

RESOLUTION 06-15

RESOLUTION APPROVING AUDIT COMMITTEE CHARTER

WHEREAS, the California Housing Finance Agency (the "Agency") is required by law to have audited financial statements of both the California Housing Finance Fund, and the California Housing Loan Insurance Fund, and

WHEREAS, on January 12, 2006, the Board of Directors adopted Resolution 06-08, authorizing the creation of an audit committee of the Board; and

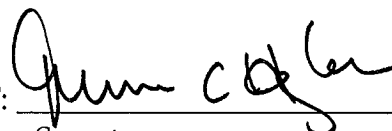
WHEREAS, the Chairman of the Board named Director Jack Shine as the Chairman of the audit committee, and Directors Carol Galante and Peter Carey as the additional members of the committee, as authorized by the terms of resolution 06-08; and

WHEREAS, the members of the committee and the staff of the Agency have developed a proposed charter for the committee;

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

1. The attached "Audit Committee Charter-May 2006" is hereby adopted by the Board.

I hereby certify that this is a true and correct copy of Resolution 06-15 adopted at a duly constituted meeting of the Board of Directors of the Agency held on July 6, 2006, at Sacramento, California.

ATTEST: 
Secretary

CALIFORNIA HOUSING FINANCE AGENCY
AUDIT COMMITTEE CHARTER
May, 2006

MISSION

The Audit Committee of the Board of Directors of the Agency will assist the Board of Directors in fulfilling its oversight responsibilities in the area of financial reporting and accounting integrity. In performing its duties, the Audit Committee will maintain effective working relationships with the Board of Directors, with Agency executive management and staff, and with the Agency's independent auditors. The Audit Committee has the authority to conduct any review appropriate to fulfilling its responsibilities. The committee will have direct access to independent auditors, as well as anyone in the organization.

COMPOSITION

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

AUTHORITY

The Audit Committee has certain limited powers delegated to it by Board Resolution 06-08, and will act in an advisory capacity to the Board concerning audits and related financial matters. Management, staff and the independent auditor will serve as a resource to Committee in their understanding of the Agency's financial reporting responsibilities and any significant issues related to financial reporting and accounting policies. All employees of the Agency are directed to cooperate as requested by members of the Committee.

MEETING

The Audit Committee will meet at least twice per year. The committee will also report to the full Board, at a regular meeting of the Board of Directors at least once a year, on the audit process and results of such audits. 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. Agency staff will serve as staff to the committee.

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 meetings are public records unless exempted under the California Public Records Act or other applicable law.

DUTIES

The Audit Committee will conduct its oversight activities by:

1. Periodically reviewing with the assistance of Agency management, staff and independent auditors the Agency's policies and procedures. Part of this review shall include the direct inquiry of management and independent auditors about the significant risks or exposures and the steps management has taken to minimize such risk to the Agency.
2. Review with the staff and independent auditor the scope and general extent of the independent auditor's examination. The Audit Committee's review shall include an understanding from the independent auditor of the factors considered in determining the audit scope, including:
 - a. Industry and business risk characteristics of the Agency
 - b. External reporting requirements
 - c. Materiality of the various segments of the Agency's activities
 - d. Quality of the Agency's internal control structure
 - e. Other areas to be covered during the audit engagement
3. Review with the Agency's management, staff and independent auditors, upon the completion of their audit, financial results for the year. This Committee shall:
 - a. Review the Agency's annual financial statements and the opinion of the independent auditors;
 - b. Discuss with management, staff and independent auditors any current accounting and reporting issues, including recent professional and regulatory pronouncements – Agency management and staff shall have the duty to inform Committee members of significant relevant issues and developments in accounting and financial reporting;
 - c. Discuss with Agency management, staff and the independent auditor any significant changes from preceding years;
 - d. Review the adequacy of disclosure of significant items;
 - e. Discuss with Agency management, staff and the independent auditor the effect on financial statements of any proposed or implemented changes in accounting policies initiated by the Agency, independent auditors or pronouncements of standard boards or governmental authorities
 - f. Presentation of financial statements
 - g. Report to the Board any illegal, improper or sensitive transactions that have come to the attention of the Committee through information received by management, staff or the independent auditor or by any other means;
 - h. Review significant adjustments proposed by the independent auditors.
4. Review all management letter items from the independent auditor and the written responses from management about each comment or finding. Discuss with the

independent auditors the level of professional competence of the Agency's financial and accounting personnel, and any relevant recommendations, which the auditors may have.

5. Recommend to the Board of Directors any appropriate changes in the duties of the Committee. Review and update the Committee's charter annually.
6. Review the Agency's selection process in obtaining a multi-year auditing services contract with an independent auditor.
7. Review legal and regulatory matters that may have a material impact on the financial statements and related compliance policies and programs.
8. Review with management the Agency's Conflict of Interest/Code of Ethics policy and the Agency's system of enforcing the policy.