moderate income tenants; and

WHEREAS, the Board of Directors of the California Housing Finance Agency (the "Board") adopted Resolution No. 95-27 on September 14, 1995; and

WHEREAS, pursuant to Resolution No. 95-27, the Agency acknowledged that there is a need for predevelopment loans to assist nonprofit developers in acquiring land and paying the predevelopment costs of affordable multifamily housing, the construction, acquisition/rehabilitation and/or permanent loan of which is financed by the Agency; and

WHEREAS, the Board adopted Resolution No. 96-20 on July 11, 1996, which clarified, changed, and completely replaced Resolution No. 95-27; and

WHEREAS, pursuant to Resolution No. 96-20, the Board authorized a Non-Profit Predevelopment Loan Program, and set forth the terms and conditions under which such predevelopment loans are to be made; and

WHEREAS, the Board wishes to amend Resolution No. 96-20 to clarify and change portions of it;

NOW, THEREFORE, BE IT RESOLVED by the Board that Resolution No. 96-20 shall be amended to read as follows:

1. "The Agency shall have the authority subject to the approval of the Executive Director and subject to the annual reporting requirement described below, to make multifamily predevelopment loans to qualifying nonprofit 501(c)(3) housing developers subject to the following limitations:
 - (a) Qualifying nonprofit 501(c)(3) housing developers seeking a multifamily predevelopment loan from the Agency must also qualify and obtain an Agency final commitment for a construction, acquisition/rehabilitation and/or permanent mortgage loan;
 - (b) Agency may make multifamily predevelopment loans to assist nonprofit developers in paying the predevelopment costs of affordable multifamily housing. Agency multifamily predevelopment loans may not be used to assist non profit developers in acquiring land;

1 Resolution 13-13

2 Page 2

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(c) The maximum multifamily predevelopment loan amount made to a non profit developer shall be \$500,000;

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(d) There shall not be more than an aggregate of \$5,000,000 outstanding in Agency multifamily predevelopment loans at any time; and

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(e) Agency shall not use Housing Assistance Trust funds in making multifamily predevelopment loans; and

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(f) The term of the multifamily predevelopment loan shall be twenty-four (24) months, unless extended, at the discretion of the Executive Director of the Agency;

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(g) The multifamily predevelopment loan shall be repaid no later than the Agency's construction loan closing, or if there is more than one construction loan, the first construction loan closing to occur.

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(h) Eligible projects shall consist of five (5) or more units of existing housing, existing housing requiring rehabilitation, or new construction;

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(i) The interest rate on the loans shall be based on the current market rate.

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(j) The multifamily predevelopment loans may be secured by the real and personal property of the eligible project and/or the tangible assets of the nonprofit housing developers or their affiliates;

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(k) A nonrefundable predevelopment loan fee equal to 1% of the loan amount shall be paid by the borrower to the Agency at the time of the multifamily predevelopment loan disbursement.

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(l) Any other terms and conditions that the Executive Director shall, in his/her discretion, determine is necessary to protect the Agency's interests.

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(m) The Board shall be provided with annual reports regarding activity under this predevelopment loan program. Such reports shall identify, in a clear and concise manner, the number of predevelopment loans made under the program, the principal amounts of such loans and identification of the developer and development activity financed by such loans."

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1 Resolution 13-13

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2. This resolution completely replaces Resolution No. 96-20.

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I hereby certify that this is a true and correct copy of Resolution 13-13 adopted at a duly constituted meeting of the Board of Directors of the California Housing Finance Agency held on September 12, 2013 at Sacramento, California.

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ATTEST: _____
Secretary

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MEMORANDUM**To:** Board of Directors**Date:** September 12, 2013

Victor James, General Counsel 
From: CALIFORNIA HOUSING FINANCE AGENCY

Subject: Updates to California Housing Finance Agency's Conflict-of-Interest Code (Resolution 13-14)Background

California's Political Reform Act of 1974 (the "Act") requires that each state agency enact by regulation a conflict-of-interest code pursuant to standards set forth in the Act. The California Housing Finance Agency's ("CalHFA" or "Agency") Conflicts of Interests Code is set forth in regulation, at Title 25, Code of California Regulations, section 10001 ("Code").

The Code designates personnel positions within the Agency required to annually file a Statement of Economic Interests (Form 700) and specifies types of business interests and sources of incomes that must be reported.

Personnel positions ("designated employees") within the Agency which are required to file the Form 700 are generally Board positions, management positions, and consultants. In addition, employees holding staff positions which directly interact with and influence those decision makers are also covered by the Code.

Reportable interests and investments ("disclosure categories") are specific to the Agency's business. The disclosure categories include interests in real property, investments in businesses that provide financial services and/or real estate services, persons or entities that contract with the Agency, and computer hardware, software, and consultant companies.

As personnel classifications and titles change over time, and as the Agency's business plan evolves, the Code must be updated to accurately reflect the nature of those changes. The proposed amendment, attached hereto, is intended to update the Code.

Proposed Changes

The proposed amendment text to the Code updates the designated employees (revises divisions to comport with revised organizational chart, adds classifications in new division, adds new positions, reclassifies positions within divisions, revises titles of existing positions, revises disclosure categories of existing positions, deletes non decision-making positions, deletes titles of positions not being utilized by the Agency) and updates the disclosure categories (clarifies descriptions to existing categories and adds a reportable investment).

Memorandum to Board of Directors
Resolution 13-14
September 12, 2013
Page 2

Proposed deletions are shown in red strikethrough (~~red strikethrough~~) font, and proposed additions are shown in blue underline (blue underline) font.

One proposed modified provision of the Code may be of particular interest, and that is: Reportable investments are proposed to include the California Housing Finance Agency, *i.e.*, CalHFA bonds. It is our determination that if a designated filer owns CalHFA bonds, then there could be potential, or perceived, conflicts-of-interest in a designated filer's decisions. Thus, we recommend designated filers should report CalHFA bonds on Form 700. (Current law excludes disclosure of government bonds.) This proposed modification increases the disclosure required of "Category 2" filers, which includes all Board members.

Updates to the Code are subject to the rulemaking process, which includes: public notice, public comment period, and public hearing (if requested); review and approval by Fair Political Practices Commission; submission to Office of Administrative Law; and certification by Secretary of State.

We respectfully request the Board's approval of the within proposed updates to CalHFA's Conflict-of-Interest Code, and authorization to proceed with the rulemaking process, including authorization to make non-material revisions to the proposed amendment text, without further Board approval, as may be appropriate.

Attachments:

1. CalHFA Conflict-of-Interest Code, Proposed Amendment Text
2. Resolution 13-14

CALIFORNIA CODE OF REGULATIONS

TITLE 25. Housing And Community Development

Division 2. California Housing Finance Agency

Chapter 1. General

Article 1. Conflict-of-Interest Code

§10001. General Provisions.

§10001. General Provisions.

The Political Reform Act, Government Code sections 81000, et seq., requires state and local government agencies to adopt and promulgate Conflict-of-Interest Codes. The Fair Political Practices Commission has adopted a regulation, 2 California Code of Regulations section 18730, which contains the terms of a standard Conflict-of-Interest Code, which can be incorporated by reference, and which may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act after public notice and hearings. Therefore, the terms of 2 California Code of Regulations section 18730 and any amendments to it duly adopted by the Fair Political Practices Commission, along with the attached ~~Appendix~~ [Appendices](#) in which officials and employees are designated and disclosure categories are set forth, are hereby incorporated by reference and constitute the Conflict-of-Interest Code of the California Housing Finance Agency (the Agency).

Designated employees shall file statements of economic interests with the Agency, which will make the statements available for public inspection and reproduction. (Govt. Code Section 81008). Upon receipt of the statements of Board Members and the Executive Director, the Agency shall make and retain a copy and forward the original of these statements to the Fair Political Practices Commission. Statements for all other designated employees will be retained by the Agency.

Note: Authority cited: Sections 87300 and 87304, Government Code. Reference: Sections 87300, et seq., Government Code.

**Conflict-of-Interest Code of the
California Housing Finance Agency**

Appendices

*Appendix A
Designated
Employees*

*Assigned
Disclosure
Category*

*Persons holding the following positions
and/or the following classifications are
“designated employees”:*

Board of Directors

Board Member (All members of the Board other than the State Treasurer) 1, 2, 3, 4

Executive

Executive Director 1, 2, 3, 4

Chief Deputy Director 1, 2, 3, 4

Director of Legislation and California Mortgage Assistance Corporation 1, 2, 3, 4

Special Assistant to Director 1, 2, 3, 4

~~Information Security Officer~~ ~~2~~

Administration

Director of Administration 1, 2, 3, 4

Staff Services Manager (all classes and all levels) 1, 2, 3, 4

Information Technology

Chief Information Officer 2, 4

Systems Software Specialist III (Supervisory) ~~2~~ 4

Senior Programmer Analyst (Supervisor) 4

Data Processing Manager II (Information Security Officer) 4

~~Staff Associate~~ Information Systems Analyst (Specialist) (Technical Support &
Procurement Administration) 3, 4

Marketing

Director of Marketing ~~1~~, 2, 4

Legal

General Counsel 1, 2, 3, 4

Assistant Chief Counsel 1, 2, 3, 4

~~Staff Counsel~~ Attorney (all classes and all levels) 1, 2, 3, 4

Financing

Director of Financing 1, 2, 4

Risk Manager 1, 2, 4

~~Housing Finance Chief (all classes)~~ ~~1~~, ~~2~~

Accounting Administrator III 1, 2, 4

Financing Officer 1, 2, 4

Financing Specialist 1, 2, 4

Fiscal Services

Comptroller	1, 2, 4
Deputy Comptroller	1, 2, 4
Accounting Administrator III	1, 2
Accounting Administrator II	3, 4
Housing Finance Officer (all classes)	1, 2

<u>Programs Administrator</u>	<u>1, 2, 4</u>
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Single Family Division

<u>CEA (all levels)</u>	<u>1, 2, 4</u>
<u>Housing Finance Chief (all classes)</u>	<u>1, 2, 4</u>
<u>Housing Finance Officer (all classes)</u>	<u>1, 2, 4</u>
<u>Housing Finance Specialist (all classes) – Portfolio Management Section; REO Disposition Unit</u>	<u>1, 2, 4</u>
<u>Housing Finance Specialist (all classes) – Portfolio Management Section; Servicer Administration Unit; Servicer Audits, Report Cards, Delinquent Analysis</u>	<u>1, 2, 4</u>

Homeownership

Director of Homeownership	1, 2
Deputy Director	1, 2
Housing Finance Chief (all classes)	1, 2
Housing Finance Officer (all classes)	1, 2

Multifamily Programs

Director of Multifamily Programs	1, 2
Deputy Program Director	1, 2
Housing Finance Chief (all classes)	1, 2, 4
Supervising Design Officer	1, 2
Senior Design Officer	1, 2, 4
Senior Housing Construction Inspector	1, 2, 4
Housing Finance Officer (all classes)	1, 2, 4
Chief, Special Lending Programs (CEA II)	1, 2
<u>Staff Services Manager (all classes and all levels)</u>	<u>1, 2, 4</u>

Asset Management

Deputy Director of Asset Management	1, 2
Housing Finance Chief (all classes)	1, 2, 4
Housing Finance Officer (all classes)	1, 2, 4

Mortgage Insurance Services

Director of Mortgage Insurance	1, 2
Deputy Director	1, 2
Housing Finance Chief (all classes)	1, 2
Housing Finance Officer (all classes)	1, 2
Housing Finance Specialist (all classes)	1, 2

Consultants

Consultant	1, 2, 3, 4
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With respect to Consultants, the General Counsel of the Agency may determine in writing that a particular consultant, although a “designated employee,” is hired to perform a range of duties that is limited in scope and thus is not required to comply with the disclosure requirements described in this section. Such determination shall include a description of the consultant's duties and, based upon that description, a statement of the extent of disclosure requirements. A copy of the written determination is a public record and shall be retained and made available for public inspection in the same manner and location as this Conflict-of-Interest Code. Nothing herein excuses any such consultant from any other provision of this Conflict-of-Interest Code.

~~Appendix B
Disclosure Categories~~

Appendix B
Disclosure Categories

Category 1 – Interests in Real Property

Designated employees in Category 1 must report:
All interests in real property in the State of California.

Category 2 – ~~Full Disclosure (excluding interests in real property)~~ Interests in Housing Sponsors, Contractors, and Professional Service Providers

Designated employees in Category 2 must report:
All investments, business positions and sources of income, including gifts, loans and travel payments, from sources that:

(A) Are any person or entity which is defined by part I, chapter 2, of the Zenovich-Moscone-Chacon Housing and Home Finance Act (chapter 2 commences at section 50050 of the California Health and Safety Code) to be any of the following:

- (1) “housing sponsor”
- (2) “limited-dividend housing sponsor”
- (3) “qualified mortgage lender”; or,

(B) Are any person or entity that:

- (1) contracts or otherwise does business with the Agency, ~~or~~
- (2) has contracted or otherwise done business with the Agency within the previous two years
- (3) is soliciting a contract or other business from the Agency, ~~and which is any of the following: ; or,~~

(C) Are any of the following:

- ~~(1) financial services company~~ (1) California Housing Finance Agency (CalHFA bonds)

(2) financial services company

~~(2)~~ (3) bank, including commercial bank, mortgage bank, thrift, credit union, or similar lender

~~(3)~~ (4) investment bank

~~(4)~~ (5) real estate services company

~~(5)~~ (6) brokerage company

~~(6)~~ (7) insurance company

~~(7)~~ (8) title company

~~(8)~~ (9) escrow company

~~(9)~~ (10) building or construction contractor or subcontractor; or,

~~(10) sources that are the type that, within the previous two years, have contracted with the Agency to provide leased facilities, supplies, materials, machinery, equipment, or services, including training and consulting services, to the Agency, or have otherwise done business with the Agency~~

~~(11) sources that manufacture, distribute, supply, or install computer hardware or software of the type utilized by the Agency, as well as entities providing computer consultant services to the Agency~~

~~12. (11) law firm that represents persons or entities described in Category 2A in matters directly related to their status as described in Category 2A. Categories 2, 3 or 4.~~

~~(13) law firm that represents persons or entities described in Category 2B in matters directly related to their status as described in Category 2B.~~

Category 3 – ~~General Procurement~~ Interests in Facilities Contractors

Designated employees in Category 3 must report:

All investments and business positions in business entities, and income, including gifts, loans, and travel payments, from sources that are of the type that, within the previous two years, have contracted with the Agency to provide leased facilities, supplies, materials, machinery, equipment, or services, including training and consulting services, to the Agency, or have otherwise done business with the Agency.

Category 4 – Interests in Information Technology Sector

Designated employees in Category 4 must report:

All investments and business positions in business entities, and income, including gifts, loans, and travel payments, from sources that manufacture, distribute, supply, or install computer hardware or software of the type utilized by the Agency, as well as entities providing computer consultant services to the Agency.

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RESOLUTION 13-14

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RESOLUTION APPROVING PROPOSED AMENDMENTS TO REGULATIONS

WHEREAS, the California Housing Finance Agency (the “Agency”) through its Board of Directors (the “Board”) is authorized to adopt and, where appropriate, to amend or repeal regulations; and

WHEREAS, the Board has determined that the proposed amendments to certain Agency regulations, as attached hereto, are necessary and appropriate for adoption by the Agency,

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

1. The attached amendments to the Agency’s regulations, incorporated herein by reference, concerning Title 25, Division 2, Chapter 1, Article 1, § 10001 of the California Code of Regulations (the Conflict-of-Interest Code of the Agency) are hereby approved.

2. The staff is directed to give public notice, conduct any required public hearing and take such other action as may be necessary or proper for the adoption by the Agency of such amended regulations including submission of such amendments to the Fair Political Practices Commission and the Office of Administrative Law. The staff is authorized to make non-material revisions to these amendments, without further Board approval, as may be appropriate in the course of promulgating these amendments.

I hereby certify that this is a true and correct copy of Resolution 13-14 adopted at a duly constituted meeting of the Board of Directors of the Agency held on September 12, 2013, at Sacramento, California.

ATTEST: _____
Secretary

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MEMORANDUM

To: Board of Directors

Date: August 29, 2013



Tim Hsu, Director of Financing

From: CALIFORNIA HOUSING FINANCE AGENCY

Subject: Homeownership Loan Portfolio Update as of June 30, 2013

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

- Delinquencies as of June 30, 2013 by insurance type,
- Delinquencies as of June 30, 2013 by product (loan) type,
- Delinquencies as of June 30, 2013 by loan servicer,
- Delinquencies as of June 30, 2013 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 2011 thru June 2013)
- A chart of the number of CalHFA's Conventional Delinquent Loan Trend for 30-90 Day and 120 Day (for the period of February 2011 thru June 2013)
- A graph of CalHFA's 90-day+ ratios for FHA and Conventional loans (for the period of June 2008 through June 2013),
- A graph of 90-day+ ratios for CalHFA's three Conventional loan (products) types, for the period of June 2011 through June 2013,
- Real Estate Owned (REO) at June 30, 2013,
- Accumulated Uninsured Losses from January 1, 2008 through June 30, 2013,
- Disposition of 1st Trust Deed Gain/(Loss) for January 1 through June 30, 2013, and
- Write-Offs of subordinate loans for January 1 through June 30, 2013

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HOMEOWNERSHIP LOAN PORTFOLIO DELINQUENCY, REO, SHORT SALE and LOSS REPORT – JUNE 30, 2013

Reconciled Loan Delinquency Summary All Active Loans By Insurance Type As of June 30, 2013

	Loan Count	Balance	% of Balance	DELINQUENCY RATIOS - % of Loan Count						Totals	
				Loan Count	30-Day	Loan Count	60-Day	Loan Count	90(+)-Day	Count	%
Federal Guaranty											
FHA	8,081	\$ 903,170,686	29.32%	446	5.52%	155	1.92%	535	6.62%	1,136	14.06%
VA	198	22,425,008	0.73%	11	5.56%	1	0.51%	15	7.58%	27	13.64%
RHS	82	14,663,758	0.48%	3	3.66%	0	0.00%	12	14.63%	15	18.29%
Conventional loans											
with MI											
CalHFA MI Fund	4,169	1,063,628,955	34.53%	175	4.20%	78	1.87%	432	10.36%	685	16.43%
without MI											
Orig with no MI	4,300	803,846,847	26.10%	121	2.81%	49	1.14%	264	6.14%	434	10.09%
MI Cancelled*	1,684	272,455,599	8.85%	38	2.26%	14	0.83%	62	3.68%	114	6.77%
Total CalHFA	18,514	\$ 3,080,190,852	100.00%	794	4.29%	297	1.60%	1,320	7.13%	2,411	13.02%

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

Note: In accordance with CalHFA's policy, *no trustee sale is permitted between December 15 and January 5 of any year without CalHFA's prior written approval.*

Reconciled Loan Delinquency Summary All Active Loans By Loan Type As of June 30, 2013

	Loan Count	Balance	% of Balance	DELINQUENCY RATIOS - % of Loan Count						Totals	
				Loan Count	30-Day	Loan Count	60-Day	Loan Count	90(+)-Day	Count	%
30-yr level amort											
FHA	8,081	\$ 903,170,686	29.32%	446	5.52%	155	1.92%	535	6.62%	1,136	14.06%
VA	198	22,425,008	0.73%	11	5.56%	1	0.51%	15	7.58%	27	13.64%
RHS	82	14,663,758	0.48%	3	3.66%	0	0.00%	12	14.63%	15	18.29%
Conventional - with MI	2,118	477,828,873	15.51%	75	3.54%	40	1.89%	179	8.45%	294	13.88%
Conventional - w/o MI	5,314	920,821,381	29.89%	142	2.67%	47	0.88%	247	4.65%	436	8.20%
40-yr level amort											
Conventional - with MI	373	104,864,342	3.40%	17	4.56%	7	1.88%	39	10.46%	63	16.89%
Conventional - w/o MI	185	36,561,331	1.19%	4	2.16%	6	3.24%	13	7.03%	23	12.43%
5-yr IOP, 30-yr amort											
Conventional - with MI	1,678	480,935,739	15.61%	83	4.95%	31	1.85%	214	12.75%	328	19.55%
Conventional - w/o MI	485	118,919,733	3.86%	13	2.68%	10	2.06%	66	13.61%	89	18.35%
Total CalHFA	18,514	\$ 3,080,190,852	100.00%	794	4.29%	297	1.60%	1,320	7.13%	2,411	13.02%
<i>Weighted average of conventional loans:</i>				334	3.29%	141	1.39%	758	7.47%	1,233	12.14%

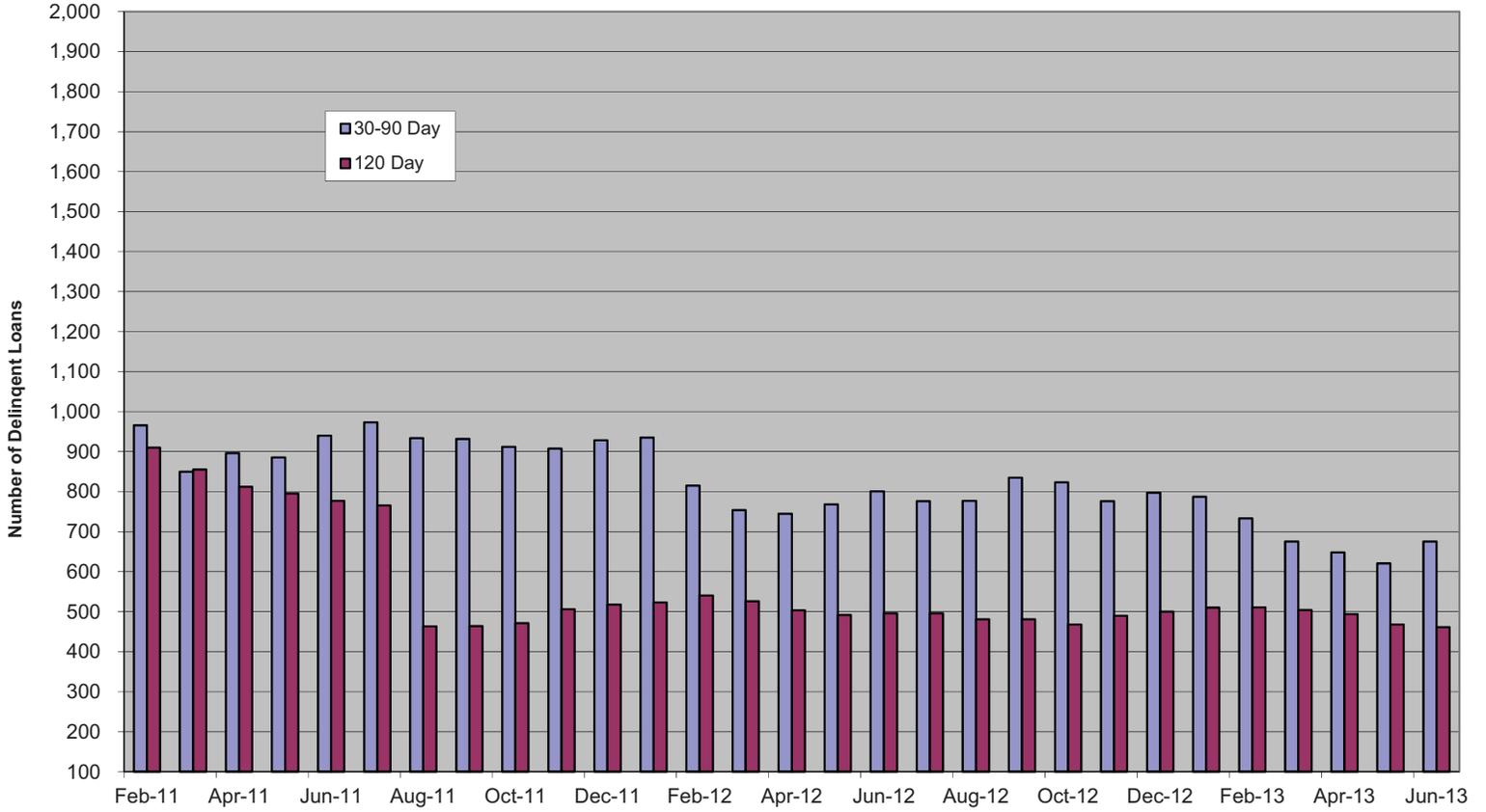
**Reconciled Loan Delinquency Summary
All Active Loans By Servicer
As of June 30, 2013**

	Loan Count	Balance	% of Balance	DELINQUENCY RATIOS - % of Loan Count						Totals	
				Loan Count	30-Day	Loan Count	60-Day	Loan Count	90(+)-Day	Count	%
CALHFA - LOAN SERVICING	6,868	\$ 1,441,429,353	46.80%	197	2.87%	93	1.35%	452	6.58%	742	10.80%
GUILD MORTGAGE	4,296	673,181,976	21.86%	251	5.84%	66	1.54%	190	4.42%	507	11.80%
BAC HOME LOANS SERVICING, LP	1,956	342,988,490	11.14%	92	4.70%	44	2.25%	336	17.18%	472	24.13%
WELLS FARGO HOME MORTGAGE	1,947	206,189,037	6.69%	82	4.21%	38	1.95%	135	6.93%	255	13.10%
EVERHOME MORTGAGE COMPANY	1,780	155,155,132	5.04%	107	6.01%	27	1.52%	82	4.61%	216	12.13%
GMAC MORTGAGE CORP	772	95,709,032	3.11%	38	4.92%	16	2.07%	49	6.35%	103	13.34%
FIRST MORTGAGE CORP	681	125,301,025	4.07%	23	3.38%	10	1.47%	50	7.34%	83	12.19%
JPMORGAN CHASE BANK, N.A.	138	30,477,170	0.99%	3	2.17%	1	0.72%	21	15.22%	25	18.12%
CITIMORTGAGE, INC.	38	8,256,603	0.27%	0	0.00%	2	5.26%	5	13.16%	7	18.42%
DOVENMUEHLE MORTGAGE, INC.	36	1,014,712	0.03%	1	2.78%	0	0.00%	0	0.00%	1	2.78%
WESCOM CREDIT UNION	2	488,321	0.02%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Total CalHFA	18,514	\$ 3,080,190,852	100.00%	794	4.29%	297	1.60%	1,320	7.13%	2,411	13.02%

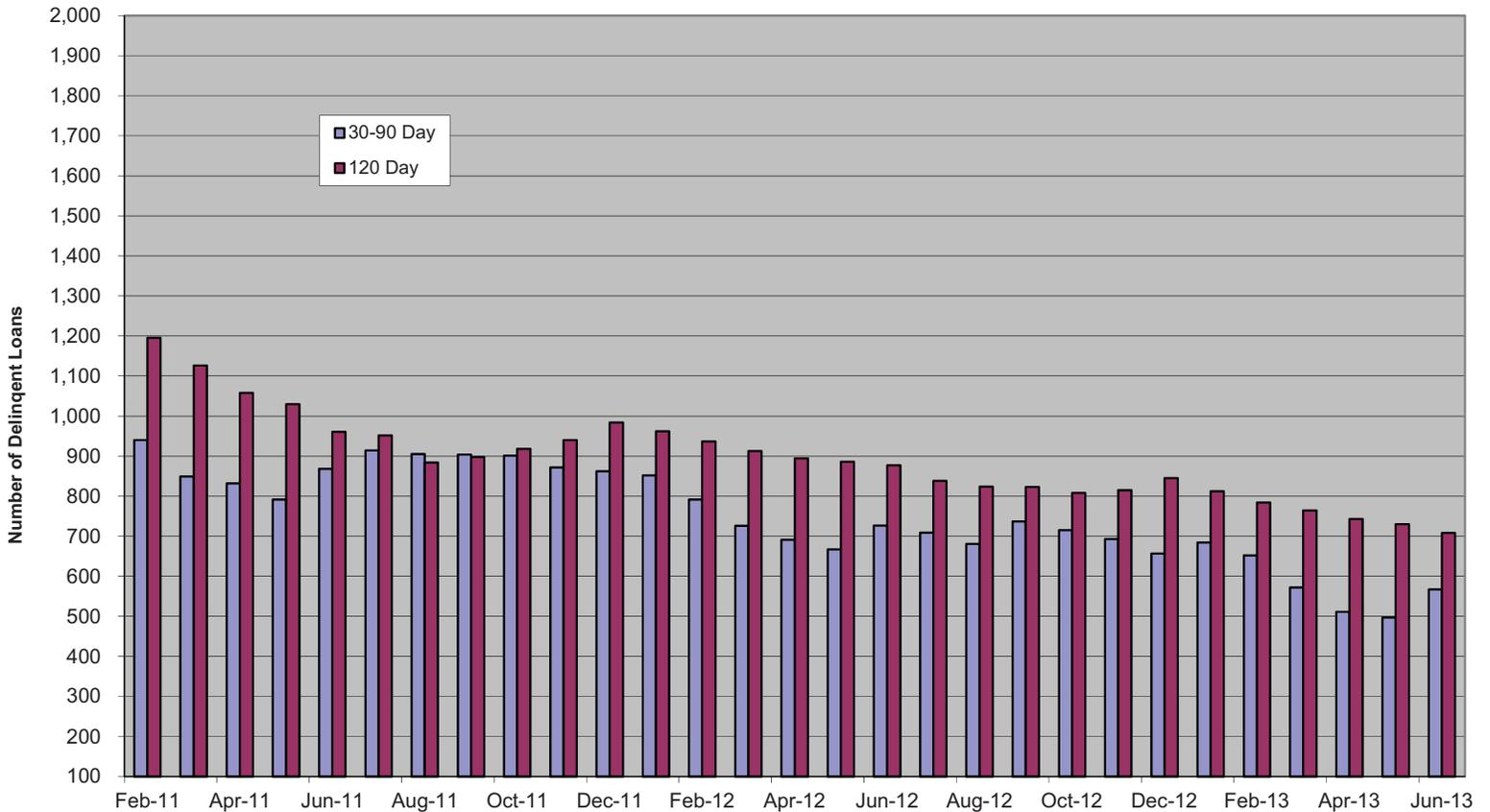
**Reconciled Loan Delinquency Summary
All Active Loans By County
As of June 30, 2013**

	Loan Count	Balance	% of Balance	DELINQUENCY RATIOS - % of Loan Count					Total		
				Loan Count	30-Day	Loan Count	60-Day	Loan Count	90-Day+	Count	%
LOS ANGELES	3,070	\$ 604,900,675	19.64%	115	3.75%	46	1.50%	263	8.57%	424	13.81%
SAN DIEGO	1,580	318,512,078	10.34%	58	3.67%	24	1.52%	142	8.99%	224	14.18%
SANTA CLARA	1,253	308,498,149	10.02%	24	1.92%	6	0.48%	49	3.91%	79	6.30%
KERN	1,178	114,340,313	3.71%	70	5.94%	31	2.63%	68	5.77%	169	14.35%
FRESNO	985	81,598,818	2.65%	51	5.18%	25	2.54%	49	4.97%	125	12.69%
TULARE	978	81,216,222	2.64%	64	6.54%	14	1.43%	52	5.32%	130	13.29%
ORANGE	862	183,613,669	5.96%	17	1.97%	8	0.93%	69	8.00%	94	10.90%
SACRAMENTO	852	138,993,070	4.51%	32	3.76%	17	2.00%	84	9.86%	133	15.61%
SAN BERNARDINO	850	129,878,062	4.22%	59	6.94%	14	1.65%	91	10.71%	164	19.29%
RIVERSIDE	839	123,013,484	3.99%	57	6.79%	27	3.22%	86	10.25%	170	20.26%
ALAMEDA	815	184,688,637	6.00%	16	1.96%	7	0.86%	40	4.91%	63	7.73%
CONTRA COSTA	645	132,616,015	4.31%	22	3.41%	8	1.24%	53	8.22%	83	12.87%
IMPERIAL	468	43,803,936	1.42%	33	7.05%	8	1.71%	24	5.13%	65	13.89%
VENTURA	455	112,670,691	3.66%	13	2.86%	8	1.76%	24	5.27%	45	9.89%
SONOMA	381	72,843,224	2.36%	17	4.46%	1	0.26%	17	4.46%	35	9.19%
OTHER COUNTIES	3,303	449,003,807	14.58%	146	4.42%	53	1.60%	209	6.33%	408	12.35%
Total CalHFA	18,514	\$ 3,080,190,852	100.00%	794	4.29%	297	1.60%	1,320	7.13%	2,411	13.02%

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



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



State of California

MEMORANDUM

To: Board of Directors

Date: August 29, 2013



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

1) OUTSTANDING BONDS

Below is the Agency's outstanding debt position. This table does not include any pass-thru or conduit financings which makes up an additional \$412 million

BONDS OUTSTANDING
As of August 1, 2013
(*\$ in millions*)

	<u>Fixed Rate</u>	Variable Rate	<u>Totals</u>
Single Family	\$1,851	\$1567	\$3,418
Multifamily	<u>361</u>	<u>405</u>	<u>766</u>
TOTALS	\$2,212	\$1,972	\$4,184

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 \$1.9 billion, 47% of our \$4.2 billion of total indebtedness as of August 1, 2013.

VARIABLE RATE DEBT
(*\$ in millions*)

	<u>Swapped to Fixed Rate</u>	Not Swapped or Tied to Variable Rate <u>Assets</u>	<u>Total Variable Rate Debt</u>
HMRB (SF)	\$766	\$787	\$1,553
MHRB (MF)	313	92	405
HPB (SF & MF)	<u>0</u>	<u>14</u>	<u>14</u>
Total	\$1,079	\$893	\$1,972

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*)

	<u>Auction Rate & Similar Securities</u>	<u>Indexed Rate Bonds</u>	<u>Variable Rate Demand Obligations</u>	<u>Total Variable Rate Debt</u>
HMRB	\$0	\$585	\$968	\$1,553
MHRB	104	0	301	405
HPB	<u>0</u>	<u>0</u>	<u>14</u>	<u>14</u>
Total	\$104	\$585	\$1,283	\$1,972

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 with an initial expiration date of December 23, 2012. However, the Agency successfully negotiated with 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 8/1/2013
(*\$ in millions*)

<u>Financial Institution</u>	<u>\$ Amount of Bonds</u>
Freddie Mac	\$ 642
Fannie Mae	<u>642</u>
Total	\$1,284

d) Interest Rate Swaps

Currently, we have a total of 82 “fixed-payer” swaps with eleven different counterparties for a combined notional amount of \$1.7 billion. All of these fixed-payer swaps are intended to establish synthetic fixed rate debt by converting our variable rate payment obligations to fixed rates. The table below provides a summary of our swap notional amounts.

FIXED PAYER INTEREST RATE SWAPS

(notional amounts)

(\$ in millions)

	<u>Tax-Exempt</u>	<u>Taxable</u>	<u>Totals</u>
HMRB	\$1,085	\$138	\$1,223
MHRB	<u>501</u>	<u>0</u>	<u>501</u>
TOTALS	\$1,586	\$138	\$1,724

SWAPS

(\$ in millions)

	<u>Hedging Bonds</u>	<u>Not Hedging Bonds</u>	<u>Totals</u>
HMRB	\$766	\$457	\$1,223
MHRB	<u>319</u>	<u>182</u>	<u>501</u>
TOTALS	\$1,085	\$639	\$1,724

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, 2013 semiannual debt service payment date we made a total of \$36 million of net payments to our counterparties. Conversely, if short-term rates were to rise above the fixed rates of our swap agreements, then the net payment would run in the opposite direction, and we would be on the receiving end.

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

SWAP COUNTERPARTIES

<u>Swap Guarantor</u>	<u>Credit Ratings</u>		<u>Notional Amounts</u>	<u>Number of Swaps</u>
	<u>Moody's</u>	<u>S & P</u>	<u>Swapped as of 8/1/2013 (\$ in millions)</u>	
Merrill Lynch Derivative Products	Aa3	AAA	\$ 521	33
JPMorgan Chase Bank, N.A.	Aa3	A+	367	15
Goldman Sachs Mitsui Marine Derivative Products, , L.P.	Aa2	AAA	204	7
Citigroup Financial Products, Inc.	Baa2	A-	179	7
Deutsche Bank AG	A2	A+	160	10
AIG Financial Products, Corp. ²	Baa1	A-	106	3
Morgan Stanley Capital Services, Inc.	Baa1	A-	97	2
BNP Paribas	A2	A+	43	2
Bank of New York Mellon	Aa1	AA-	25	1
UBS AG	A2	A	12	1
Dexia Credit Local New York Agency ²	Baa2	BBB	10	1
			\$ 1,724 ¹	82

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 \$893 million, 21% 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 \$893 million of net variable rate exposure (\$493 million taxable and \$400 million tax-exempt) is offset by the Agency's variable rate investments and excess swap positions. The Agency's balance sheet has: i) \$573 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) \$639 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 \$893 million 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 \$893 million of net variable rate exposure translates to \$324 million of net variable rate exposure. This \$324 million is further reduced by the \$573 million of funds invested in SMIF. Thus the “true” net variable rate debt is -\$280 million which, from the Agency’s balance sheet perspective, means there is no net unhedged position.

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 points 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			
2006	68%	2010	96%
2007	69%	2011	79%
2008	84%	2012	69%
2009	123%	2013 to date	54%

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

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

	<u>Tax-Exempt</u>	<u>Taxable</u>	<u>Totals</u>
% of LIBOR (+ spread)	\$1,029	\$0	\$1,029
SIFMA (+ spread)	372	0	372
Stepped % of LIBOR ¹	177	0	177
3 mo. LIBOR (+ spread)	0	81	81
% of SIFMA	18	0	18
1 mo. LIBOR	0	31	31
3 mo. LIBOR	0	11	11
6 mo. LIBOR	<u>0</u>	<u>5</u>	<u>5</u>
TOTALS	\$1,596	\$128	\$1,724

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) AMORTIZATION RISK

Our bonds are generally paid down (redeemed or paid at maturity) as our loans are prepaid. Our interest rate swaps amortize over their lives based on assumptions about the receipt of prepayments, and the single family transactions which include swapped bonds have generally been designed to accommodate prepayment rates between two and three times the “normal” rate. Our interest rate swaps generally have had fixed amortization schedules that can be met under a sufficiently wide ranges of prepayment speeds. In addition, swaps that were entered into after 2003 had swap termination options which allowed the Agency to terminate all or portions of the swap at par (no cost to terminate). The table below shows the par terminations that the Agency has exercised to date.

	Swap Par Options Exercised (\$ in thousands)
2004	\$12,145
2005	35,435
2006	20,845
2007	28,120
2008	18,470
2009	370,490
2010	186,465
2011	288,700
2012	361,975
2013	243,855
	\$1,566,500

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

SEMI-ANUAL PREPAYMENT SPEED
FOR PAST FIVE YEARS

<u>6-mo Period Ending:</u>	<u>PSA</u>
Dec-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%
Dec-2012	257%

Of interest is an \$639 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

<u>Date</u>	<u>Termination Value</u> <u>(\$ in millions)</u>
12/31/11	(\$330)
3/31/12	(\$302)
6/30/12 *	(\$324)
9/30/12	(\$330)
12/31/12	(\$294)
3/31/13	(\$294)
6/30/13	(\$248)

* *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 8/21/2013 (\$ in millions)						
	<u>JPMorgan</u>	<u>Goldman Sachs</u>	<u>BofA</u>	<u>BofA / Merrill Lynch</u>	<u>Deutsche</u>	<u>Total</u>
Marked-to-Market	41.52	22.43	40.67	23.39	23.6	
Credit Support Amount	23	8.68	6.25	11.65	0	49.58

State of California

MEMORANDUM

To: CalHFA Board of Directors Date: 29 August 2013

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

Subject: Legislative Report

Last couple of weeks of session, and things are crazy. Lots of bills being amended to get into their final form. Final outcome of some of the biggies is in question. As always, please let me know if you have any questions.

CalHFA

AB 637 (**Atkins D**) **Housing assistance.**

Status: 8/26/2013-In Assembly. Concurrence in Senate amendments pending. May be considered on or after August 28 pursuant to Assembly Rule 77.

Summary: This bill would authorize CalHFA to utilize up \$75,000,000 of funds allocated for the Residential Development Loan Program (Prop 1C) for predevelopment costs associated with low and moderate income multifamily housing. This bill also contains language to ensure that it will not chapter out AB 984 (below) if it is enacted.

AB 984 (**Chau D**) **The California Housing Finance Agency.**

Status: 8/12/2013-Chaptered by Secretary of State - Chapter 82, Statutes of 2013.

Summary: This bill would added two new voting members to the CalHFA Board of Directors (the Secretary of the Department of Veterans Affairs and a member to be appointed by the Governor with knowledge of complicated financial instruments); makes several changes to the CHDAP statutes to bring them into compliance with recent HUD interpretations; and provides CalHFA with the authority to make grants to first-time homebuyers seeking an Energy Efficiency Mortgage to help increase the energy efficiency in the home..

HCD

AB 523 (Ammiano D) Department of Housing and Community Development: loans.

Status: 8/12/2013-In committee: Placed on APPR. suspense file.

Summary: This bill would permit the Department of Housing and Community Development (HCD) to revise the mandated terms of its loans in two distinct ways. First, it would authorize HCD to reduce the interest rate on any of its loans issued to rental housing developments to as low as 0%, if the development:

- Has no other debt with regularly scheduled or amortizing payments,
- Uses low-income housing income tax credits, and
- Proves that their HCD loan will not meet tax credit requirements without this reduction. Second, in connection with loan extension requests made on or after January 1, 2014, this bill would authorize HCD to change the interest rate charged for any loan associated with an award of federal or state low-income housing tax credits. If passed, this bill would authorize HCD to change the rate to the most recent Applicable Federal Rate (AFR), then to forgive an amount of interest not to exceed the total interest accrued at the time of the interest rate change.

Infrastructure

AB 716 (Quirk-Silva D) Infrastructure: state planning and funding.

Status: 8/13/2013-In committee: Placed on APPR. suspense file.

Summary: The California Infrastructure Planning Act requires the Governor to submit annually to the Legislature, in conjunction with the Governor's Budget, a proposed 5-year infrastructure plan containing prescribed information. Existing law requires the plan to identify state infrastructure needs and set out priorities for funding. The plan defines the term "infrastructure" to mean real property, including land and improvements to the land, structures, and equipment integral to the operation of structures, easements, rights-of-way, and other forms of interest in property, roadways, and water conveyances. This bill would additionally require the plan to set out priorities for coordination of investment and include an analysis of investment coordination opportunities for capital outlay related to infill and transit-oriented development. The bill would expand the definition of infrastructure to include housing.

Mortgage Lending

SB 30 (Calderon D) Taxation: cancellation of indebtedness: mortgage debt forgiveness.

Status: 8/21/2013-Set, first hearing. Referred to APPR. suspense file.

Summary: This bill would extend the provisions of existing law that allows a borrower, whose lender agrees to forgive some or part of the borrower's

mortgage debt, to exclude that forgiven debt from their state income liability between January 1, 2013 and January 1, 2014. The bill would become operative only if SB 391 is enacted and takes effect. This bill contains other related provisions.

Perm Source

SB 391 (DeSaulnier D) **California Homes and Jobs Act of 2013.**

Status: 8/15/2013-From committee: Do pass and re-refer to Com. on APPR. (Ayes 5. Noes 2.) (August 14). Re-referred to Com. on APPR.

Calendar: 8/30/2013 Upon adjournment of Session - State Capitol, Room 4202 ASSEMBLY APPROPRIATIONS, GATTO, Chair

Summary: This bill would enact the California Homes and Jobs Act of 2013. The bill would make legislative findings and declarations relating to the need for establishing permanent, ongoing sources of funding dedicated to affordable housing development. The bill would impose a fee, 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.

Redevelopment

AB 229 (John A. Pérez D) **Local government: infrastructure and revitalization financing districts.**

Calendar: 8/30/2013 #4 ASSEMBLY UNFINISHED BUSINESS CONCURRENCE IN SENATE AMENDMENTS

Summary: This bill would authorize any city, county, city and county, or joint powers authority that serves as a military base reuse authority to create an infrastructure and revitalization financing district, and the issuance of debt with 2/3 voter approval. .

AB 564 (Mullin D) **Community redevelopment: successor agencies.**

Status: 8/12/2013-In committee: Placed on APPR. suspense file.

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 successor agencies to wind down the affairs of the dissolved redevelopment agencies and to, among other things, make payments due for enforceable obligations, as defined, perform obligations required pursuant to any enforceable obligation, dispose of all assets of the former redevelopment agency, and to remit

unencumbered balances of redevelopment agency funds, including housing funds, to the county auditor-controller for distribution to taxing entities. Existing law requires each successor agency to have an oversight board to approve certain actions of the successor agency, including the approval of an enforceable obligation. Existing law requires the Department of Finance to review the actions of an oversight board. Existing law prescribes when an action of an oversight board shall become effective, subject to approval by the Department of Finance. This bill would prohibit the Department of Finance from taking any future action to modify the enforceable obligations described above following the effective date of the approval of those enforceable obligations after review by the oversight board and the department.

AB 662 **(Atkins D) Local government: redevelopment: successor agencies to redevelopment agencies.**

Status: 8/19/2013-In committee: Placed on APPR. suspense file.

Summary: Existing law authorizes the creation of infrastructure financing districts, as defined, for the sole purpose of financing public facilities, subject to adoption of a resolution by the legislative body and affected taxing entities proposed to be subject to the division of taxes and voter approval requirements. Existing law prohibits an infrastructure financing district from including any portion of a redevelopment project area. This bill would delete that prohibition and would authorize a district to finance a project or portion of a project that is located in, or overlaps with, a redevelopment project area or former redevelopment project area, as specified.

AB 1080 **(Alejo D) Community Revitalization and Investment Authorities.**

Status: 8/26/2013-In committee: Placed on APPR. suspense file.

Summary: This bill would authorize certain public entities of a community revitalization and investment area, as described, to form a community revitalization plan within a community revitalization and investment authority (authority) to carry out the Community Redevelopment Law in a specified manner. The bill would require the authority to adopt a community revitalization plan for a community revitalization and investment area and authorize the authority to include in that plan a provision for the receipt of tax increment funds.

SB 133 **(DeSaulnier D) Redevelopment.**

Status: 8/21/2013-Set, first hearing. Referred to APPR. suspense file.

Summary: This bill would require agencies using redevelopment law to include additional information relating to any major audit violations, as defined, any corrections to those violations, and planning and general administrative expenses of the Low and Moderate Income Housing Fund. The bill would authorize the Controller to conduct quality control reviews of independent financial audit reports and require the Controller to publish the results of his or her reviews. The bill would require the Controller to comply with certain notification and referral provisions in the event that the audit was conducted in a manner that may constitute unprofessional conduct.

SB 341 **(DeSaulnier D) Redevelopment.**

Status: 8/28/2013-Ordered to special consent calendar.

Summary: This bill would specify the functions to be performed by the entity assuming the housing functions of a former redevelopment agency

Tax Credits

AB 952 (Atkins D) Low-income housing tax credits.

Status: 8/26/2013-In committee: Placed on APPR. suspense file.

Summary: This bill would remove the restriction on California Low Income Housing Tax Credits (LIHTC) being used in “Difficult to Develop Areas” (DDAs) or “Qualified Census Tracts” (QCTs) if at least 50% of the units are reserved for special needs tenants; and would clarify the Tax Credit Allocation Committee’s (TCAC) authority to swap out State LIHTC for federal LIHTC. .

Trust Fund

AB 532 (Gordon D) Local Housing Trust Fund.

Status: 8/12/2013-In committee: Placed on APPR. suspense file.

Summary: The Local Housing Trust Fund Program (LHTFP), funded by Prop. 1C, is used by the Department of Housing and Community Development (HCD) to distribute grants to cities, counties, and non-profits operating housing trust funds for affordable housing projects. Existing law authorizes HCD to allocate a total of \$35 million from Prop. 1C revenues to LHTFP, of which \$8.1 million, designated for award to newly established LHTFs, remain. These funds are slated to revert to the CalHome Program, which is funded by the California Self-Help Housing Fund (CSHHF) in November 2013. This bill would eliminate reversion language, permit existing LHTFs to apply for these funds and direct HCD to issue a new Notice of Funding Availability (NOFA) no later than June 30, 2014.

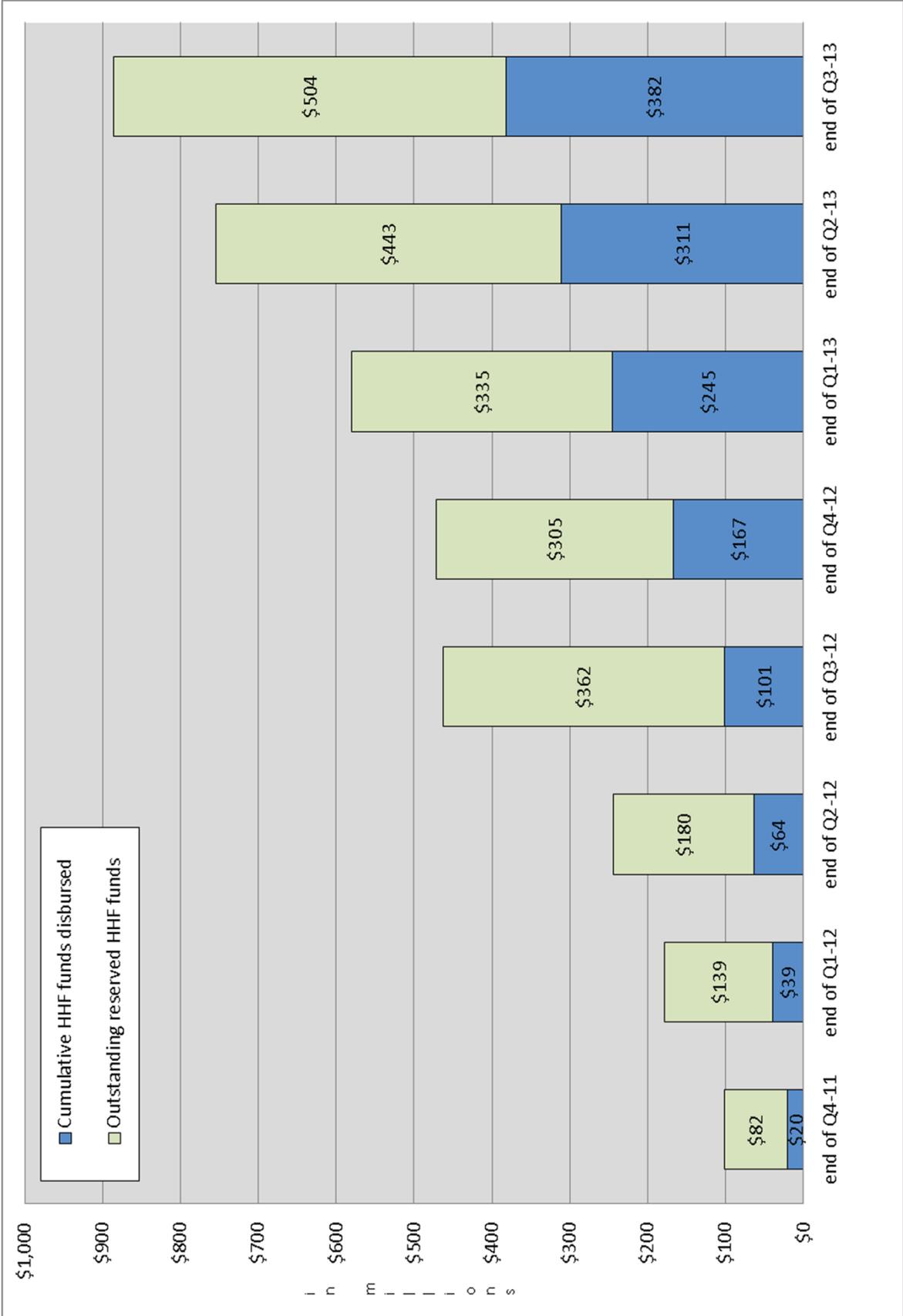
Veterans

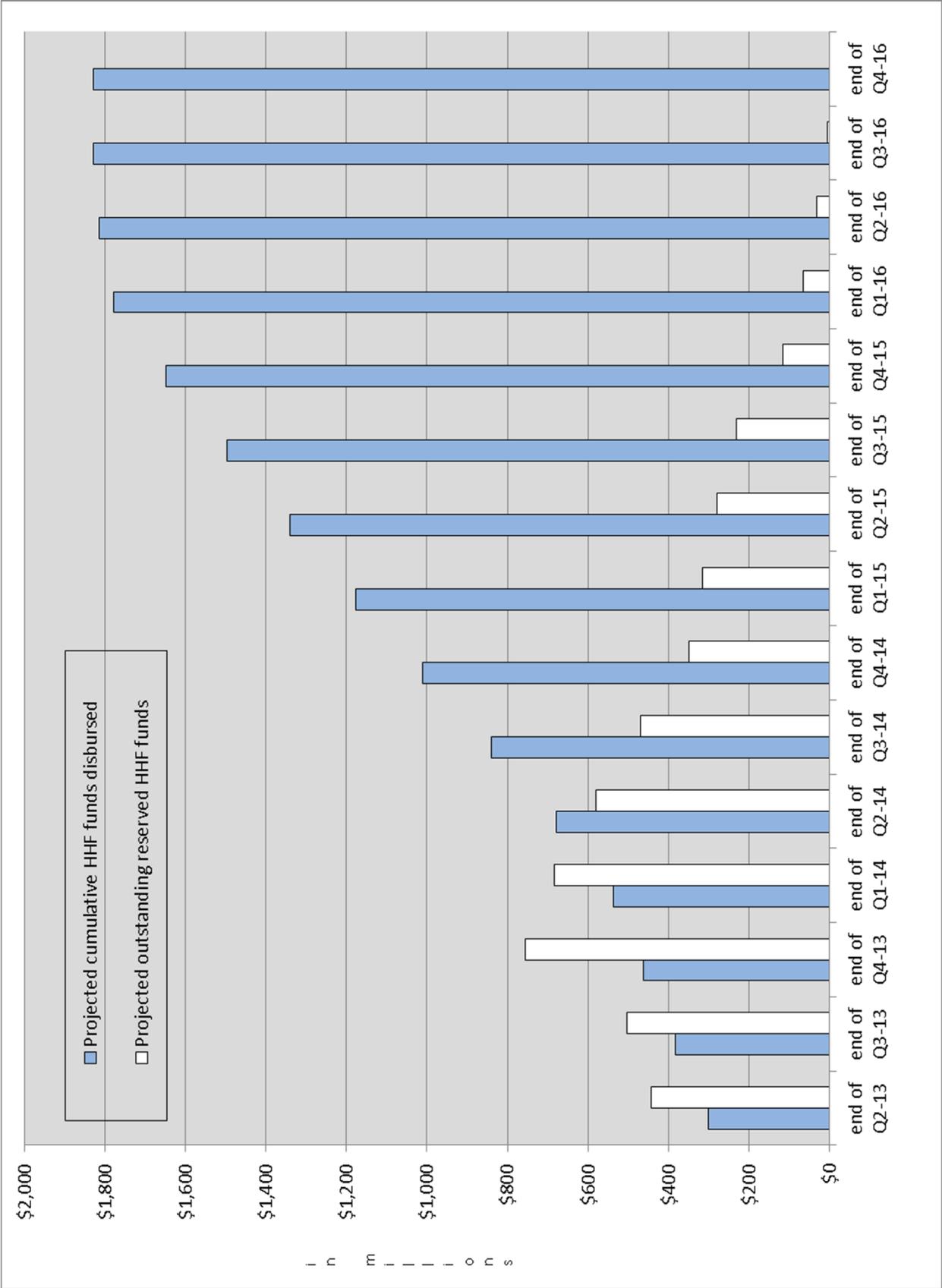
AB 639 (John A. Pérez D) Veterans Housing and Homeless Prevention Bond Act of 2014: Veterans Housing and Homeless Prevention Act of 2014.

Status: 8/13/2013-In committee: Placed on APPR. suspense file.

Summary: This bill would repurpose \$600,000,000 in previously approved veterans housing bonds for multifamily purposes. Those programs would be

administered by CalVet, HCD and CalHFA.

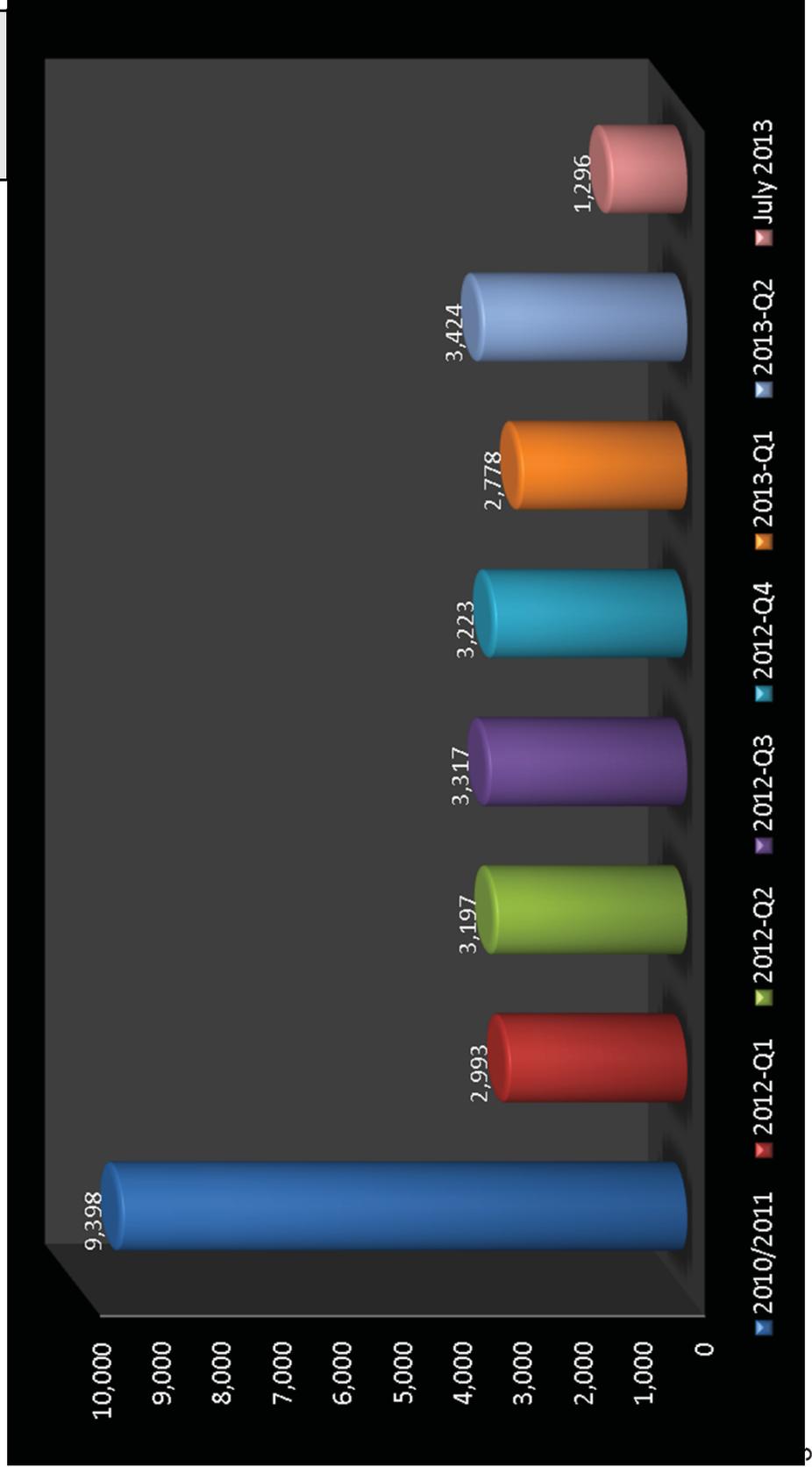




Program Update – MRAP Program Inception through July 31, 2013

Homeowner Action Plans

Total HAPs
29,625

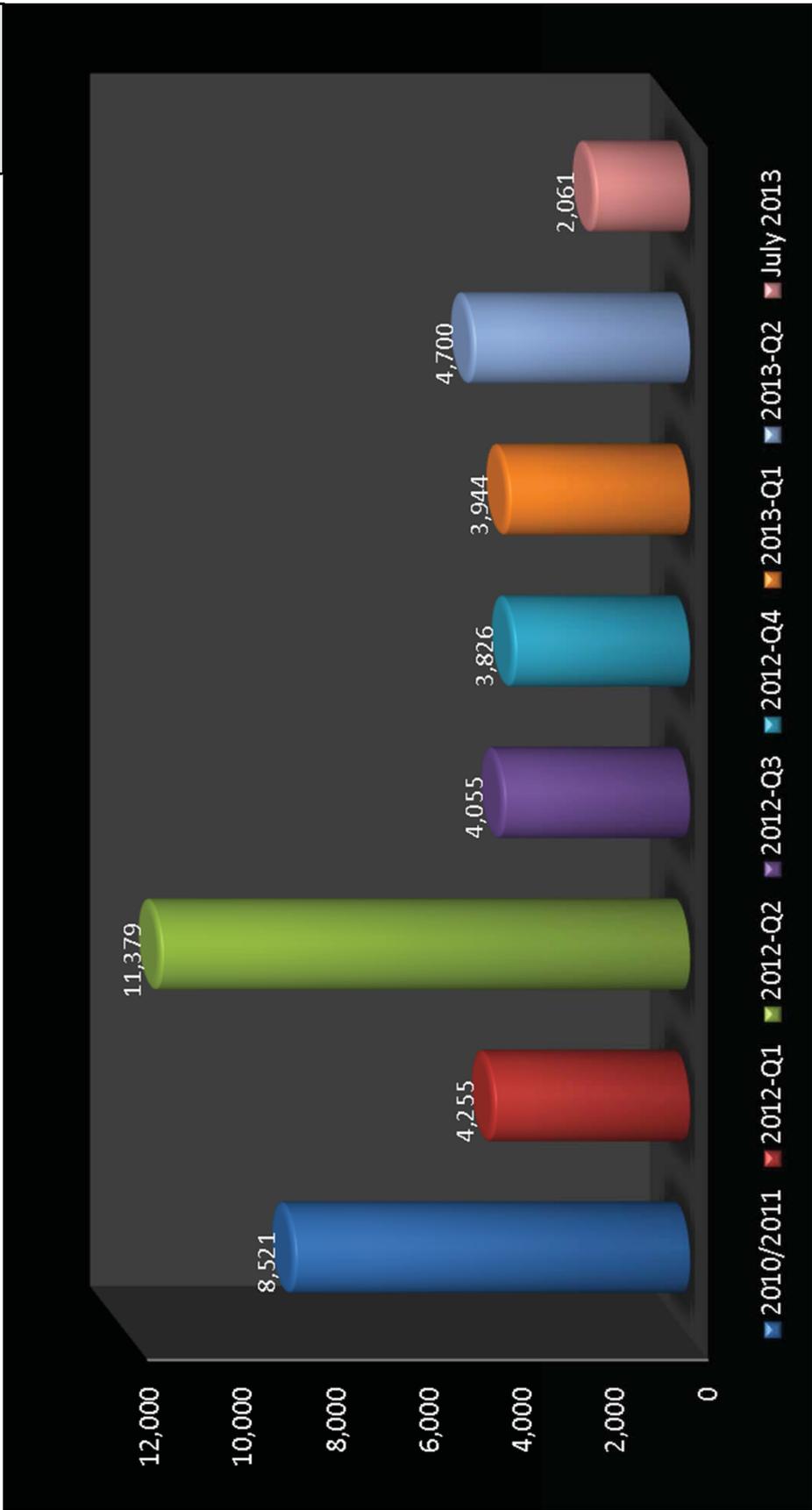


Program Update - UMA

Program Inception through July 31, 2013

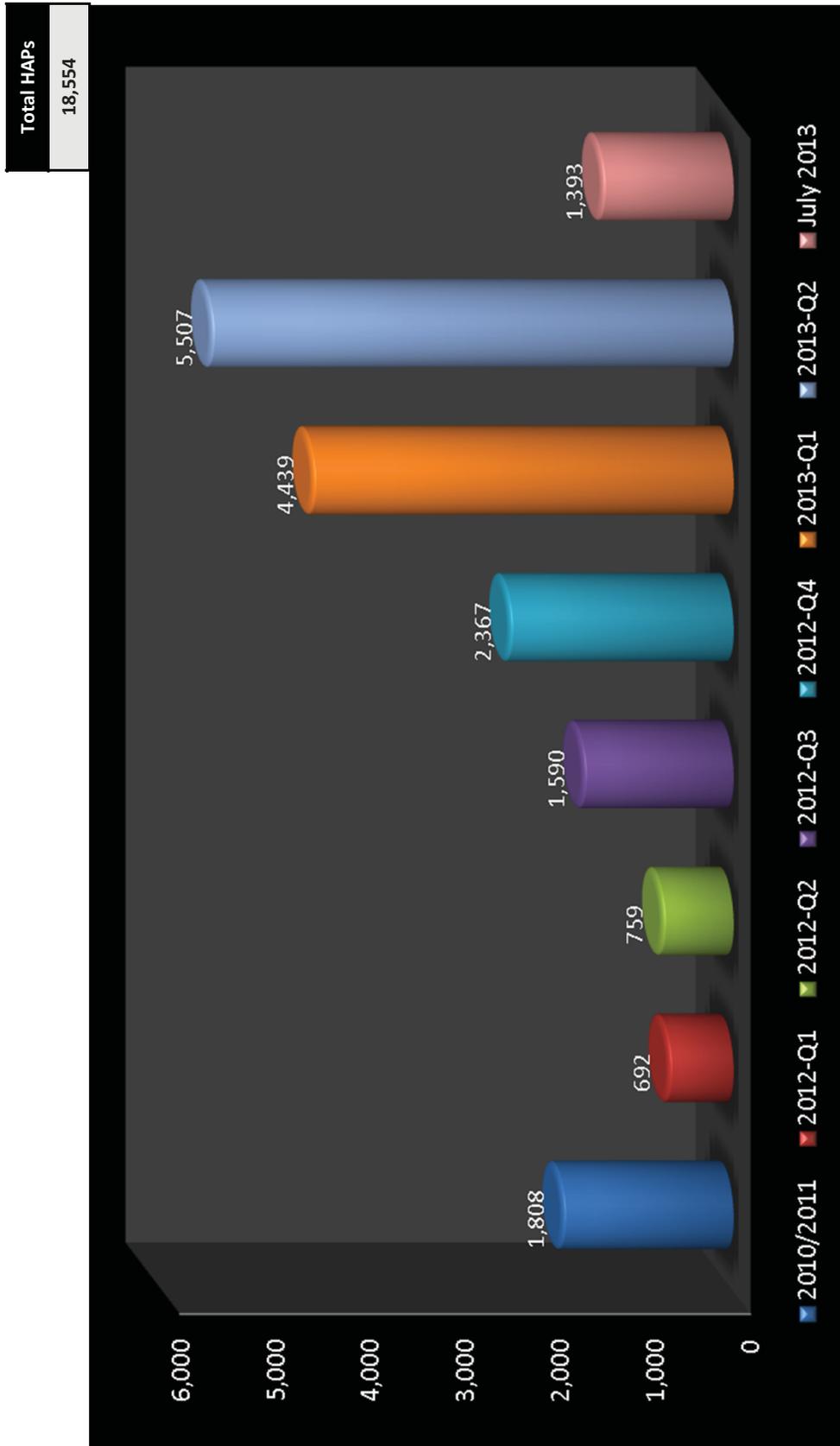
Homeowner Action Plans

Total HAPs
42,740



Program Update – PRP Program Inception through July 31, 2013

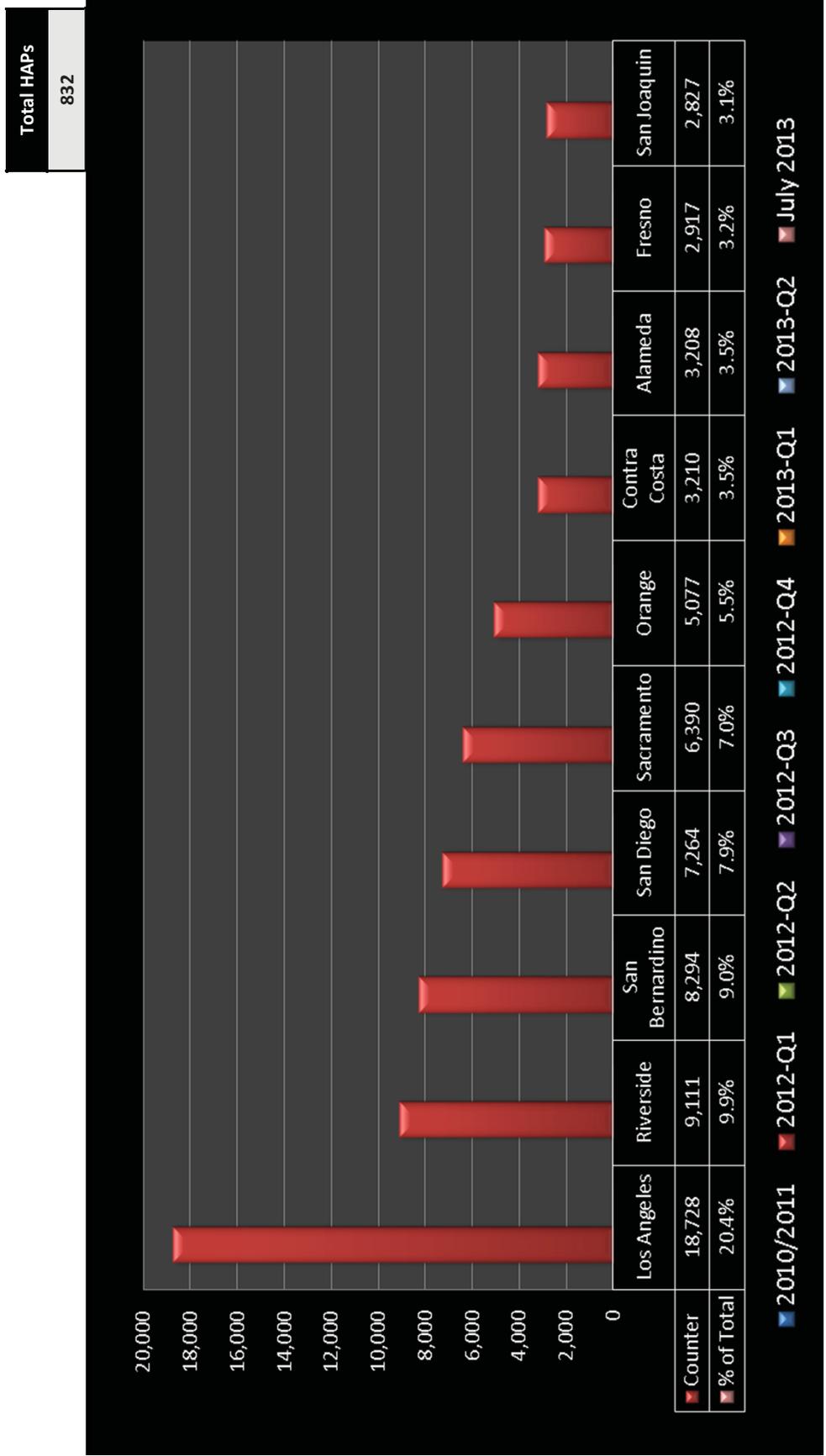
Homeowner Action Plans



Program Update - TAP

Program Inception through July 31, 2013

Homeowner Action Plans



Clear to Fund Transactions by Program

July 2013

Program	Units	Benefit Award Amount
UMA	810	\$15,674,380
MRAP-Reinstatement	154	\$2,232,986
MRAP-Modification	7	\$60,435
PRP-Recast	96	\$7,514,823
PRP-Modification	17	\$1,138,291
PRP-Bulk	38	\$1,515,958
TAP	23	\$80,500

Total	1,145	\$28,217,373
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UMA, TAP, and MRAP -R	987	\$17,987,866
PRP (Retail and Bulk) and MRAP-M	158	\$10,229,507

Program Update

Homeowner Assistance and Reservations by Program

Completed – Program Inception through July 31, 2013

Program	Count	%	Fund \$ (1)	Invoiced \$ (2)	Held \$ (3)	Total
UMA	22,862	78.68%	\$256,825,399	\$12,741,383	\$38,857,720	\$308,424,502
MRAP-Reinstatement	3,790	13.04%	\$48,515,343	\$318,647	\$0	\$48,833,990
MRAP-Modification	120	0.41%	\$1,796,375	\$22,510	\$5,945	\$1,824,829
PRP-Recast	609	2.10%	\$44,141,431	\$1,529,909	\$0	\$45,671,339
PRP-Modification	1,338	4.60%	\$56,757,730	\$279,000	\$320,046	\$57,356,777
TAP	339	1.17%	\$1,343,072	\$18,103	\$0	\$1,361,175
	29,058	100.00%	\$409,379,349	\$14,909,551	\$39,183,711	\$463,472,612

Reserved - (Amounts in 000's)												
Program	in Process			Ineligible (4)			Withdrawn (5)			Total		
	Count	%	\$	Count	%	\$	Count	%	\$	Count	%	\$
UMA	2,180	35.2%	\$73,516	156	11.7%	\$5,289	215	32.8%	\$7,483	2,551	31.2%	\$86,288
MRAP-Reinstatement	1,577	25.4%	\$39,425	203	15.3%	\$5,050	225	34.4%	\$5,625	2,005	24.5%	\$50,100
MRAP-Modification	282	4.5%	\$7,050	120	9.0%	\$3,000	0	0.0%	\$0	402	4.9%	\$10,050
PRP-Recast	1,445	23.3%	\$142,567	743	55.9%	\$73,438	210	32.1%	\$20,890	2,398	29.3%	\$236,894
PRP-Modification	643	10.4%	\$51,742	99	7.5%	\$9,017	1	0.2%	\$100	743	9.1%	\$60,859
TAP	73	1.2%	\$365	7	0.5%	\$35	4	0.6%	\$20	84	1.0%	\$420
	6,200	100.0%	\$314,665	1,328	100.0%	\$95,829	655	100.0%	\$34,118	8,183	100.0%	\$444,612

- (1) Amount funded (Net of returns)
- (2) Amount scheduled for next disbursement cycle/month
- (3) Amount scheduled to be funded in subsequent months or in suspended transaction status
- (4) Homeowner deemed ineligible for program assistance in either Processing or Eligibility
- (5) Homeowner withdrew their request for program assistance or failed to return any of KYHC's required documents

Program Update

Top 10 Servicers – Scheduled Assistance

Program Inception through July 31, 2013

	UMA		MRAP-Reinstatement		MRAP-Modification		PRP-Recast		PRP-Modification		TAP		Total	
	Count	\$	Count	\$	Count	\$	Count	\$	Count	\$	Count	\$	Count	\$
Bank of America	5,897	\$77,171,611	723	\$9,718,459	0	\$0	70	\$5,316,061	941	\$36,960,286	123	\$437,353	7,754	\$129,603,770
Wells Fargo / ASC	5,100	\$68,529,503	903	\$12,384,173	0	\$0	55	\$4,055,308	0	\$0	32	\$114,250	6,090	\$85,083,234
Chase	2,713	\$36,318,495	458	\$5,940,824	3	\$50,000	59	\$4,711,064	1	\$44,657	0	\$0	3,234	\$47,065,039
Ocwen Loan Servicing /A	1,530	\$20,359,915	387	\$4,353,484	40	\$544,866	38	\$2,989,000	9	\$581,057	36	\$120,500	2,040	\$28,948,821
CalHFA	347	\$4,154,506	124	\$1,547,547	18	\$304,716	124	\$9,365,692	205	\$10,160,757	65	\$325,000	883	\$25,858,219
CitiMortgage / Citibank	1,184	\$16,105,990	101	\$1,046,280	0	\$0	0	\$0	0	\$0	0	\$0	1,285	\$17,152,269
One West Bank	575	\$8,835,321	97	\$1,375,288	5	\$83,683	29	\$1,856,816	3	\$258,000	0	\$0	709	\$12,409,109
Ocwen Loan Servicing LLC	536	\$7,506,110	123	\$1,646,270	4	\$60,076	23	\$1,813,356	0	\$0	0	\$0	686	\$11,025,812
Guild Mortgage Company	323	\$3,743,309	97	\$1,077,695	11	\$202,526	39	\$2,734,946	61	\$3,015,252	10	\$49,072	541	\$10,822,800
Seterus/IBM/IBPS	424	\$5,479,169	68	\$701,516	3	\$9,672	56	\$4,182,476	0	\$0	4	\$14,000	555	\$10,386,833
Other	4,229	\$60,220,574	709	\$9,042,454	36	\$569,291	117	\$8,696,619	117	\$6,286,768	69	\$301,000	5,277	\$85,090,867
Servicer Count - 98	22,862	\$308,424,502	3,790	\$48,833,990	120	\$1,824,829	610	\$45,721,339	1,337	\$57,306,777	339	\$1,361,175	29,058	\$463,472,612

Scheduled Assistance includes funded, invoiced and held disbursement statuses

Program Update

Top 10 Servicers – Scheduled Assistance

Program Inception through July 31, 2013

	UMA		MRAP-Reinstatement		MRAP-Modification		PRP-Recast		PRP-Modification		TAP		Total	
	Count	\$	Count	\$	Count	\$	Count	\$	Count	\$	Count	\$	Count	\$
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CitiMortgage / Citibank	1,184	\$16,105,990	101	\$1,046,280	0	\$0	0	\$0	0	\$0	0	\$0	1,285	\$17,152,269
One West Bank	575	\$8,835,321	97	\$1,375,288	5	\$83,683	29	\$1,856,816	3	\$258,000	0	\$0	709	\$12,409,109
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Other	4,229	\$60,220,574	709	\$9,042,454	36	\$569,291	117	\$8,696,619	117	\$6,286,768	69	\$301,000	5,277	\$85,090,867
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Scheduled Assistance includes funded, invoiced and held disbursement statuses