CalHFA BOARD OF DIRECTORS

California Housing Finance Agency
Board of Directors

September 16, 2014

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

10:00 a.m.

7. Closed session under Government Code section 11126(e)(2)(C)(i); consideration to initiate litigation.

8. Discussion of other Board matters.

9. Public testimony: Discussion only of other matters to be brought to the Board's attention.

10. Adjournment

11. 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 5, 2014, at the Burbank Airport Marriott, Burbank, California.

STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

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BOARD OF DIRECTORS

PUBLIC MEETING

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California State Teacher's Retirement System ("CalSTRS")
100 Waterfront Place, Board Room
West Sacramento, California

and

CalHFA Culver City Office
100 Corporate Pointe, Suite 250
Culver City, California

Tuesday, July 8, 2014
10:01 a.m. to 11:39 a.m.

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

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A P P E A R A N C E S

Board of Directors Present:

MATTHEW JACOBS, Chairperson
Co-Managing Partner
Bulldog Partners, LLC

KEN ALEX
Director
Office of Planning & Research
State of California

TIA BOATMAN PATTERSON
General Counsel
Sacramento Housing and Redevelopment Agency

ANNA CABALLERO
Secretary
Business, Consumer Services & Housing Agency
State of California

CLAUDIA CAPPIO
Executive Director
California Housing Finance Agency
State of California

KATIE CARROLL
for Bill Lockyer
State Treasurer
State of California

JANET FALK
Retired, formerly Vice President
Real Estate Development
Mercy Housing

MICHAEL GUNNING
Vice President
Personal Insurance Federation of California

ERAINA L. ORTEGA
for Michael Cohen, Director
Department of Finance
State of California

DALILA SOTELO
Principal
The Sotelo Group

A P P E A R A N C E S

Board of Directors Present (continued):

COL (Ret) MICHAEL N. WELLS
for Peter James Gravett, Secretary
California Department of Veterans Affairs
State of California

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

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Participating CalHFA Staff:

VICTOR J. JAMES
General Counsel

JAMES MORGAN
Chief of Multifamily Programs

JOJO OJIMA
Office of the General Counsel
Legal Division

DIANE RICHARDSON
Director of State Legislation
Administration Division

ANTHONY SERTICH
Manager
Financing Risk Division

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BE IT REMEMBERED that on Tuesday, July 8, 2014, commencing at the hour of 10:01 a.m., at California State Teacher's Retirement System ("CalSTRS"), 100 Waterfront Place, Board Room, West Sacramento, California, before me, YVONNE K. FENNER, CSR #10909, RPR, the following proceedings were held:

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CHAIRPERSON JACOBS: I'm going to call to order the July 8th meeting of the CalHFA Board.

This is not a heavy agenda. We are actually telecasting to Culver City, though it doesn't look like we have a large audience in Culver City. This is a sort of special meeting. We have some wonderful news out of the Governor's Office, some changes at the Agency and some changes at HCD. And I think just on behalf of the Board, before we get started at all, I would like to congratulate both of you on these big new moves. And I really think it's an opportunity for us to do great things going forward.

MS. CAPPIO: We do too. So far, so good.

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Item 1. Roll Call.

CHAIRPERSON JACOBS: Let's see. Let's do the roll call to get started.

JoJo, if you would.

MS. OJIMA: Thank you.
Ms. Caballero.
MS. CABALLERO: Here.
MS. OJIMA: Ms. Whittall-Scherfee for Mr. Deems.
MS. WHITTALL-SCHERFEE: Here.
MS. OJIMA: Ms. Falk.
MS. FALK: Yes, here.
MS. OJIMA: Mr. Wells for Mr. Gravett.
MR. WELLS: Here.
MS. OJIMA: Mr. Gunning.
MR. GUNNING: Here.
MS. OJIMA: Mr. Hunter.
(No audible response.)
MS. OJIMA: Ms. Carroll for Mr. Lockyer.
MS. CARROLL: Here.
MS. OJIMA: Ms. Patterson.
MS. PATTERSON: Here.
MS. OJIMA: Mr. Prince.
(No audible response.)
MS. OJIMA: Ms. Sotelo.
MS. SOTELO: Here.
MS. OJIMA: Thank you.
Mr. Alex.
MR. ALEX: Here.
MS. OJIMA: Ms. Ortega for Mr. Cohen.

MS. ORTEGA: Here.

MS. OJIMA: Ms. Cappio.

MS. CAPPIO: Here.

MS. OJIMA: Mr. Jacobs.

CHAIRPERSON JACOBS: Here.

MS. OJIMA: We have a quorum.

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Item 2. Approval of the minutes of the May 13, 2014 Board of Directors meeting.

CHAIRPERSON JACOBS: All right. We've got the minutes from our last meeting, May 13th. Any edits to that?

Do we have a motion to approve the minutes?

MS. SOTELO: I move approval.

MS. CABALLERO: Second.

CHAIRPERSON JACOBS: Let's call the roll on that.

MS. OJIMA: Thank you.

Ms. Caballero.

MS. CABALLERO: Aye.

MS. OJIMA: Ms. Whittall-Scherfee.

MS. WHITTALL-SCHERFEE: Aye.

MS. OJIMA: Ms. Falk.

MS. FALK: Aye.

MS. OJIMA: Mr. Wells.

MR. WELLS: Aye.
MS. OJIMA: Mr. Gunning.
MR. GUNNING: Aye.
MS. OJIMA: Ms. Carroll.
MS. CARROLL: Aye.
MS. OJIMA: Ms. Patterson.
MS. PATTERSON: Abstain.
MS. OJIMA: Thank you.
Ms. Sotelo.
MS. SOTELO: Aye.
MS. OJIMA: Mr. Jacobs.
CHAIRPERSON JACOBS: Aye.
MS. OJIMA: The minutes have been approved.
CHAIRPERSON JACOBS: Great. Thanks, JoJo.

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Item 9. Public testimony.

CHAIRPERSON JACOBS: Let's see. Before we jump into agenda items, I would like to offer the public, any members of the public, a chance to speak before we dig into the meeting. We have a closed session coming up later, and I don't want to make anybody wait around. Is there any members of the public with a comment or testimony?

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Item 4 Review and Discussion of Projected Revenues and

Budget for FY 2014-15.

CHAIRPERSON JACOBS: All right. Seeing none, let's move on to item No. 4, which is the review and discussion of projected revenues and budget which the Board had asked for.

And, Tony?

MR. SERTICH: Good morning. I'm here today sitting in for Tim Hsu who's on a well-deserved vacation.

As Mr. Jacobs said, we're reviewing an item that was sent to the Board that Ms. Falk requested, sort of detailing the revenues expected in the next year to tie to the budget. I'm going to be very brief and open this to questions very shortly. I just want to point out a few things in the details we have.

One is that the majority of the income that we expect to receive next year is from legacy activities, which is really existing loans that are paying interest and principal over time that help us fund our operations. The -- and that legacy income that we expect to receive is more than the budgeted expenses, so the new -- new activities, the new loans that we're issuing, the new fees that we're receiving, are -- while I wouldn't say they're gravy, they're not necessary to the -- for the operation of the Agency. However, over time, the legacy income will decrease, and we will need to grow the -- the new business in order to keep the Agency at its current expense levels.

The one other thing that was added on was the number of loans that are expected to be funded this year by the Agency on the new activities at the second session. And those are based on our best projection from our program managers.

I'll open it up to any questions if anyone has anything.

CHAIRPERSON JACOBS: All right. Thanks. I think that was a really great presentation. I think it does underscore the need for new programs going forward, and I think it was well-requested and well-presented. Thank you.

MR. SERTICH: Thank you.

MS. SOTELO: Can I?

CHAIRPERSON JACOBS: Yes, please.

MS. SOTELO: Tony, I just have a quick question on the HELP loans, the 11.6, those -- those loans are maturing loans? Or can you tell me a little bit about that in the context of, I guess, we had gotten a presentation the last quarter around the performance of the portfolio and how the portfolio is doing?

MR. SERTICH: Yeah, the HELP loans are special loans that were made to localities to help fund affordable housing projects. And those were ten-year loans, and so they were made when the Agency had a lot of cash in the mid-2000s, and so a lot of those are coming due. We've been receiving repayments and prepayments over the last couple years, and they're continuing to come in.

So there's two items for that. One is the repayments and the maturities. Then down below on the interest, we also expect to receive interest on those loans as well. So those, in general we've had a very good repayment rate on those even though they're not necessarily the traditional mortgage loans that we've given out.

MS. SOTELO: This represents such a large amount, I just wanted to, I guess, understand whether they're -- it's a conservative estimate of what you anticipate or --

MR. SERTICH: It's what we -- yeah, it's what we expect to get as loans that are maturing in the next fiscal year.

CHAIRPERSON JACOBS: Claudia.

MS. CAPPIO: Just to add, the HELP loans were based on excess bond revenue. Oh, to be in that position again.

MS. SOTELO: Yes.

MS. CAPPIO: And we -- they really had very few strings, and they were made to purchase land or help with gap financing, et cetera. They were very flexible. And what we did when we got into a cash crunch is look at those, that program, in a critical way and actually offered incentive for early repayment. So we have been doing that fairly aggressively because the most important thing to the Agency in the last few years is cash. And so we -- this reflects that, as well just the amortization of those loans over time.

There's a couple of folks who have asked for more time because of the dissolution of redevelopment and other problems, but it all evens out, and we were able to improve the cash position of the Agency by being a little more aggressive than we would have been had we not been in the financial state we were in.

MR. SERTICH: Yes. And to clarify just one thing, this number here is only the maturity, the loans that are maturing this year, and not any other prepayments that we expect to receive, so that we still have a program to incentivize prepayments on those as well.

CHAIRPERSON JACOBS: Tia.

MS. PATTERSON: So on the HELP loans, were some of those loans secured by redevelopment funds or tax increment, do you recall? Because --

MR. SERTICH: There were some loans that were made directly to redevelopment agencies, and we've been working with Department of Finance and the redevelopment -- or whoever the successor agencies are to work that out as well, correct.

MS. CAPPIO: There's security that deals with the City itself.

MS. PATTERSON: Okay. But then there were some HELP loans that were made directly to redevelopment agencies, and we're making sure that we get the repayment on those.

MR. SERTICH: That's correct.

MS. PATTERSON: Okay.

MS. WHITTALL-SCHERFEE: We've been fighting the good fight on that.

MS. PATTERSON: With our partner.

CHAIRPERSON JACOBS: Any other questions?

MS. FALK: I do.

CHAIRPERSON JACOBS: Janet.

MS. FALK: I'd like to really thank the staff for putting this together. It makes it so much more clearer as to where our money is coming from as well as where it's going to and, you know, especially with the -- adding the number of loans in there. That way we can take a look next year when we see the budget and we have a comparison of this year with next year of what, you know, we project, so I think that's really -- thank you very much for doing that.

But we're talking about declining revenues, and I think I heard something about we have something like 18 months before this sort of starts running out, maybe more. But in any case, we do need to be looking at where revenue is coming from in the future. And I would like to request that the staff take a look at new and innovative programs that we might be able to do and kind of think outside the box and come back to the Board maybe in four months, six months, whatever you think you need, with some ideas about where the revenues might come from, new programs, what kinds of things can this Agency do, you know, to fill the needs in the marketplace, too. If we're just competing with the banks and the banks are doing what we're doing, you know, they're always going to be able to have a little edge. So what can we -- where are the places that we need to fill in for the needs of the State and within the ability of the Agency to do?

So I'd like to propose that as something for the staff to do and, as I said, to come back to the Board in four to six months with some proposals and not even necessarily recommendations, but just options, and it could be recommendations, too, of ways -- of different kinds of programs that we might undertake to generate new revenue going forward.

MR. SERTICH: That's definitely something we've been focused on, and I think even the next agenda item will -- is a step in that direction, to a certain extent.

CHAIRPERSON JACOBS: I think, actually, maybe at the end of this meeting let's ask Claudia for just some parting thoughts and directions and opportunities, you know, just where as an Agency we should be heading, where staff should be focused. Good suggestions.

MS. FALK: Do we need to vote on that, or is that something --

MS. CAPPIO: We can do it under executive director comments.

MS. CABALLERO: I think we ought to vote to accept the report.

CHAIRPERSON JACOBS: Oh, yes. Can we do a vote to accept --

MS. CABALLERO: A motion?

CHAIRPERSON JACOBS: Do we need to?

MR. JAMES: No, it's informational.

CHAIRPERSON JACOBS: It's informational. We'd love to see it every year.

MS. CAPPIO: Yeah, as part of the budget.

MS. FALK: We agreed last time this was going to be, you know, put --

CHAIRPERSON JACOBS: Added to the budget.

MR. JAMES: Yes. And staff had heard, and this will be included each year when we submit our annual budget and business plan.

MS. FALK: In terms of going forward and coming back to us with some new ideas, do we need to have a motion about that, or is that just --

MS. CAPPIO: No, it's just direction.

MS. FALK: Okay.

CHAIRPERSON JACOBS: All right. Thanks, everyone.

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Item 5. Update and Discussion of the Agency's implementation of the 35/17 Risk Share Program.

CHAIRPERSON JACOBS: Let's move on to the risk share program. Who is presenting that?

MR. JAMES: Jim Morgan.

CHAIRPERSON JACOBS: Okay. And we had a handout that was e-mailed. Did everyone have a chance to read it?

MS. CAPPIO: I think it's on the desk.

MR. JAMES: And there's a PowerPoint as well.

CHAIRPERSON JACOBS: The PowerPoint was e-mailed to the Board.

MS. CAPPIO: Right. And then there's a copy of it here.

CHAIRPERSON JACOBS: Okay, Jim.

MR. MORGAN: Good morning. And, Janet, I'll explain I'm about to talk about some alternatives that we've already implemented on the multifamily side.

Good morning. I'm Jim Morgan, multifamily programs chief. I don't have anything clever to say like Tim always has some type of quote from Star Trek, Star Wars, what have you, but I feel like attendance, it was like my wedding. There's the bride's side and my, groom's, side, so I feel kind of like it's a marriage right here amongst us all.

Just to talk about what Janet was discussing, there is some direction coming from HUD DC, HUD headquarters, on a synthetic Ginnie Mae, if you will. The last three years the National Council of State Housing Agencies has pursued Congress to allow the HFAs to issue Ginnie Maes and do mortgage-backed Ginnie Maes. And there hasn't been a lot of movement.

Notification came out, and it was announced at the NCSHA credit conference in Chicago that the Treasury is looking at through its federal financing bank, looking at buying or -- buying HFA bonds at a synthetic Fannie Mae rate. So it's not a Fannie Mae rate, but it a would be -- it's not a -- I'm sorry, a Ginnie Mae rate, but it would be a -- or not a Ginnie Mae bond, but it would be a Ginnie Mae rate passthrough.

So New York is on the docket for that in September. They've kind of worked out the kinks through HUD headquarters, and we'll know what is -- what will take place. HUD headquarters has also given direction to us to give them what we feel in the portfolio that we can take advantage of in the next two to three years if that was to pass.

So that will -- that will -- I mean, it's not an alternative type loan program, but the rate's pretty attractive where we can focus on the portfolio and new business.

All right, Tony, next page.

We wanted to come back and talk to you about our 35/17 program. It was in our business -- it was in our strategic business plan that you guys approved in May. Part of that was the 35/17 acq rehab and then also the permanent loan only program. So this 35/17 program would apply to both.

So in referencing the first bullet there, it would -- we would have the HUD risk share program implemented, and we would have the capability to do loans as short as 17 years. And we can also apply to the permanent loan as well. So we are the permanent takeout lender, and we're not part of the construction loan or an acq rehab loan, let's say Chase or Silicon Valley Bank as the construction lender. We can operate in the capacity of a perm takeout lender and use this product.

It's -- it's generated interest with some of the bigger banks that don't want to have those loans on their balance sheet. U.S. Bank, Chase doesn't want to do anything over $8 million. Silicon Valley Bank just wants to do construction lending. So this is a good product for us to do perm lending.

I just wanted to follow up with that, with the memo that you had in your binder. There's a historical there with regards to where we're at and where we've come from. And this -- this program, again, will be administered under our risk share program which has been in place since '94 and will allow us to offer an abbreviated maturity, which thus will have some cost savings in the bond, as far as the bonds are concerned.

CHAIRPERSON JACOBS: One question, just let's say someone wants to pay off after 15 years. Is there defeasance, or how does that --

MR. MORGAN: I'll get to that. It's in the presentation, but we'll -- what we'll do is we'll -- it will be -- it will be set up to allow prepayment that year. It will be set up for year 15 to prepay, but there's no defeasance cost or anything like that. It's just a payoff.

More to -- there's more to come on that. We're getting the particulars from HUD headquarters, so we owe them our underwriting guidelines and our specifics, which we're in the process of doing.

With regards to the fourth bullet there, this will -- this will give us an opportunity to focus on our existing deals in our portfolio and also new business.

With regards to our existing portfolios, we have 31 projects that are maturing on or before April 1st, 2019. So within the next five years, we have 31 projects maturing. And within those 31, 12 of them have Section 8 HAP contracts that are expiring. So this will be a good opportunity for us to market our program and reach out to those owners, developers to provide them with an opportunity to recapitalize. So that's built into our marketing plan.

In addition, we've also identified projects in our portfolio that are maturing on or before 12/31/98 basically through their 15-year compliance period. We'll also reach out to those folks too. So this will give us an opportunity to just take the portfolio that -- we have a business opportunity within our own portfolio and working with our asset managers to get an idea on the condition and the scope of the buildings and be able to implement that going forward with this loan program as far as recapitalization.

Next page, Tony.

In the memo there was -- there was a reference to an attachment. It was the -- our -- our HUD regulatory waiver approval, so hopefully you have those in front of you. You know, as stated in the approval, HUD has given us a two-year regulatory waiver effective January -- or July 1st, 2014, all the way through June 30, 2016.

The reason for the waiver is they -- is that when we proposed this structure back in February and they -- they were onboard. However, we proposed it as a pilot, which they could not do, but what they could do is they were very favorable about allowing a balloon payment, because other HFAs have inquired. And rather than going through a regulatory change which would take up to two years, they gave us a waiver for two years, which -- to try and coincide with the timing of the process it would take for the regulatory change, because other HFAs are seeking this waiver as well. So they figure by two years they will have this implemented. And if not, we can always ask for an extension.

The second bullet is the one I'm excited about, total amount of loan transactions during this time frame capped at 40. Like Claudia mentioned, this is a problem I would love to have. I would love to have this. You know -- you know, in the memo it says 20 per year for a total of 40. It's just really capped at 40. So hopefully I can come to you in May 2016 saying, "We're seeking a waiver for 80 projects," but we'll work on that.

There is a restriction for affordable housing deed restriction for no less than 20 years. We're in the process of approving or preparing our underwriting guidelines for HUD for this program. We have to provide HUD with annual underwriting guidelines anyway, so this is just going to be a modification of our current guidelines to show what our takeout strategy, exit strategy, would be in those that would qualify, and I'll be getting to those a little later.

And, of course, all other HUD risk share regulations apply, Davis-Bacon, insured advances, everything else.

MR. GUNNING: Jim, it says that the waiver's conditioned upon their approval of the underwriting guidelines. Do you anticipate any problems with that or --

MR. MORGAN: No, it's -- it's what will -- what we're -- I don't anticipate any issues. We're basically going to incorporate the conditions provided by HUD headquarters into our guidelines and then provide them what we -- what we have as an exit strategy expected of the borrowers. So in -- so we'll -- and I'll touch on that, but as they stated in their -- in their approval letter, developer experience, exit strategy, stress test items like projected debt service coverage ratio, projected loan to value, any depreciation, cap rate, a lot of nuances, but it's just going to be broad based to cover their -- to address their concerns. But we don't -- we don't expect any delays. I've already spoken to the -- Jim Carey, who is their HUD headquarters multifamily policy director. He's -- he's waiting for our guidelines.

So it's -- we've had pretty good turnaround, given the fact that we're dealing with HUD headquarters. We submitted this at the end of February, the ask, and we were approved three months later, so we've been receiving really good turnaround time.

MS. FALK: I just want to make sure I understand. Why do you want the short-term to be less?

MR. MORGAN: Well, that's a good question. The reason is that when we go out and we're trying to recap our deals, we haven't had, you know, the -- the cost savings associated with the shorter term CalHFA loan, which allows us to offer, you know, a lower interest rate will be able to assist us in fulfilling our mission to really focus on the portfolio and recapitalize those deals.

And compared to other lenders that have mirrored this product, you know, there's -- there's -- there's the Citibanks, the Unions, the other folks that have a 35/17 program that we're not even close to -- to being able to compete with -- and not that this is -- it is a competition, but we're really trying to focus on our portfolio, and with our existing rates, you know, it's -- the cost savings that we have at 30 basis points or so make us -- gives us an opportunity to do that. Otherwise we're just sitting on the sidelines. I mean, we've received over 70 prepayment inquiries, and we've been able to convert a few, single digits, and we'd like to really improve on that number and be able to recapitalize our projects, so.

MS. FALK: Do the borrowers want shorter term? Do the borrowers want three months?

MR. MORGAN: They -- they like the fact that there's a balloon, not necessarily 17, but when you do a 20-year, they like that to be able to -- especially with credits in the deal where they can seek recapitalization.

Not all borrowers are going to go for this. We have -- we have projects in our portfolio that are just nonprofit developers. They've been in our portfolio for like 30 -- they have a 35-loan, and they're in there for 33 years. They're not interested in this type of product, and there may be -- and they may have one or two projects. They're looking at more of a fully amortized loan, and there's a lot of equity in the deal where maybe credits are not necessary. We can just issue 501(c)(3) bonds and do it. So it's just -- it's just another vehicle.

MS. FALK: Another tool.

MR. MORGAN: Yeah.

MS. FALK: I mean, in general I'm really concerned about balloon loans, especially for nonprofits. It's really hard, and it takes a lot of staff time and a lot of energy on the part of nonprofits to refinance. You can -- theoretically you can show you can repay it. That's the easy part. Whether practically -- it puts them on a time line that sometimes they, you know, can't achieve. You know, they need 20 years, or they need 18 years or whatever it is, it's -- and, you know, depending on what the situation is, if it's just a refinance, they don't get the developer fee, yet they're putting staff time into the deal. And, you know, it's just like redoing the project again, so it's problematic from a lot of perspectives.

MR. MORGAN: Yeah.

MS. FALK: But I understand that the rate's lower so that's why people do it, but it's -- I think it puts people in a difficult --

MR. MORGAN: Yeah, and it --

CHAIRPERSON JACOBS: That's why the concern for defeasance just to make sure, you know, if you know it's maturing year 17, you prepay sometime in that so you're timing it --

MS. FALK: People can't, though, because the 17 years is really two years of construction plus the 15, so you're -- you're right at 15, you may have -- you know, you might need to work things out with your investor before you recapitalize the whole project. It just gets complicated.

CHAIRPERSON JACOBS: Seventeen's a minimum, though.

MR. MORGAN: Yeah, 17. So we threw that 17 in, and the majority of the projects are going to be, you know, more 20 year.

And in going to the next slide, next page 4, you know, we can't emphasize the first bullet point enough. You know, the borrower's affordable developer experience and financial strength, basically their track record. So if we have someone that -- and it could be subjective, but still we -- we look at, you know, how many projects do they have in their portfolio, financial strength -- and of course that's a snapshot in time, but they have a track record of -- of -- of providing or providing affordable housing and/or a track record of taking care of the past balloon payments.

So the larger nonprofits will probably be the ones -- the Bridge's, the Mercy's of the world would be the one playing in this arena.

CHAIRPERSON JACOBS: Yes.

MS. PATTERSON: What's the percentage of your loans in your portfolio that have like gap financing that defers -- deferrals, and is that an issue when you come to recapitalizing and when you're like -- is there HCD financing or local government financing?

MR. MORGAN: You're stealing my -- it's on the next page, but, yes. So we do have deals in our portfolio that have subordinate financing, soft financing, Citi being one of them and --

MS. PATTERSON: What percentage would you say? Is it an overwhelming majority, a small percentage?

MR. MORGAN: No, it's -- I think it's less than -- and I know Chris Penny is here, asset manager, but less than 20 percent, 25 percent, that this could affect. I know on some deals that HCD may have, a balloon may or may not be allowed, but we know -- but those deals are -- there's not a -- those are maybe ten to 13 of those deals that may -- and they may just have to go fully amortized.

MS. PATTERSON: And as you're thinking about going forward and being more creative and innovative, is there opportunities to marry it, your product, with a product that is deferred, therefore you do become cheaper money?

MR. MORGAN: Yes. Yes.

MS. PATTERSON: Just a thought.

MS. SOTELO: You mean like having an HCD program give preference points to a CalHFA loan program that you could use --

MS. PATTERSON: Right. So that those moneys are going together, so that you're making your money cheaper, and you're being more competitive because there's already money going out the door -- it's aligning your priorities.

MR. MORGAN: Yes. And we've initiated those discussions with HCD and their department of financial assistance folks.

MS. WHITTALL-SCHERFEE: Right now we are reviewing our UMRs, which are our underwriting guidelines. And one of the requests I've made of Jim separate and apart is that when they do figure out their underwriting requirements, that they share them with us, because it's something that we are examining to figure out if we want to change our prohibition against balloon loan payments -- or balloon loan structure.

MS. PATTERSON: I would have to imagine it would be very helpful for your underwriting guidelines to be compatible because it's all -- if it's state money and there are state priorities, then we would like those underwriting guidelines to be compatible moving forward.

MR. MORGAN: And we've been talking about that for the last 60 to 90 days.

MS. SOTELO: I think it would be really powerful in terms of, you know, creating partnerships for nonprofits and having them take advantage of the program that marries both HCD and CalHFA.

But, Jim, your primary market for this product, at least right now, are those 31 expiring --

MR. MORGAN: It's our -- it's our focus. Yes, it's our focus.

MS. SOTELO: So it's not really a new product, it's a recapitalization product for that.

MR. MORGAN: Yeah, it's a modifica- -- it's a selection under our preservation loan program. You can go fully -- you know, full -- fully amortized and our rates are going to be slightly -- are probably going to be 30 basis higher or you can select this carve-out for just this abbreviation, the abbreviated term, and here's some other requirements that are part of that.

MS. SOTELO: So maybe if you're able to do a report back to the Board that looks at the 31 loans in the portfolio and how many of them have subsidized financing from HCD or other localities and then seek some sort of partnership waiver with those, you know, entities that allows the recapitalization product to actually make sense for the developers, that way when you launch this program, you add to that. You know, kind of a package deal.

CHAIRPERSON JACOBS: And I think just for our own edification, if you would just show what the other options are that the developer might have, you know, private loans, whatever else is out there aside from our product, what their decision point is.

MR. MORGAN: Okay.

CHAIRPERSON JACOBS: Any other questions?

Thanks for that presentation. Do we have another slide there? I didn't actually look at the PowerPoint.

MR. MORGAN: There's only -- there's only the -- I put a sample on there, if you're -- if you're interested today.

MS. CAPPIO: We have a sample there.

CHAIRPERSON JACOBS: There we go. Perfect.

MR. MORGAN: So it's pretty self-explanatory, you know. We could -- we could -- we could go up to a 90 percent loan to value, so we have a $10 million appraised value, max -- current appraised value. We can go up to 90 percent. And then if we did a 35/17 -- and as Janet mentioned, two years rehab, 15-year perm, our rate would be around 5.10, and there's our debt service coverage. In year 17, if you pass that out, you're about, you know -- we figure about 70 percent of the outstanding principal balance, and your projected LTV without appreciation. For HUD, we would look at, okay, cap rate, what would we see trending up, high cost areas, you know, suburban, rural, projected debt service coverage, if I was to run this out, projected interest rate, stressing -- a stress rate of 9 percent. I know HCD, Laura informed me, they use 10 percent, but their loans are --

MS. WHITTALL-SCHERFEE: But that was on the most recent --

MR. MORGAN: The most recent ones.

MS. WHITTALL-SCHERFEE: -- that came to us. Actually, it was the bank that used 10 percent.

MR. MORGAN: The bank that used 10.

And in assuming that we did a pretty significant amount of rehab, 30 -- $30,000 a door, the condition of the property would be above average and what would be -- that's the marketability piece that HUD's looking for.

MS. FALK: How are you getting your projected debt service coverage so high? What are you using as projected increases in income and expenses?

MR. MORGAN: Two and a half and three and a half, trending up. With regards to income, two and a half and expenses, three and a half. And then if there's Section 8 -- this was a Section 8 project, so wanted to show you a good project. If you --

MS. FALK: -- about year 18.

MR. MORGAN: Yeah, well, that's why year 17 --

MS. FALK: It's so high.

MR. MORGAN: -- where it's at if the Section 8 will go away, it drops completely, yes.

And for us, you know, this is going to require much more analysis, much more underwriting scrutiny for these type of deals. And the quality of the borrowers is going to be very important to us.

MS. SOTELO: So, Jim, as part of the report back, can you from your portfolio analysis tell us how many of them are nonprofit versus --

MR. MORGAN: Sure.

MS. SOTELO: -- not nonprofit?

MR. MORGAN: Sure.

CHAIRPERSON JACOBS: And what type of affordability too --

MS. SOTELO: Yeah.

CHAIRPERSON JACOBS: -- would be interesting to see.

MS. SOTELO: And then you mentioned 2031 15-year compliance portfolio as well, so I don't know if you want to report back on that, but I don't know how many loans that is.

MR. MORGAN: It's about 150.

MS. SOTELO: So maybe just focus on the 31 projects.

MR. MORGAN: But we can give you what our credit projects, what are maybe, you know == what the rent structure is. and overall that's not hard to do. We can get that for you.

MS. SOTELO: I think that -- I don't think that we necessarily need the details as much as we need, you know, a hundred percent under 60.

MR. MORGAN: Yeah, that's what we'd do. Okay. Thank you.

CHAIRPERSON JACOBS: All right, thanks.

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Item 6. Reports.

CHAIRPERSON JACOBS: All right. Let's move on to our reports. Who's covering the delinquency? I mean, it's all --

MS. CAPPIO: If there's any questions --

CHAIRPERSON JACOBS: Any questions on the reports?

MR. GUNNING: Can we get an update on just where Keep Your Home -- the report that Di wrote up.

MS. RICHARDSON: I'm sorry, did you have a specific question that you wanted me to address?

MR. GUNNING: Well, I noticed that the report that you wrote to Treasury == and it really talks about how many people have been served, all the good stuff, just overall.

MS. RICHARDSON: Yeah, it's actually going pretty well. I've, you know, sort of gone back and forth about what to provide to you because I've tried to not create additional work for my staff and have them duplicate. So we originally thought we would be -- you know, we could -- if the CalHFA MAC Board meetings were first, I could provide you some of the same information, but that meeting is actually next week so we're putting that together now, and your information was due ten days ago, which I didn't have ready ten days ago. So I actually -- after thinking about it, you know, I do have to file these quarterly reports with Treasury, and they are detailed. So what I would like to do is just provide those to you each quarter. And Victor and I actually spoke about this morning, and, you know, there is a lag between the end of the quarter and when the report is done because we have to sift through all the information.

So the report that you have in front of you now is for the first quarter of the year, which ended March 31st. The second quarter just ended June 30th. That will probably be ready -- that report will probably be ready mid-August, so we'll -- I'll go ahead and e-mail those to you when it's done. And then that will also be in the next Board packet.

But as far as, you know, the status of the program, it's -- it's going well. It continues, you know to -- there are some banks that are slow accepting the money, and, you know, I can't always control that, although we do hammer them as hard as we can. As of this morning, we've assisted about 42,000 homeowners for over $723 million. So the money is definitely going out the door.

The biggest part of our pipeline now is the principal reduction, and the reinstatement. The unemployment program has slowed down a little bit, and I think that's because fewer people are collecting unemployment, and we've really picked that bone pretty clean for the people that are receiving it, although we continue to have flyers in every mailing that goes out. Every applicant for EED benefits gets a mailing from Keep Your Home, and we also mail to the WARN lists, which when a company is thinking about having a large number of layoffs, they have to file a WARN report, so we always contact those companies directly to make sure that they know about the program.

There are two big MHA that -- the Making Home Affordable, the big federal gorilla. They're having two events later this month, one in Sacramento, one in Riverside, that we'll be participating in both of those.

We've been working very closely with Wells Fargo. They've had a number of events recently. Those tend to be successful when we can partner with lenders to go out directly.

We are in the middle of a very aggressive television marketing campaign. I don't know if you've seen the ads. They're on a number of stations throughout the state. And also we are pursuing digital media, which these -- I call them stalker ads. So like if you like click on something, pretty much every time I'm on my computer now, a Keep Your Home banner pops up. And we're finding that the click through rate on that is pretty successful.

On the -- from the TV campaign, we're getting about 300 calls a week from that, and that's resulted -- about a third, maybe a little bit more than a third of those are actually resulting in homeowner action plans and real applications, so we're targeting those, we think, to the right people and, you know, getting a good pull through.

Anything else?

MR. GUNNING: So there's still about, what, 1.2 billion left?

MS. RICHARDSON: Well, remember we also, you know -- that we do have administrative expenses that we've had to pay, so we're about halfway through the money, I think.

MR. GUNNING: A billion left?

MS. RICHARDSON: Um-hmm. Probably a little bit less. I don't have the number in front of me, but, yeah.

MR. GUNNING: It was interesting to note that mostly black people are using this program.

MS. RICHARDSON: Yeah, did you note that?

MR. GUNNING: I did.

MS. RICHARDSON: Thank you. Yeah, we, you know --

MR. GUNNING: It's important to me.

MS. RICHARDSON: I know. Well, you know --

CHAIRPERSON JACOBS: It begs the question of language. I mean, are we doing enough in Spanish?

MS. RICHARDSON: Actually, that's -- we have -- we're constantly looking at those numbers, and we are again hitting Univision, and there's another Hispanic station that I can't think of the name of.

MR. GUNNING: Telemundo?

MS. RICHARDSON: No, that doesn't sound -- I can't remember, but, yeah, we do look at that and, you know, try to --

CHAIRPERSON JACOBS: The 24-month numbers are pretty good. Are you doing education classes when they -- when people are working through a recast plan or --

MS. RICHARDSON: We're really not because I can't really require it as a condition of the assistance.

I think the other thing that I would add is that we actually just the last couple of weeks -- you know, we also partner with local counseling agencies outside of our central processing center. We just had four training sessions throughout the state to make it easy for them to get to us from wherever they were, and we held all-day sessions with them, again, going over the programs in great detail. Because, you know, they haven't all kept up with the changes, and there's a lot of things that these programs can offer their clients that they weren't aware of, and we've made it easier for them to hopefully go back and, you know, take a look at their clients that might not have qualified in the beginning but that should qualify now because of some of the changes that we've made, particularly, you know, the -- if you're over -- if you're 120 percent LTV, that is a qualified hardship, and that should be pretty easy to pick.

And so I think that those counseling agencies were very excited about what we talked to them about. And we do -- if you've been on our website, we have a scorecard for the lenders, which has been pretty effective in, you know, one of them will say why are they doing more loans than we are and sort of created some competition among them. And we have a similar scorecard that we've rolled out to the local counseling agencies that I think will also -- you know, they'll -- some of the counseling agencies have been very successful with this program, and that will be very clear. And they'll -- you know, the others will be able to see that it can be a very successful program for them.

CHAIRPERSON JACOBS: Anything else? Dalila.

MS. SOTELO: Yeah, I just have a couple questions and just one comment. On the report attachment, the third page in where I think you do talk about the ethnicity, just to note that you did have about 10,000 Hispanic/Latino borrowers compared to about -- you know, so I think it is -- it is working on some level with the Latino market because that seems to be a pretty high number compared to some of the other categories. So I just wanted to kind of point that out for you.

MS. RICHARDSON: Right. When we look at in the perspective of the -- compared to the percentage of population in the state, I think that's where it looks like it falls short, but we do -- I mean, we market in Spanish. We market in Chinese, in Korean, in Tagalog, in Russian, you know. We're open to advertising in any language.

MS. SOTELO: So one of the things -- and maybe you have it here, but, you know, maybe you can just point to us or just tell us or next time report on it, what -- there is a -- there is a percentage of foreclosure throughout the state of California, and there are measurements of foreclosure in different communities. Can you map our products or the use of our product relative to those foreclosure rates?

MS. RICHARDSON: I -- I don't have a chart that specifically shows a comparison in that way, but, again, if you go to the Keep Your Home California website, there under the reports and resources tab, there is a map of the state of California, and you can click on any county, and you can see exactly how much assistance we've done in that county by program and by dollar amount.

MS. SOTELO: Yeah, but I'm trying to create a correlation between what we've done and what the need is.

MS. PATTERSON: Yeah.

MS. SOTELO: That's the kind of analysis I'm looking for. Because I think that we can market it and should market it, and, you know, everything that you've been doing is really amazing, but I think that there has to be a correlation between what the need is and where the need is most, you know, dire and where we're actually, you know, providing the loans.

MS. RICHARDSON: Yeah, let's -- can we chat about that so I'm getting you exactly -- I'll give you anything you want, trust me, but I can tell you that in those areas that do have the higher foreclosure rates, we will target more marketing in those areas. So, for example, the television marketing that's going on right now really isn't happening in San Francisco because it's not a really big issue there. But it's very concentrated in the Central Valley and Sacramento and in Los Angeles, you know, things like that.

MS. SOTELO: And I just noted that on page 7, it seems that most of the funds have gone to the unemployment mortgage assistance --

MS. RICHARDSON: That's correct.

MS. SOTELO: -- versus the principal reduction, and I'm wondering if that's a function of, you know, the direct mailer that you guys have available through EDD versus what the need is. And maybe, you know, we can look at a direct mailer for the principal reduction program, that that might have the same effect.

MS. RICHARDSON: A couple things. The unemployment program is absolutely the easiest program to qualify for, and the banks have to do nothing except take the money. We make the full payment up to $3,000 a month, and they were all in on that one from day one, give me, give me, give me.

The principal reduction program has gone through significant changes. It started out we required a match from the banks. We were getting nothing. We eliminated the match requirement. Participation has picked up significantly. We now have about 125 banks participating in that program.

There are numerous branches on that PRP spectrum that -- so, you know, in order to get the money, we require that the loan to value be less than 140 percent after our assistance is provided, because, again, we don't want to give somebody a hundred thousand dollars and just have them walk away.

And our goal is also to have them have a sustainable payment, so we require that their payment be less than 38 percent DTI, which is more generous, I think, than a lot. You know, most benchmark it at 31, but we recognize that this is a lower income population, and they can stretch a little bit further.

We can do -- our money can be applied directly without any kind of a modification from the bank at all if we can meet those thresholds. It can done as a curtailment. It can be done as a recast, and it can be done with a modification.

Obviously when a modification is needed to get under that 38 percent DTI threshold, that's the hardest to get the bank to do. It's hard to get the bank to do that, and it's hard to get the homeowners to get all their documentation into the banks to facilitate that modification. That's one place that we think that the local counseling agencies are going to be more and more helpful, so those areas are areas that we have seen pick up dramatically.

We have tried doing direct mails for the PRP program. We recently tried another one. We took a list from CoreLogic, homeowners that met our criteria, you know, that were about 140 percent underwater, and their return rate on that was dismal. These were direct mailings from Keep Your Home to homeowners that we knew qualified, and we probably had less than 30 responses. So direct mail doesn't seem to be the answer.

We do this -- every caller that calls us, we say, "How did you hear about us?" The number one thing is “My lender told me about you.” They trust that, for some reason. They don't really trust their lender, but if their lender tells them about us, they trust that. So we have been very, very aggressive in trying to have co-branding efforts with lenders. We've been working with Fannie Mae to get them to pressure the lenders to do some co-branding with us, and that's actually a little bit more successful.

MS. PATTERSON: I think you and I had talked about this, Di, but you don't take into account the seconds that people have. And this is hard work. I get that this is hard work. And you're looking for ways in which to facilitate this, and I don't know if that's a regulatory reason, if it's a guidance reason. And the reason I bring this up is because I get the direct mailer sometimes isn't working, and you're hearing from the lenders. And there may be an opportunity -- because the class of folks that we're talking about, a lot of them have silent seconds or downpayment assistance, because that's where it went. Local governments gave downpayment assistance or silent seconds to low income people. And they gave it for rehab, whether it was CBDG funds or something, on the second. And so when you're looking at this, they’re underwater.

And so if there's a way to partner with local governments and local governments will come in and ask the lenders, then local governments are getting paid off some of this. You're reducing the mortgage because you're helping them pay down not just the second and --

MS. RICHARDSON: Right. That's been something that Treasury has not embraced, Department of Treasury, because there is no payment on that loan so it does not result in an affordable payment. But we have pushed that pretty far. We -- our most recent changes that we were able to convince Treasury to accept allow us to include forbearance in that -- in that balance, because, you know, that could be part of the first mortgage. So that -- so our -- our principal reduction money can be used to -- you know, it has to pay down the interest bearing principal first, but it can also be used to pay off part of that forbearance.

The reason we pushed so hard on that is, you know, there are a lot of people that should have been given principal reduction early on, and they were given forbearance, and we'd like to have the opportunity to kind of correct that to a certain extent.

We do have a program through the Community Housing Works of San Diego. It's a program that they administer where they can extinguish seconds, but they have to be amortizing. There has to be a payment. You know, having a homeowner come in and say, "I can't afford my home because I have this loan I don't have to make any payments on" is a little hard to swallow.

CHAIRPERSON JACOBS: Any other questions on this?

Good suggestions. Thanks.

Item 7 is actually going into closed session. So let's go into closed section.

MR. JAMES: Mr. Chair, did you want to report out on -- have the chair and executive director comments prior to that? I think that closed session will be the conclusion.

CHAIRPERSON JACOBS: Oh, you know what, then let's do that then. Let's hold off on the closed session.

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Item 3. Chairman/Executive Director comments.

CHAIRPERSON JACOBS: Just -- I guess I'd like to hand the floor over to Claudia just to make some directional comments in taking the Board forward.

MS. CAPPIO: Sure. I appreciate that.

Of course, a couple just updates for the Board. The cost study, it does actually exist. We had a great meeting with our advisory committee in mid-June and received some comments and feedback that we are now responding to, so I expect those revisions to be complete. And as soon as the study's out, I'll send you the link or actually a personalized copy.

The CalVets, as you know, Prop 41 did pass. We've been working with CalVets, HCD and CalHFA. We've done a lot of good work and are really primed and ready to get the notice of funding availability out this month as well as to hold public meetings across the state regarding the funding that's available, the priorities that we believe are the most appropriate and then obviously asking for feedback and comment on that. So that's well under way. If you're interested in finding out the specific schedule, I will be glad to send that to your e-mail to you.

And then finally, the budget. We do have a budget, which is always great before the deadline. And we were able -- we did very well. Housing did very well on two fronts. One, we got a hundred million dollars of General Fund moneys to add to MHP and a number of other HCD programs. And we also are in line to collaborate with other agencies for some cap and trade revenue, $130 million of cap and trade. So we had good news, and it's housing specific, so I look forward to furthering those initiatives.

I would also like to make sure that you all know specifically about the leadership transition. It's kind of like musical chairs. But at this point, I will be sitting on the Board at the next meeting as the HCD director, and Tia will be sitting as the executive director. The Speaker will need to make a new appointment, and they know that. And I -- Tia and I will be taking our respective oaths on August the 8th. So Tia's first day at work at CalHFA will be August 11th. I plan to at this point just hold the fort steady in both places like I have been the last couple of weeks, but I am moving my office over to HCD in the coming weeks, so I'll dust and everything, don't worry.

In terms of just parting shots, I recently had had an insight to look at my notes the first couple of weeks on the job in 2011. And I remember thinking, wow, I don't really know anything about finance. What -- I guess I better develop some priorities. So I thought that was likely -- it was more likely that I would not get direction from the Governor, and we've always had this kind of relationship where I just go for it. Most of the time it's right, and sometimes he says no, so I just decided, "what the hell."

So I had five priorities, and it was interesting to look at them, because they've held steady, and I will just briefly summarize them. One, I wanted to raise the level of discourse about how important affordable housing is in the state and also about the benefits.

Second and most important, at least initially, was I needed to increase the financial stability at CalHFA. It gave me great pause to walk in here three years ago and figure out how we were in the state we were in. Much better now.

Third, I wanted to increase the number of units of affordable housing, as well as the depth of affordability. And in order to do that, I felt we needed to look at the costs of producing the housing, the organization and operational efficiencies that we would gain across state lines, and also new revenue sources as well as diverse -- more diversity in revenue sources.

I wanted to look at how housing functions across state lines. The Governor had offhandedly remarked, "What the hell's going on, CDLAC, TCAC, HCD, CalHFA, CalVets?" How can we work better together as a state with regard to those housing functions?

And finally, how to connect the dots directly among the housing aspirations that we all have and other key administration initiatives like GDC reductions, sustainable communities and energy use.

So we've done well. I'm really pleased with how far we've come, and the good news at CalHFA is that we're on point, and I've been so pleased and proud to be part of gaining that financial stability, developing a new platform. We're focused on what we need to be doing and actually being able to launch a new single-family initiative as well as all the great work that's been done in multifamily.

I think we're got a great team. They're smart and committed people that know their business, and we just have to carry on.

So, Tia, wild success.

We're out of the woods in one way because we've been so focused on survival. We're out of that survival mode, and in a way that path through the new dark woods is uncharted, and it will be different, because the world and financial context is different.

And as we make this leadership change, I also think that the new position is great because I have the depth and experience at CalHFA. I know what you're about. I know it's important. I know that -- the independence and the kind of work that we all do, and to combine that with the opportunities to really make HCD and CalHFA work together better, couldn't be in a better position to do that. So I look forward to working with you all on that.

And you won't be missing me because I'll be on the Board. As Victor mentioned to me, "Wow, now you know all our secrets." You betcha.

And then I wanted just to leave with a quote because the Governor often does that. Cicero, Frederick Jackson Turner, lately. This one's by Arthur Schopenhauer: "All truth passes through three stages. First it is ridiculed. Then it is violently opposed. And finally it is self-evident."

So I want to work with you and continue working with you to a clear line of sight to that end.

Thank you.

(Applause.)

CHAIRPERSON JACOBS: Thank you for everything.

MS. CAPPIO: You betcha. I've enjoyed it.

CHAIRPERSON JACOBS: And we wish you Godspeed, and I know you'll do great over there.

I think, Tia, at our next meeting I'd like you to just think about a few thoughts and maybe address the Board with just kind of your goals, your vision, how we're going to move this forward. Obviously I think from that budget presentation, we know what the challenge is, and I think you're well aware, better than any of us, to guide us forward, and I look forward to hearing your thoughts.

Any comments from members of the public or staff?

Anything that hasn't been brought to the Board's attention that should?

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Item 7. Closed Session under Government Code Section 1126(e)(1) to confer with and receive advice from counsel regarding litigation in connection with MortgageFlex Systems, Inc., v. California Housing Finance Agency, Sacramento Superior Court Case No. 34-2014-00164768.

CHAIRPERSON JACOBS: All right. Seeing none, I close the public portion of this meeting. We'll go into closed session on the matter. And I look forward to seeing everyone at the next meeting with a new chair.

(Closed session from 11:02 a.m. to 11:39 a.m.)

CHAIRPERSON JACOBS: All right. We're back in open session.

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Item 8. Discussion of other Board Matters

CHAIRPERSON JACOBS: Any other matters to be brought to the Board's attention?

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Item 9. Public testimony

CHAIRPERSON JACOBS: Anything testimony from the public?

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Item 10. Adjournment

CHAIRPERSON JACOBS: All right. With that, I thank everyone, and we adjourn this meeting.

(The meeting concluded at 11:39 a.m.)

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REPORTER'S CERTIFICATE

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

In witness whereof, I have hereunto set my hand this 28th day of July 2014.

____

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

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State of California

M E M O R A N D U M

To: Board of Directors **Date:** September 4, 2014

From: Ken Giebel, Acting Director of Single Family Lending
California Housing Finance Agency

Subject: Agenda Item 4: Board Action to Modify Resolution 13-09 (Single Family Lending Products)

On May 9, 2013, the Board of Directors adopted Resolution 13-09 which set parameters on the terms of Agency Single Family Lending products. To better respond to the ever changing economic, programmatic, fiscal and/or legal circumstances, staff is requesting the Board of Directors revise certain terms of the loan products and authorize the Executive Director to make further modifications consistent with the goal and objectives of the Business Plan.

Modification of Parameter 1.A.

Since May 2013, the Board has authorized the following with any combination of Agency Single Family Lending products for down payment assistance:

(1) FHA Premium Priced First Mortgage Loan;
(2) FHA Market Rate First Mortgage Loan;
(3) CalHFA Fannie Mae HFA Preferred Premium Priced first mortgage;
(4) CalHFA Fannie Mae HFA Preferred Market Based first mortgage; and
(5) Cal-EEM + Grant loans.

To encompass all CalHFA first loans intended to be used with any combination of Agency Single Family Lending products for down payment assistance, staff proposes to broaden Parameter 1.A. of Resolution 13-09 as follows: "Using any CalHFA First Loan (conventional or FHA) with any combination of Agency Single Family Lending products for down payment assistance;". Any CalHFA First Loan (conventional or FHA), is defined as any first mortgage which is financed through the TBA model and sold on the Secondary Market to Fannie Mae, Ginnie Mae or any other Government Sponsored Enterprise (GSE).

Modification of Parameter 1.C.

Currently Parameter 1.C. requires borrower complete an Agency approved Single Family Lending education program.

The education requirement is geared to borrowers who have not had the experience of owning a home. Non-first time borrowers, of course, are familiar with homeownership and staff does not believe it to be necessary for them to complete a homebuyer education program.

Therefore, staff proposes to modify Parameter 1.C. to read: "Completion of an Agency approved Single Family Lending education program for first time homebuyers only;".

Modification of Parameter 1.D.

Currently Parameter 1.D. provides for a maximum 103% combined loan-to-value ratio for prospective homeowners under our programs.

When Resolution 13-09 was passed in May of 2013, CalHFA's Single Family Lending products consisted of only FHA loan products. At that time and when considering only FHA financing, 103% CLTV was more than adequate to utilize all financing options (96.5% first mortgage, 3.5% Zero Interest Payment (ZIP) and 3% California Homebuyer's Downpayment Assistance Program (CHDAP).

With the addition of the Conventional first mortgage loan products (approved on November 12, 2013 as Resolution 13-18), increasing the maximum CLTV from 103% to 105% will allow CalHFA to take advantage of working with our city and county locality partners in utilizing their added down payment assistance programs and the increase will match industry standards.

As an added benefit under circumstances where it is prudent to provide additional down payment assistance from Agency's recycled revenue, we will be able to augment the Zero Interest Program (ZIP) down payment assistance on the CalPLUS first mortgage programs. Under those circumstances, the added down payment assistance will bring the CLTV over 103%. On Conventional loans, the borrower is in a much better financial position if down payment assistance is used to pay the mortgage insurance as a single up front premium rather than paying for the insurance over the term of the loan with higher total monthly payments.

Therefore, staff proposes to modify Parameter 1.D. to read: "A maximum 105% combined loan-to-value ratio".

Elimination of Parameter 1.F.

Currently Parameter 1.F. requires a minimum Borrower cash contribution of $1,000.00 to $1,500.00 depending on FICO score.

While Fannie Mae and FHA require a minimum down payment from the borrowers' own funds, GSE's guidelines state that down payment assistance from a governmental agency can be counted as down payment from the borrowers' own funds. Therefore, CalHFA's down payment assistance programs (Extra Credit Teacher Home Purchase Program (ECTP), CHDAP or ZIP) comply with the GSE guidelines for down payment assistance without overburdening the borrower to contribute out of pocket funds.

Historically, CalHFA first-time homebuyers do not have the sufficient funds needed to close the transaction without down payment assistance. Since the borrower down payment requirement has been in place, staff has received considerable feedback that the cash contribution requirement hinders borrowers from taking advantage of the Agency's programs because they do not have the cash available for the cash contribution. The elimination of the borrower minimum cash contribution will allow the borrowers to more effectively take advantage of the Agency's programs.

Therefore, staff proposes to eliminate the cash contribution requirement, Parameter 1.F.

Modification of Parameter 1.G.

Currently Parameter 1.G. requires a borrower to obtain a home warranty plan with a minimum of two years coverage.

Industry standard and practice provides a one year home warranty plan. Therefore, if home warranty policies are only offered for one year, then Parameter 1.G. should be modified to reflect industry standard and practice.

Borrowers who are non-first time homebuyers, have had the experience of owning a home and managing as well as budgeting for repairs. Because of their experience this group should be given the discretion to choose whether to acquire a home warranty and thus excluded from requiring a home warranty plan.

Since newly constructed homes have warranties for appliances and construction defects, borrowers purchasing new homes should also be excluded from requiring a home warranty plan.

Therefore, staff proposes to modify Parameter 1.G. as follows: "For first time homebuyers only (excluding new construction home purchases), Borrower participation in an Agency approved home warranty plan with a minimum of one year coverage".

Executive Director Authority To Change Single Family Lending Products

Because of changes in circumstances and to remain nimble, past Resolutions have authorized the Executive Director to modify terms, originally authorized by the Board, to attain goals and objectives consistent with the intent of the Business Plan. Therefore staff proposes that the Board authorize: "The Executive Director to modify the terms and parameters of the Agency's Single Family Lending products to adapt to changes in economic, programmatic, fiscal and/or legal circumstances to attain goals and objectives consistent with the intent of the Business Plan." However, staff will continue to report to the Board any such modifications.

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RESOLUTION 14-08

RESOLUTION AUTHORIZING THE MODIFICATION
OF SINGLE FAMILY LENDING PROGRAM PRODUCT PARAMETERS

WHEREAS, on May 19, 2011, the Board of Directors adopted Resolution 11-06 which states that "it is the policy of the Board to require staff to present new financing strategies and new loan products for full discussion and approval by majority vote of the Board prior to implementation by the Agency;"

WHEREAS, on May 9, 2013, the Board of Directors adopted Resolution 13-09 which set parameters on the terms of Agency Single Family Lending products including but not limited to the following: Parameter 1.A. permits using a FHA Premium Priced or Market Rate First Mortgage Loan with any combination of Agency Single Family Lending products for down payment assistance; Parameter 1.C. requires borrower complete an Agency approved Single Family Lending education program; Parameter 1.D. permits a maximum 103% combined loan to value ratio; Parameter 1.F. requires a minimum Borrower cash contribution of $1,000.00 to $1,500.00 depending upon FICO score; and Parameter 1.G. requires the borrower to obtain a home warranty plan with a minimum of two years coverage;

WHEREAS, the value of modifying single family loan product parameters is to allow the Agency flexibility to adjust its parameters to respond to the ever changing economic, programmatic, fiscal and/or legal circumstances consistent with the Agency Business Plan as adopted by the Board of Directors on May 13, 2014 as Resolution 14-05 ("***Business Plan***");

WHEREAS, to enhance the Agency's timely response to these changing circumstances and in order to meet the needs of the low to moderate income housing market while maintaining responsible lending practices, staff recommends that the Executive Director have the authority to adjust the terms and parameters of the Single Family Lending products adapting to changes in economic, programmatic, fiscal and/or legal circumstances to attain goals and objectives consistent with the intent of the Business Plan;

WHEREAS, the Board of Directors has considered the recommendations of the Agency staff to modify Resolution 13-09 as follows: (1) Parameter 1.A. allow the use of any CalHFA First Loan (conventional or FHA) with any combination of Agency Single Family Lending products for down payment assistance; (2) Parameter 1.C. exempt non first time homebuyers from required participation in the lending education program; (3) Parameter 1.D. increase the maximum combined loan-to-value ratio from 103% to 105%; (4) Parameter 1.F. eliminate the required borrower cash contribution of up to $1,500.00; (5) Parameter 1.G. change the minimum duration of the home warranty plan to one year, and limit the home warranty requirement to first time homebuyers (excluding new construction home purchases); and (6) authorize the Executive Director to modify the terms and parameters of the Agency's Single Family Lending products to reflect changes in economic, programmatic, fiscal and/or legal circumstances to attain goals and objectives consistent with the intent of the Business Plan;

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

1. Parameter 1.A. of Resolution 13-09 is modified to read: “Using any CalHFA First Loan (conventional or FHA) with any combination of Agency Single Family Lending products for down payment assistance;”

2. Parameter 1.C. of Resolution 13-09 is modified to read: “Completion of an Agency approved Single Family Lending education program for first time homebuyers only;”

3. Parameter 1.D. of Resolution 13-09 is modified to read: “A maximum 105% combined loan-to-value ratio;”

4. Parameter 1.F. of Resolution 13-09 requiring borrower cash contribution of up to $1,500.00 is hereby eliminated as a requirement;

5. Parameter 1.G. of Resolution 13-09 is modified to read: “For first time homebuyers only (excluding new construction home purchases), Borrower participation in an Agency approved home warranty plan with a minimum of one year coverage.”; and

6. The Executive Director shall have the authority to modify the terms and parameters of the Agency’s Single Family Lending products to adapt to changes in economic, programmatic, fiscal and/or legal circumstances to attain goals and objectives consistent with the intent of the Business Plan.

I hereby certify that this is a true and correct copy of Resolution 14-08 adopted at a duly constituted meeting of the Board of Directors of the Agency held on September 16, 2014, at Sacramento, California.

ATTEST: ________________________

Secretary

State of California

M E M O R A N D U M

To Board of Directors **Date:** August 22, 2014

Timothy Hsu, Director of Financing
From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: UPDATE ON SECURITIES AND EXCHANGE COMMISSION DIVISION OF ENFORCEMENT'S (SEC) – MUNICIPALITIES CONTINUING DISCLOSURE COOPERATION (MCDC) INITIATIVE

Background:

Rule 15c2-12 (Rule) under the Securities Exchange Act of 1934 prohibits any underwriter from purchasing or selling municipal securities unless the issuer has committed to providing continuing disclosure regarding the security and the issuer, including information about its financial condition and operating data. The Rule also requires that any final official statement prepared in connection with a primary offering of municipal securities contain a description of any instances in the previous five years in which the issuer failed to comply, in all material aspects, with any previous commitment to provide such continuing disclosure.

In March of 2014, the Securities and Exchange Commission – Enforcement Division announced the MCDC Initiative to encourage issuers and underwriters to self-report certain violations of federal securities laws related to inaccurate statements regarding continuing disclosure rather than wait for these violations to be detected. Under the MCDC Initiative, the SEC – Enforcement Division will recommend standardized settlement terms to municipal issuers and underwriters who self-report that they have made inaccurate statements in bond offerings about their prior compliance with continuing disclosure obligations.

For eligible issuers, if the Enforcement Division determines to recommend enforcement action it will recommend that the SEC accept a settlement in which there is no payment of any civil penalty by the issuer and in which the issuer consents to a "cease-and-desist" order under the Securities Act of 1933 that neither admits nor denies the findings of the SEC. The settlement must include undertakings by the issuer regarding policies, procedures and training, disclosure of settlement terms and provision of a compliance certificate to the SEC on the one year anniversary of the date of the institution of proceedings.

The deadline to self-report under the MCDC Initiative is September 10, 2014 for underwriters and December 1, 2014 for issuers.

Findings:

As reported at the May 2014 Board meeting, the underwriter of CalHFA's April 2014 Multifamily Revenue Bond transaction, Citigroup Global Markets Inc., hired Digital Assurance Certification, LLC (or "DAC") to perform compliance review on CalHFA's Continuing Disclosure Agreement obligation for the last 5 years. The DAC findings included that during the past five years, there have been instances when the Agency has been late in filing required annual financial information and operating data with respect to previous continuing disclosure undertakings under the Rule, both related to the Bonds and related to other bonds issued by the Agency. The reports generally ranged in lateness from one to three days. On three occasions the filings were past 13 days, with the latest 17 days.

Subsequent to the May 2014 Board meeting, CalHFA has completed an internal review of the Agency's continuing disclosure obligations beginning with the implementation of the Municipal Rulemaking Board's (MSRB) Electronic Municipal Market Access (EMMA) system in July 2009. Information on filings made prior to the implementation of the MSRB's EMMA system is difficult to obtain and in many instances cannot be relied upon. CalHFA's internal review has identified several findings in addition to the DAC findings. We have communicated these findings to the senior underwriters who served on CalHFA bond transactions during the previous five year time frame and with the Agency's bond counsel. We are now in the process of determining which findings should be self-reported. The Agency expects to self-report to the SEC prior to the November CalHFA Board meeting.

The findings, dependent upon when they occurred, will affect some or all the following bond issuances:

Residential Mortgage Revenue Bonds 2009A-3/2010A
Residential Mortgage Revenue Bonds 2009A-4/2011A
Affordable Multifamily Housing Revenue Bonds 2009A-21/22
Residential Mortgage Revenue Bonds (Multifamily Program) 2009A-6
Residential Mortgage Revenue Bonds 2013AB
Multifamily Housing Revenue Bonds III 2014A

The report filed with the SEC will be shared with the Board at the November 5, 2014 Board meeting. The Agency has been formalizing disclosure procedures which will also be made available to the Board at the November 5, 2014 Board meeting.

State of California

M E M O R A N D U M

To: Board of Directors **Date:** August 26, 2014

Tim Hsu, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: Homeownership Loan Portfolio Update as of July 31, 2014

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

- Delinquencies as of July 31, 2014 by insurance type,
- Delinquencies as of July 31, 2014 by product (loan) type,
- Delinquencies as of July 31, 2014 by loan servicer,
- Delinquencies as of July 31, 2014 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 March 2012 thru July 2014)
- A chart of the number of CalHFA's Conventional Delinquent Loan Trend for 30-90 Day and 120 Day (for the period of March 2012 thru July 2014)
- A graph of CalHFA's 90-day+ ratios for FHA and Conventional loans (for the period of July 2009 through July 2014),
- A graph of 90-day+ ratios for CalHFA's three Conventional loan (products) types, for the period of July 2012 through July 2014,
- Real Estate Owned (REO) at July 31, 2014,
- Accumulated Uninsured Losses from January 1, 2008 through July 31, 2014,
- Disposition of 1st Trust Deed Gain/(Loss) for January 1, 2014 through July 31, 2014, and
- Write-Offs of subordinate loans for January 1, 2014 through July 31, 2014

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CalHFA California Housing Finance Agency

HOMEOWNERSHIP LOAN PORTFOLIO

DELINQUENCY, REO, SHORT SALE and LOSS REPORT – July 31, 2014

Reconciled Loan Delinquency Summary
All Active Loans By Insurance Type
As of July 31, 2014

	Loan Count	Balance	% of Balance	DELINQUENCY RATIOS - % of Loan Count: Loan Count	30-Day	Loan Count	60-Day	Loan Count	90(+) Day	Totals: Count	%
Federal Guaranty											
FHA	7,213	$ 752,150,382	30.08%	369	5.12%	110	1.53%	319	4.42%	798	11.06%
VA	166	16,611,416	0.66%	6	3.61%	2	1.20%	8	4.82%	16	9.64%
RHS	75	13,031,881	0.52%	1	1.33%	1	1.33%	11	14.67%	13	17.33%
Conventional loans											
with MI											
CalHFA MI Fund	3,186	791,870,045	31.67%	120	3.77%	52	1.63%	206	6.47%	378	11.86%
without MI											
Orig with no MI	3,752	664,075,172	26.56%	82	2.19%	31	0.83%	116	3.09%	229	6.10%
MI Cancelled*	1,583	262,842,423	10.51%	26	1.64%	11	0.69%	41	2.59%	78	4.93%
Total CalHFA	15,975	$ 2,500,581,319	100.00%	604	3.78%	207	1.30%	701	4.39%	1,512	9.46%

*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 July 31, 2014

	Loan Count	Balance	% of Balance	DELINQUENCY RATIOS - % of Loan Count: Loan Count	30-Day	Loan Count	60-Day	Loan Count	90(+) Day	Totals: Count	%
30-yr level amort											
FHA	7,213	$ 752,150,382	30.08%	369	5.12%	110	1.53%	319	4.42%	798	11.06%
VA	166	16,611,416	0.66%	6	3.61%	2	1.20%	8	4.82%	16	9.64%
RHS	75	13,031,881	0.52%	1	1.33%	1	1.33%	11	14.67%	13	17.33%
Conventional - with MI	1,534	334,783,262	13.39%	51	3.32%	25	1.63%	83	5.41%	159	10.37%
Conventional - w/o MI	4,754	796,316,412	31.85%	91	1.91%	31	0.65%	124	2.61%	246	5.17%
40-yr level amort											
Conventional - with MI	297	80,636,926	3.22%	12	4.04%	4	1.35%	24	8.08%	40	13.47%
Conventional - w/o MI	165	31,365,379	1.25%	4	2.42%	4	2.42%	7	4.24%	15	9.09%
***5-yr IOP, 30-yr amort**											
Conventional - with MI	1,355	376,449,857	15.05%	57	4.21%	23	1.70%	99	7.31%	179	13.21%
Conventional - w/o MI	416	99,235,804	3.97%	13	3.13%	7	1.68%	26	6.25%	46	11.06%
Total CalHFA	15,975	$ 2,500,581,319	100.00%	604	3.78%	207	1.30%	701	4.39%	1,512	9.46%
Weighted average of conventional loans:				228	2.68%	94	1.10%	363	4.26%	685	8.04%

*As of June 1, 2014 all IOP loans (except 36 loans which were modified) were converted to fixed (amortizing) loans.

Cal HFA California Housing Finance Agency

Reconciled Loan Delinquency Summary
All Active Loans By Servicer
As of July 31, 2014

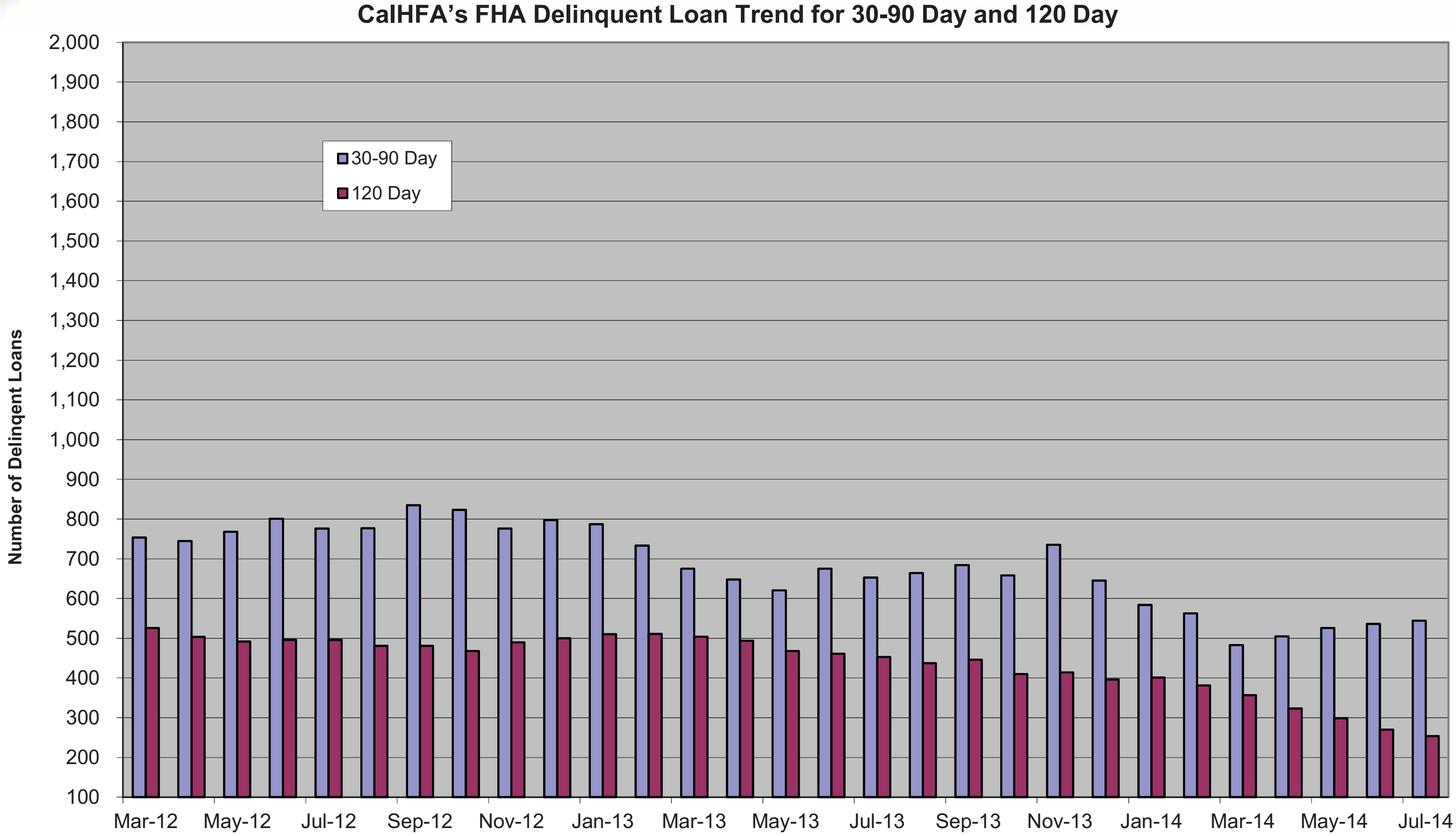
	Loan Count	Balance	% of Balance	Loan Count	30-Day	Loan Count	60-Day	Loan Count	90(+) Day	Totals Count	Totals %
				DELINQUENCY RATIOS - % of Loan Count							
CALHFA - LOAN SERVICING	5,920	$ 1,184,438,909	47.37%	171	2.89%	50	0.84%	244	4.12%	465	7.85%
GUILD MORTGAGE	3,766	553,568,032	22.14%	170	4.51%	65	1.73%	109	2.89%	344	9.13%
WELLS FARGO HOME MORTGAGE	1,721	169,880,407	6.79%	67	3.89%	20	1.16%	83	4.82%	170	9.88%
EVERHOME MORTGAGE COMPANY	1,590	132,308,521	5.29%	90	5.66%	25	1.57%	42	2.64%	157	9.87%
CALHFA - LOAN SERVICING - BAC HOME LOANS	1,558 *	247,528,873	9.90%	61	3.92%	17	1.09%	120	7.70%	198	12.71%
GMAC MORTGAGE CORP	699	83,889,555	3.35%	34	4.86%	21	3.00%	62	8.87%	117	16.74%
FIRST MORTGAGE CORP	545	96,353,524	3.85%	8	1.47%	7	1.28%	23	4.22%	38	6.97%
JPMORGAN CHASE BANK, N.A.	103	22,157,986	0.89%	1	0.97%	2	1.94%	10	9.71%	13	12.62%
CITIMORTGAGE, INC.	37	7,908,807	0.32%	1	2.70%	0	0.00%	5	13.51%	6	16.22%
DOVENMUEHLE MORTGAGE, INC.	29	859,466	0.03%	0	0.00%	0	0.00%	1	3.45%	1	3.45%
BAC HOME LOANS SERVICING, LP	5	1,205,546	0.05%	1	20.00%	0	0.00%	2	40.00%	3	60.00%
WESCOM CREDIT UNION	2	481,693	0.02%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Total CalHFA	15,975	$ 2,500,581,319	100.00%	604	3.78%	207	1.30%	701	4.39%	1,512	9.46%

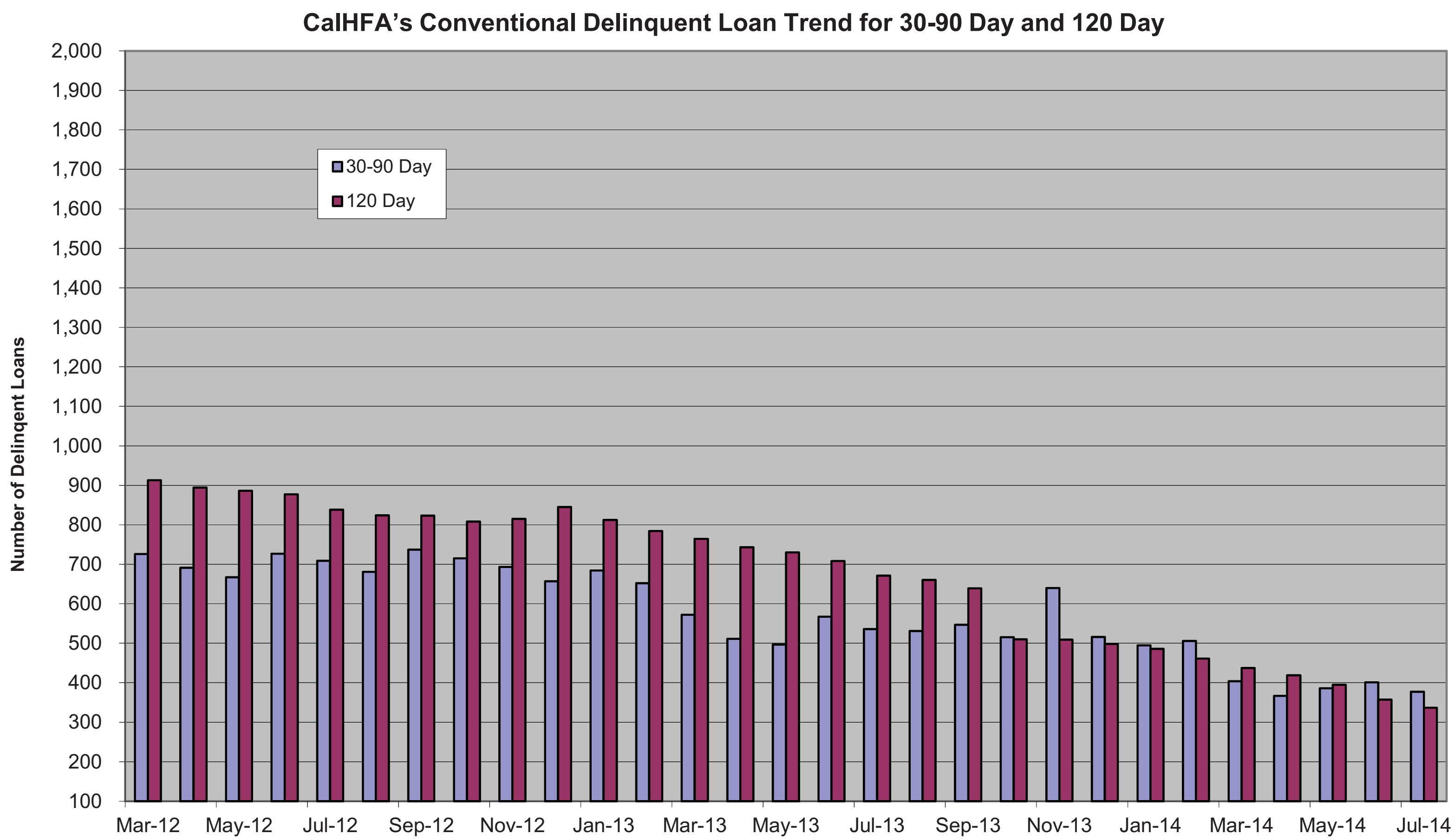
*These BAC Home Loans were transferred to CalHFA Loan Servicing in November 2013 and February 2014.

Reconciled Loan Delinquency Summary
All Active Loans By County
As of July 31, 2014

	Loan Count	Balance	% of Balance	Loan Count	30-Day	Loan Count	60-Day	Loan Count	90-Day+	Total Count	Total %
				DELINQUENCY RATIOS - % of Loan Count							
LOS ANGELES	2,662	$ 502,445,590	20.09%	98	3.68%	30	1.13%	114	4.28%	242	9.09%
SAN DIEGO	1,286	247,982,295	9.92%	47	3.65%	13	1.01%	60	4.67%	120	9.33%
KERN	1,069	97,724,306	3.91%	59	5.52%	23	2.15%	58	5.43%	140	13.10%
SANTA CLARA	982	227,872,796	9.11%	15	1.53%	6	0.61%	23	2.34%	44	4.48%
FRESNO	913	71,488,609	2.86%	43	4.71%	13	1.42%	36	3.94%	92	10.08%
TULARE	898	70,374,371	2.81%	45	5.01%	18	2.00%	37	4.12%	100	11.14%
SAN BERNARDINO	707	102,514,089	4.10%	34	4.81%	13	1.84%	41	5.80%	88	12.45%
RIVERSIDE	703	97,472,083	3.90%	44	6.26%	16	2.28%	51	7.25%	111	15.79%
SACRAMENTO	702	110,658,512	4.43%	25	3.56%	9	1.28%	42	5.98%	76	10.83%
ORANGE	693	138,901,425	5.55%	14	2.02%	5	0.72%	29	4.18%	48	6.93%
ALAMEDA	687	149,109,582	5.96%	14	2.04%	4	0.58%	20	2.91%	38	5.53%
CONTRA COSTA	562	111,116,436	4.44%	16	2.85%	7	1.25%	27	4.80%	50	8.90%
IMPERIAL	431	38,833,977	1.55%	22	5.10%	9	2.09%	11	2.55%	42	9.74%
VENTURA	392	93,321,727	3.73%	16	4.08%	6	1.53%	10	2.55%	32	8.16%
BUTTE	342	34,797,645	1.39%	14	4.09%	6	1.75%	10	2.92%	30	8.77%
OTHER COUNTIES	2,946	405,967,876	16.23%	98	3.33%	29	0.98%	132	4.48%	259	8.79%
Total CalHFA	15,975	$ 2,500,581,319	100.00%	604	3.78%	207	1.30%	701	4.39%	1,512	9.46%

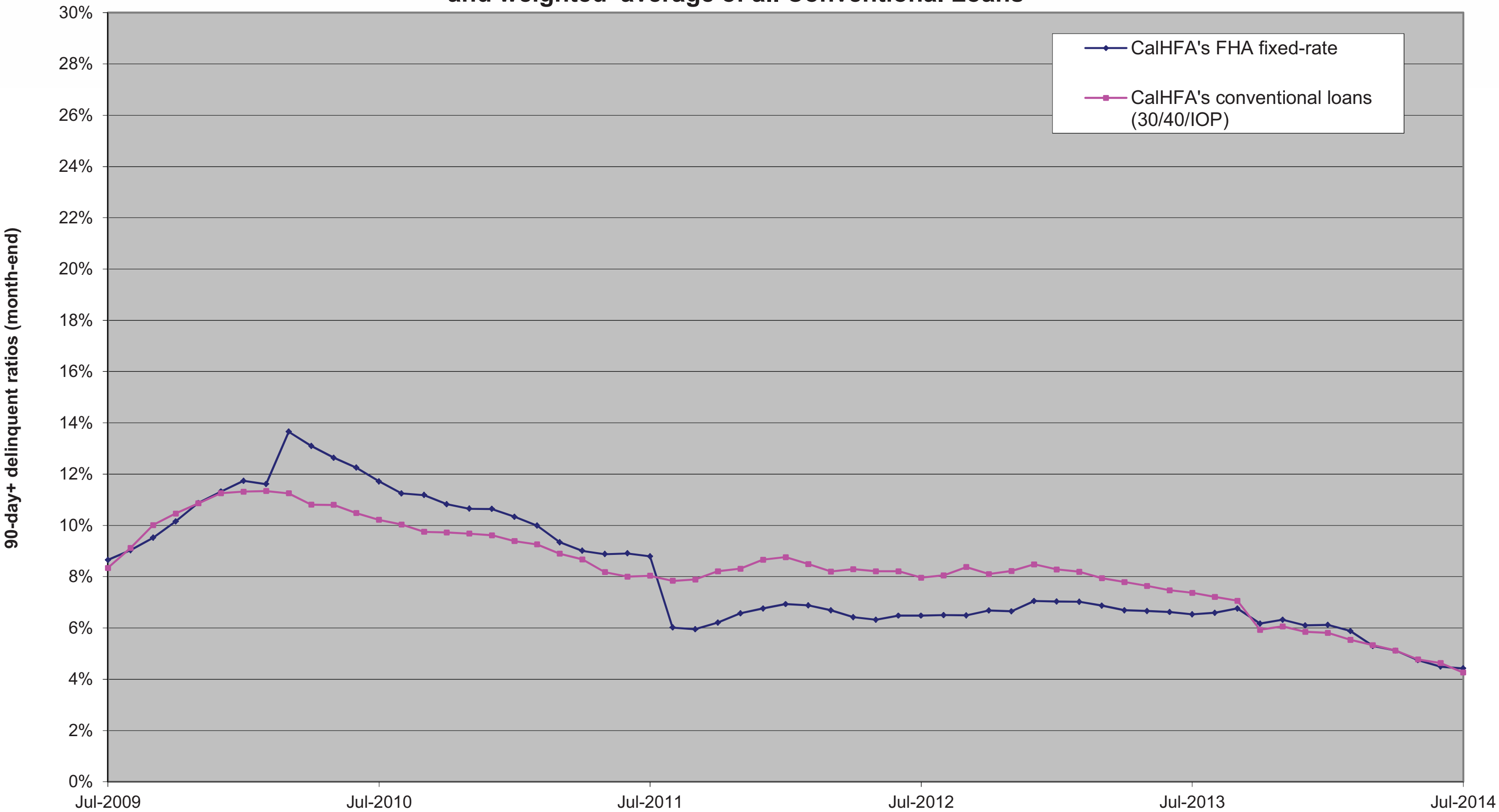
Cal HFA California Housing Finance Agency



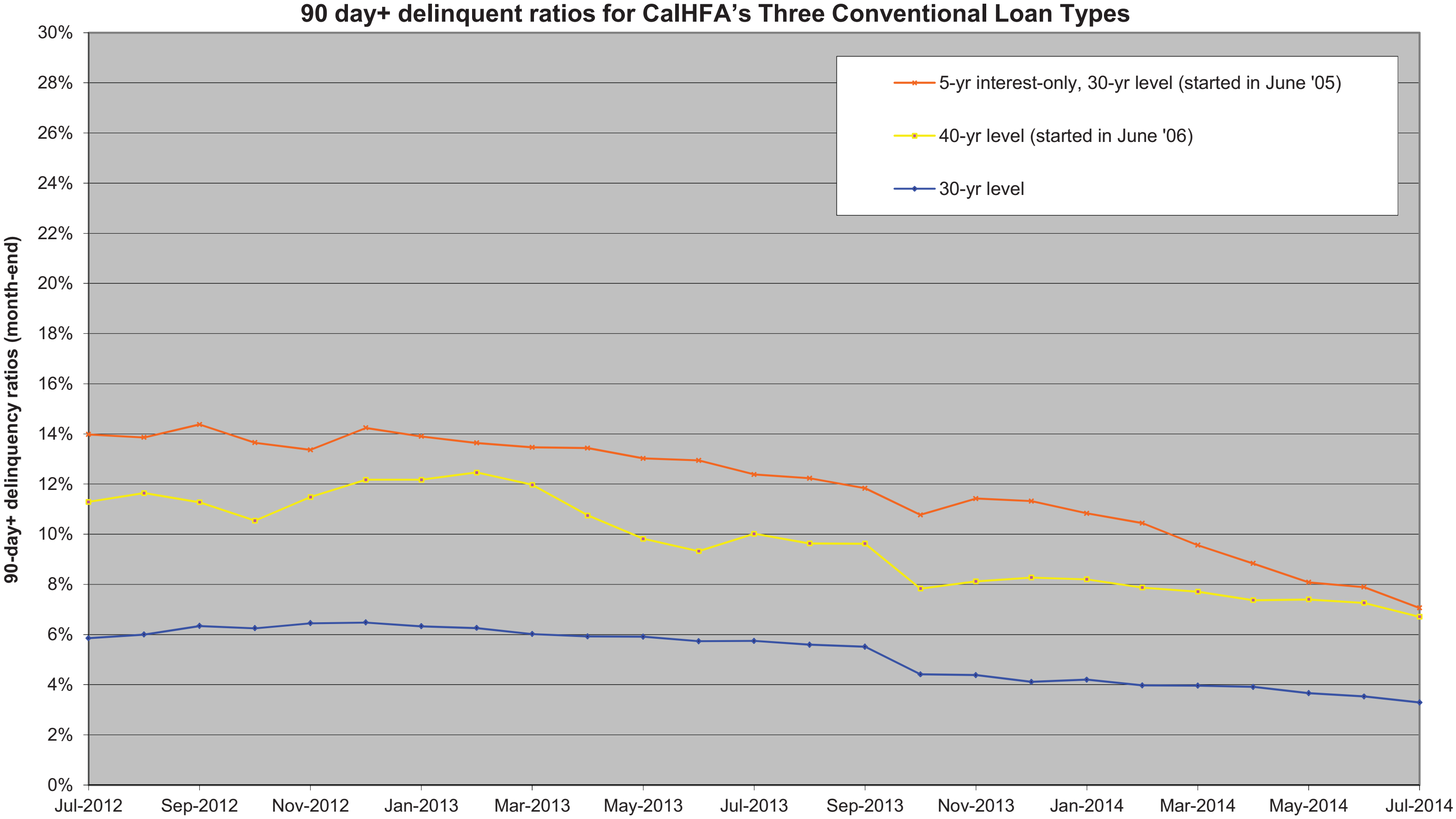


CalHFA California Housing Finance Agency

90 day+ delinquent ratios for CalHFA's FHA and weighted average of all Conventional Loans



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



Real Estate Owned

Calendar Year 2014 (As of July 31, 2014)												
			**Trustee Sales			Disposition of REO(s)						
Loan Type	Beginning Balance # of Loans	Prior Calendar Adj.	Reverted to CalHFA Jan-June	Reverted to CalHFA July	Total Trustee Sales	Repurchased by Lender Jan-June	Market Sale(s) Jan-June	Repurchased by Lender July	Market Sale(s) July	Total Disposition of REO(s)	Ending Balance # of Loans	UPB of REO's Owned
FHA/RHS/VA	12	0	57	10	67	54		3		57	22	$ 3,859,589
Conventional	91	0	66	12	78		100		14	114	55	12,632,249
Total	103	0	123	22	145	54	100	3	14	171	77	$ 16,491,838

Calendar Year 2013							
			*Trustee Sales	Disposition of REO(s)			
Loan Type	Beginning Balance # of Loans	Prior Calendar Adj.	Reverted to CalHFA 2013	Repurchased by Lender 2013	Market Sale(s) 2013	Ending Balance # of Loans	UPB of REO's Owned
FHA/RHS/VA	45	(1)	111	143		12	$ 1,686,151
Conventional	161	1	249		320	91	19,379,399
Total	206	0	360	143	320	103	$ 21,065,550

Calendar Year 2012							
			*Trustee Sales	Disposition of REO(s)			
Loan Type	Beginning Balance # of Loans	Prior Calendar Adj.	Reverted to CalHFA 2012	Repurchased by Lender 2012	Market Sale(s) 2012	Ending Balance # of Loans	UPB of REO's Owned
FHA/RHS/VA	124	(18)	312	373		45	$ 7,884,581
Conventional	565	3	786		1,193	161	40,029,375
Total	689	(15)	1,098	373	1,193	206	$ 47,913,957

Calendar Year 2011						
		*Trustee Sales	Disposition of REO(s)			
Loan Type	Beginning Balance # of Loans	Reverted to CalHFA 2011	Repurchased by Lender 2011	Market Sale(s) 2011	Ending Balance # of Loans	UPB of REO's Owned
FHA/RHS/VA	198	496	570		124	$ 22,948,976
Conventional	1084	1311		1830	565	123,482,821
Total	1282	1807	570	1830	689	$ 146,431,797

**3rd party trustee sales are not shown in the tables (tltle to these loans were never transferred to CalHFA). There were eight (8) 3rd party sales in calendar year 2008, eighteen (18) 3rd party sales year 2009, thirty-nine (39) 3rd party sales year 2010, twenty two (22) 3rd party sales in calendar year 2011, forty one (41) 3rd party sales in calendar year 2012, fifty nine (59) 3rd party sales in calendar year 2013, and there are thirty-four (34) 3rd party sales to date 2014.*

Accumulated Uninsured Losses as of July 31, 2014									
Conventional Loans	# of Properties Sold		Principal Write-Offs (1)	# of GAP Claims		Actual GAP(2) Claim Payments	# of Subordinate Loans		Subordinate Write-Offs (3) & (4)
REOs Sold	5,129	$	(181,679,661)	2,601	$	(117,367,774)			
Short Sales	1,451		(63,200,748)	395		(17,461,359)	2,403	$	(21,256,101)
3rd Party Sales	93		(196,576)	4		(170,867)	88		(836,096)
Write-offs resulting from foreclosures							8,132		(74,696,333)
Subordinate loan without CalHFA 1st							2,023		(14,232,021)
Total:	6,673	$	(245,076,985)	3,000	$	(135,000,000)	12,646	$	(111,020,551)

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

(2) The California Housing Loan Insurance Fund (the MI Fund") provided GAP insurance to meet HMRB bond indenture requirements that all loans held within that indenture have 50% of the unpaid principal balance insured by a mortgage insurance policy for the life of the loan. The insurance may be provided by any combination of government insurance, private mortgage insurance, or a policy from the MI fund. The Agency agreed, pursuant to an internal interfund agreement, to indemnify the MI Fund for claims paid for principal losses under the GAP insurance policy, up to a cumulative maximum amount of $135 million, this maximum amount was reached in August 2011. The indemnification is payable solely from available funds held in a sub account within the California Housing Finance Fund.

(3) Includes both FHA/Conventional Loans.

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

2014 Year to Date Composition of 1st Trust Deed Loss (As of July 31, 2014)

Loan Type	Disposition						
	Repurchased by Lender	Market Sales	Short Sales		Loan Balance at Sales		Principal Write-Offs
FHA/RHS/VA	57		23	$	14,019,144		
Conventional		114	96		51,643,077	$	(6,571,818)
	57	114	119	$	65,662,221	$	(6,571,818)

2014 Year to Date Composition of Subordinate Write-Offs by Loan Type(1) (As of July 31, 2014)

Loan Type	Active Loans		Write-Offs with CalHFA 1st			Write-Offs w/o CalHFA 1st			Total Write-Offs	
	Active Loans	Dollar Amount	Number of Write-Offs		Dollar Amount	Number of Write-Offs		Dollar Amount	Number of Write-Offs	Dollar Amount
CHAP/HHPA (HiCAP)	6,342	$66,664,131	89	$	763,490	5	$	30,300	94	$793,790
CHDAP / ECTP (THPA) / HiRAP	27,971	192,811,873	105		754,775	63		323,564	168	1,078,340
Other (2)	195	2,594,540	0		0	1		3,510	1	3,510
	34,508	$262,070,544	194		$1,518,266	69		$357,374	263	$1,875,640

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

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

State of California

M E M O R A N D U M

To: Board of Directors **Date:** August 26, 2014

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 $410 million

BONDS OUTSTANDING
As of August 1, 2014
($ in millions)

	Fixed Rate	Variable Rate	Totals
Single Family	$,1,545	$1,145	$2,690
Multifamily	385	252	637
TOTALS	$1,930	$1,397	$3,327

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) and MHRB (Multifamily Housing Revenue Bonds III--CalHFA's largest multifamily indenture). The total amount of CalHFA variable rate debt is $1.4 billion, 37% of our $3.7 billion of total indebtedness as of August 1, 2014.

VARIABLE RATE DEBT
($ in millions)

	Swapped to Fixed Rate	Not Swapped or Tied to Variable Rate Assets	Total Variable Rate Debt
HMRB (SF)	$476	$669	$1,145
MHRB (MF)	180	72	252
Total	$656	$741	$1,397

b) Types of Variable Rate Debt

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

Types of Variable Rate Debt
($ in millions)

	Auction Rate & Similar Securities	Indexed Rate Bonds	Variable Rate Demand Obligations	Total Variable Rate Debt
HMRB	$0	$480	$665	$1,145
MHRB	97	0	155	252
Total	$97	$480	$820	$1,397

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 8/1/2014
($ in millions)

Financial Institution	$ Amount of Bonds
Freddie Mac	$ 410
Fannie Mae	410
Total	$ 820

d) INTEREST RATE SWAP

Currently, we have a total of 76 "fixed-payer" swaps with eleven different counterparties for a combined notional amount of $1.5 billion. All of these fixed-payer swaps are intended to establish synthetic fixed rate debt by converting our variable rate payment obligations to fixed rates. The table below provides a summary of our swap notional amounts.

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

	Tax-Exempt	Taxable	Totals
HMRB	$855	$99	$954
MHRB	483	0	483
TOTALS	$1,338	$99	$1,437

SWAPS
($ in millions)

	Hedging Bonds	Not Hedging Bonds	Totals
HMRB	$476	$478	$954
MHRB	186	297	483
TOTALS	$662	$775	$1,437

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, 2014 semiannual debt service payment date we made a total of $20 million of net payments to our counterparties. Conversely, if short-term rates were to rise above the fixed rates of our swap agreements, then the net payment would run in the opposite direction, and we would be on the receiving end.

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

SWAP COUNTERPARTIES

Swap Guarantor	Credit Ratings Moody's	S & P	Notional Amounts Swapped as of 8/1/2014 ($ in millions)	Number of Swaps
Merrill Lynch Derivative Products	Aa3	A+	$ 479	33
JPMorgan Chase Bank, N.A.	Aa3	A+	306	13
Goldman Sachs Mitsui Marine Derivative Products, , L.P.	Aa2	AAA	186	7
Deutsche Bank AG	A2	A	137	10
AIG Financial Products, Corp. [2]	Baa1	A-	90	3
Morgan Stanley Capital Services, Inc.	Baa2	A-	82	2
Citigroup Financial Products, Inc.	Baa2	A-	75	4
BNP Paribas	A1	A+	36	1
Bank of New York Mellon	Aa2	AA-	25	1
UBS AG	A2	A	12	1
Dexia Credit Local New York Agency [2]	Baa2	BBB	10	1
			$ 1,437 [1]	76

[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 $741 million, 20% 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 $741 million of net variable rate exposure ($406 million taxable and $335 million tax-exempt) is offset by the Agency's variable rate investments and excess swap positions. The Agency's balance sheet has: i) $343 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) $749 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 $741 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 $741 million of net variable rate exposure translates to $70 million of net variable rate exposure. This $70 million is further reduced by the $343 million of funds invested in SMIF. Thus the "true" net variable rate debt is -$298 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 10 basis points or 0.10% 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			
2007	69%	2011	79%
2008	84%	2012	69%
2009	123%	2013	49%
2010	96%	2014 to date	37%

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

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

	Tax-Exempt	Taxable	Totals
% of LIBOR (+ spread)	$811	$0	$811
SIFMA (+ spread)	356	0	356
Stepped % of LIBOR [1]	158	0	158
3 mo. LIBOR (+ spread)	0	63	63
% of SIFMA	18	0	18
1 mo. LIBOR	0	25	25
3 mo. LIBOR	0	6	6
TOTALS	$1,343	$94	$1,437

[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
2014	162,140
	$1,728,640

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

SEMI-ANUAL PREPAYMENT SPEED
FOR PAST FIVE YEARS

6-mo Period Ending:	PSA
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%
Jun-2013	308%
Dec-2013	335%

Of interest is a $775 million overswap mismatch between the notional amount of certain of our swaps and the outstanding amount of the related bonds. This mismatch has occurred for two reasons: 1) as a result of the interplay between loan prepayments and the "10-year rule" of federal tax law and 2) the strategic debt management of the Agency to redeem bonds that were hedged but were associated with troubled or problematic financial partners. While some of our bonds are "over-swapped", there are significantly more than enough unswapped variable rate bonds to compensate for the mismatch. To mitigate our overswapped position, we continually monitor the termination value of our "excess swap" position looking for opportunities to unwind these positions when market terminations would be at minimal cost or a positive value to us and by exercising the par swap options as they become available.

d) TERMINATION RISK

Termination risk is the risk that, for some reason, our interest rate swaps must be terminated prior to their scheduled maturity. Our swaps have a market value that is determined based on current interest rates. When current fixed rates are higher than the fixed rate of the swap, our swaps have a positive value to us (assuming, as is the case on all of our swaps today, that we are the payer of the fixed swap rate), and termination would result in a payment from the provider of the swap (our swap "counterparty") to us. Conversely, when current fixed rates are lower than the fixed rate of the swap, our swaps have a negative value to us, and termination would result in a payment from us to our counterparty.

Our swap documents allow for a number of termination "events," i.e., circumstances under which our swaps may be terminated early, or "unwound". One circumstance that would cause termination would be a payment default on the part of either counterparty. Another circumstance would be a sharp drop in either counterparty's credit ratings and, with it, an inability (or failure) of the troubled counterparty to post sufficient collateral to offset its credit problem. It should be noted that, if termination is required under the swap documents, the market determines the amount of the termination payment and who owes it to whom. Depending on the market, it may be that the party who has caused the termination is owed the termination payment.

TERMINATION VALUE HISTORY

Date	Termination Value ($ in millions)
12/31/12	($294)
3/31/13	($294)
6/30/13	($248)
9/30/13	($203)
12/31/13	($176)
3/31/14	($183)\
6/30/14	($186)

e) <u>COLLATERAL POSTING RISK</u>

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 7/30/2014
($ in millions)

	JPMorgan	Goldman Sachs	BofA	BofA / Merrill Lynch	Deutsche	Total
Marked-to-Market	43.35	25.21	44.49	25.29	25.29	
Credit Support Amount	23	11.46	6.25	12.65	0	53.36

State of California

M E M O R A N D U M

To: CalHFA Board of Directors Date: September 2, 2014

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

Subject: Legislative Report

This weekend marked the end of the 2013-14 Legislative Session. As you will see from the list below, a number of bills of interest were sent to the Governor in the last several days. The Governor has until September 30 to act on all bills currently before him. Next report will be the final outcome of these bills for the session. If you have any questions, as always, please let me know.

Affordable Housing

AB 1765 (Jones-Sawyer D) **Personal income taxes: voluntary contributions: Habitat for Humanity Fund.**

Last Amend: 8/14/2014

Location: 8/21/2014-A. ENROLLMENT

Summary: This bill would allow an individual to designate on his or her tax return that a specified amount in excess of his or her tax liability be transferred to the Habitat for Humanity Fund, which would be created by this bill. The bill would prohibit a voluntary contribution designation for this fund from being added until another designation is removed or space is available, whichever occurs first.

Notes: Per Author - With bond funding exhausted and redevelopment funds eliminated, California is facing virtually no state investment in affordable housing. At the same time, Habitat for Humanity, a faith-based nonprofit organization dedicated to building affordable homes for families with limited incomes, has built, rehabilitated, repaired or improved more than [800,000] houses worldwide, providing simple, decent and affordable shelter for more than [4] million people. However, redevelopment's [dissolution] in 2011 greatly impacted Habitat's ability to fulfill its mission. Allowing individuals to donate via their income tax […] return can raise hundreds of thousands of dollars for Habitat for Humanity. This money will be used for the sole purpose of building affordable housing throughout California. In Louisiana, the only other state that has a voluntary income tax check off, the affordable housing fund raises an average of $5 million annually.

AB 2135 (Ting D) **Surplus land: affordable housing.**

Last Amend: 8/4/2014

Location: 8/27/2014-A. ENROLLED

Summary: Would require an entity proposing to use surplus land for developing low- and moderate-income housing to agree to make available not less than 25% of the total number of units developed on the parcels at affordable housing cost or affordable rent for a period of at least 55 years to lower-income households, as those terms are defined in existing law. This bill would require a local agency to give first priority in disposing of the surplus land to an entity that agrees to these requirements.

Notes: According to the author, AB 2135 "would increase the supply of affordable housing in California by strengthening provisions of existing law that guarantees affordable housing projects first priority to obtain surplus land held by local governments." As the author explains, "this 'Right of

First Refusal ' is especially critical in light of state and local priorities for transit oriented development – as transportation districts and other local agencies expand public transit, surplus land acquired in the process will provide valuable opportunities to create new affordable housing options within sustainable communities."

CalHFA

AB 1929 **(Chau D) California Housing Finance Agency: MHSA funding: special needs housing for person with mental illness.**

Last Amend: 8/18/2014

Location: 8/22/2014-A. ENROLLMENT

Summary: Would require the California Housing Finance Agency, with the concurrence of the State Department of Health Care Services, to release unencumbered Mental Health Services Fund moneys dedicated to the MHSA housing program upon the request of the respective county, and would require these counties to use these to provide housing assistance, as defined, to identified target populations, including persons with a serious mental disorder.

Density Bonus

AB 2222 **(Nazarian D) Housing density bonus.**

Last Amend: 8/22/2014

Location: 8/27/2014-A. ENROLLMENT

Summary: Current law relating to the development of low income housing units requires continued affordability for 30 years or longer of all very low and low-income units that qualified an applicant for a density bonus. This bill would require continued affordability for 55 years or longer. This bill would also include very low and low-income persons among the initial occupants of for-sale units.

Housing Element

AB 1537 **(Levine D) General plan housing element: regional housing need.**

Last Amend: 8/19/2014

Location: 8/22/2014-A. ENROLLMENT

Summary: Would require, until December 31, 2023, a county that is in the San Francisco-Oakland-Fremont California Metropolitan Statistical Area and that has a population of less than 400,000 to be considered suburban for purposes of determining the densities appropriate to accommodate housing for lower income households. The bill would, for that same purpose, also require a city that has a population of less than 100,000 and is incorporated within that county to be considered suburban.

AB 1690 **(Gordon D) Local planning: housing elements.**

Last Amend: 8/18/2014

Location: 8/22/2014-A. ENROLLMENT

Summary: Would authorize a city or county to accommodate the very low and low-income housing need on sites designated for mixed uses if those sites allow 100% residential use and require that residential use occupy 50% of the total floor area of a mixed-use project.

SB 1033 **(Torres D) Land use: local planning: housing elements.**

Location: 8/29/2014-A. INACTIVE FILE

Summary: The Planning and Zoning Law requires a city or county to prepare and adopt a comprehensive, long-term general plan, and requires the general plan to include specified, mandatory elements, including a housing element. That law requires the housing element, in turn, to contain, among other items, an identification and analysis of existing and projected housing needs and a statement of goals, policies, quantified objectives, financial resources, and scheduled programs for the preservation, improvement, and development of housing. This bill would revise references to redevelopment agencies within those housing element provisions to instead refer to successor housing agencies.

Notes: The housing element is meant to describe a city's or county's housing goals, the programs it will administer to achieve those goals and the resources that it has available and will use to implement those programs. With the demise of redevelopment, there are no redevelopment tax increment funds available for housing purposes, but housing successor agencies do receive limited program income from outstanding loans originally made by their communities' redevelopment agencies. This bill was intended to update housing element law to reflect this change in available funding sources for housing.

Housing Finance

AB 523 **(Ammiano D) Department of Housing and Community Development: loans.**

Last Amend: 8/12/2014

Location: 8/21/2014-A. ENROLLMENT

Summary: Would authorize the Department of Housing and Community Development to reduce the interest rate on any loan issued by the department to a rental housing development to as low as 0.42% per annum, or a rate determined by the department that is sufficient to cover the costs of project monitoring, as specified, if the development meets specified requirements.

AB 2161 **(Chau D) Affordable Housing.**

Last Amend: 8/5/2014

Location: 8/28/2014-A. ENROLLMENT

Summary: Current law authorizes the Department of Housing and Community Development to approve an extension of a department loan, the subordination of a department loan to new debt, or an investment of tax credit equity under specified rental housing finance programs, subject to specified conditions. This bill would include within these provisions the reinstatement of a qualifying unpaid matured loan, as defined.

Landlord/Tenant/Rent Control

SB 1439 **(Leno D) Residential real property: withdrawal of accommodations.**

Last Amend: 6/12/2014

Location: 6/27/2014-A. DEAD

Summary: Would authorize the City and County of San Francisco to prohibit an owner of accommodations from filing a notice with a public entity of an intent to withdraw accommodations or prosecuting an action to recover possession of accommodations, or threatening to do so, unless all the owners of the accommodations have been owners of record for 5 continuous years or more, except as specified, or with respect to property that the owner acquired within 10 years after providing notice of an intent to withdraw accommodations at a different property.

Notes: According to the author and sponsors, this bill closes a loophole in the Ellis Act. The original Ellis Act was intended to allow long-term owners to exit the rental housing business, but now speculators are using the act to buy rent-controlled buildings, empty them of long-term tenants, and resell them at windfall profits. As a result, Ellis Act evictions have tripled to 300 units in San Francisco in the last year. A majority of these tenants are seniors and persons with disabilities, who cannot afford to relocate within San Francisco even with legally required cash payments. Owners with less than one year of ownership initiated fifty percent of these withdrawals. Serial evictors – owners who have used the Ellis Act to evict tenants in other properties – are responsible for 30% of withdrawn units. In addition, an owner's threat of invoking the act leads many tenants to leave without the formality of an Ellis Act notice. This bill will maintain the original intent of the Ellis Act while allowing San Francisco to stop misuse of the act and reduce the impact on renters.

Mortgage Lending

AB 1393

(Perea D) Personal income taxes: income exclusion: mortgage debt forgiveness.

Last Amend: 6/15/2014

Location: 7/21/2014-A. CHAPTERED

Summary: The Personal Income Tax Law provides for modified conformity to specified provisions of federal income tax law relating to the exclusion of the discharge of qualified principal residence indebtedness from an individual's income if that debt is discharged after January 1, 2007, and before January 1, 2013. The federal American Taxpayer Relief Act of 2012 extended the operation of those provisions to qualified principal residence indebtedness that is discharged before January 1, 2014. This bill would conform to the federal extension, discharge indebtedness for related penalties and interest, and make legislative findings and declarations regarding the public purpose served by the bill.

Notes: According to the author, AB 1393 would extend the tax relief on forgiveness of mortgage debt by conforming California law to federal law. A higher than average unemployment rate has persisted for years and has left many Californians without the resources to sustain their mortgages, while the mortgage crisis has drove down home values and left many homeowners 'underwater' on their property investment. After a loan modification, a bank can forgive thousands of dollars of an individual's mortgage debt. Federal and State income tax laws generally define cancelled debt as a form of income. Without additional legislation to exclude cancelled debt, many California may be taxed on "phantom" income they never received.

AB 1730	(Wagner R) **Mortgage loan modification.** **Last Amend:** 8/19/2014 **Location:** 8/22/2014-A. ENROLLMENT **Summary:** Current law, applicable to residential mortgages, prohibits a person who negotiates, arranges, or otherwise offers to perform a mortgage loan modification or other form of mortgage loan forbearance for a fee or other compensation from, among other things, demanding or receiving any compensation until every service that the person contracted to perform or represented that he or she would perform is accomplished. This bill would require the assessment of civil penalties for a violation of these provisions and would authorize designated state and local government officials to commence civil actions to recover those penalties.
AB 2358	(Harkey R) **Taxation: cancellation of indebtedness: mortgage debt forgiveness.** **Location:** 3/10/2014-A. REV. & TAX **Summary:** The federal Emergency Economic Stabilization Act of 2008 extended the operation of specified provisions of the federal Mortgage Forgiveness Debt Relief Act of 2007, to debt that is discharged before January 1, 2013. This bill would extend the operation of the exclusion of the discharge of qualified principal residence indebtedness to debt that is discharged on or after January 1, 2013, and before January 1, 2014.
SB 339	(Cannella R) **Taxation: cancellation of indebtedness: mortgage debt forgiveness.** **Last Amend:** 2/18/2014 **Location:** 2/18/2014-A. RLS. **Summary:** The Personal Income Tax Law provides for modified conformity to specified provisions of federal income tax law relating to the exclusion of the discharge of qualified principal residence indebtedness, as defined, from an individual's income if that debt is discharged after January 1, 2007, and before January 1, 2013, as provided. The federal American Taxpayer Relief Act of 2012 extended the operation of those provisions to qualified principal residence indebtedness that is discharged before January 1, 2014. This bill would conform to the federal extension and make legislative findings and declarations regarding the public purpose served by the bill.
SB 439	(Evans D) **Personal income taxes: cancellation of indebtedness: mortgage debt forgiveness.** **Last Amend:** 4/21/2014 **Location:** 4/24/2014-A. RLS. **Summary:** The Personal Income Tax Law provides for modified conformity to specified provisions of federal income tax law relating to the exclusion of the discharge of qualified principal residence indebtedness, as defined, from an individual's income if that debt is discharged after January 1, 2007, and before January 1, 2013, as provided. The federal American Taxpayer Relief Act of 2012 extended the operation of those provisions to qualified principal residence indebtedness that is discharged before January 1, 2014. This bill would conform to the federal extension and make legislative findings and declarations regarding the public purpose served by the bill.

Perm Source

SB 391	(DeSaulnier D) **California Homes and Jobs Act of 2013.** **Last Amend:** 8/8/2013 **Location:** 8/30/2013-A. APPR. SUSPENSE FILE **Summary:** 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.

PILOT

AB 1760 (**Chau** D) **Property taxation: welfare exemption: rental housing and related facilities: payment in lieu of taxes agreement.**

Last Amend: 8/22/2014

Location: 8/27/2014-A. ENROLLMENT

Summary: Would, on or after January 1, 2015, prohibit a local government from entering into a payment in lieu of taxes (PILOT) agreement with a property owner of a low-income housing project, and would make any PILOT agreement entered into in violation of this provision void and unenforceable. The bill would establish a conclusive presumption that any payments made under a PILOT agreement entered into before January 1, 2015, comply with the certification requirement described above and were or are used to maintain the affordability of, or reduce rents otherwise necessary for, the units occupied by lower income households.

SB 1203 (**Jackson** D) **Property taxation: welfare exemption: rental housing and related facilities: payment in lieu of taxes agreement.**

Last Amend: 8/21/2014

Location: 8/26/2014-S. ENROLLMENT

Summary: Current property tax law establishes a partial welfare exemption for property used exclusively for rental housing and related facilities that are owned and operated by either of any certain types of nonprofit entities or veterans' organizations that meet specified exemption requirements, if either of certain qualifying criteria is met. This bill would define "related facilities" for purpose of the exemption. This bill would provide that the partial exemption be equal to that percentage of the value of the property that is equal to the percentage that the number of units serving lower income households represents of the total number of residential units in any year.

Redevelopment

AB 1582 (**Mullin** D) **Redevelopment: successor agencies: postcompliance provisions: loans.**

Last Amend: 8/22/2014

Location: 8/25/2014-S. THIRD READING

Summary: After the successor agency receives a finding of completion, upon application by the successor agency and approval by the oversight board, loan agreements entered into between the redevelopment agency and the city, county, or city and county that created the redevelopment agency are deemed to be enforceable obligations, provided that the oversight board makes a finding that the loan was for legitimate redevelopment purposes. This bill would require the interest rate on the amount of principal calculated from the loan origination date, and any increase thereto that remains unpaid as of the date of oversight board approval of the loan as an enforceable obligation, to be subject to an adjusted interest rate, as prescribed.

AB 1793 (**Chau** D) **Redevelopment housing successor: report.**

Last Amend: 6/17/2014

Location: 8/28/2014-A. ENROLLMENT

Summary: Current law requires a redevelopment housing successor annually to provide an independent financial audit of the fund to its governing body, and to post on its Internet Web site specified information. This bill would require that posted information to also include, as specified, an inventory of homeownership units assisted by the former redevelopment agency or the housing successor that are subject to covenants or restrictions or to an adopted program that protects the former redevelopment agency's investment of moneys from the Low and Moderate Income Housing Fund.

AB 1963 **(Atkins D) Redevelopment.**

Last Amend: 6/4/2014

Location: 7/18/2014-A. CHAPTERED

Summary: Would require the property of a former redevelopment agency to be disposed of according to law if the Department of Finance has not approved a long-range property management plan by January 1, 2016.

Notes: The author notes that "During the February 25, 2014 hearing of the Assembly Budget Subcommittee #6, DOF reported to Committee members that there are currently 230 long range property management plans that have been submitted to DOF, 65 of which have been approved. This means that 320 active successor agencies still need DOF approval by the end of 2014. This submission and review process may take longer than originally planned. Given the fact that the approval of the plans is the key to preventing widespread "fire sale" of properties that Legislators were hoping to avoid through the passage of AB 1484, it is crucial that all successor agencies that are able to receive a finding of completion are able to get an approved plan."

AB 2280 **(Alejo D) Community Revitalization and Investment Authorities.**

Last Amend: 8/18/2014

Location: 8/27/2014-A. ENROLLMENT

Summary: Would authorize certain local agencies, to form a community revitalization authority (authority) within a community revitalization and investment area, to carry out provisions of the Community Redevelopment Law in that area for purposes related to, among other things, infrastructure, affordable housing, and economic revitalization.

AB 2493 **(Bloom D) Redevelopment dissolution: housing projects: bond proceeds.**

Last Amend: 8/22/2014

Location: 8/28/2014-A. ENROLLMENT

Summary: Current law authorizes a successor housing entity to designate the use of, and commit, proceeds from indebtedness that was issued for affordable housing purposes prior to January 1, 2011, and was backed by the Low and Moderate Income Housing Fund. This bill would instead authorize a successor housing entity to designate the use of, and commit, proceeds from indebtedness that was issued for affordable housing purposes prior to June 28, 2011, and would require the proceeds from bonds issued between January 1, 2011, and June 28, 2011, be used for projects meeting certain criteria established in this bill for projects, to be funded by successor agencies generally, from proceeds of bonds issued during the same period.

Notes: According to the author, "During the first half of 2011, prior to the dissolution of all redevelopment agencies, approximately 50 agencies legally issued bonds. Of those cities, 37 have outstanding bond proceeds that they are not allowed to use. The State has asserted that the vast majority of the 2011 redevelopment bonds must be defeased and their proceeds not spent on projects, however, over 90% of these bonds cannot be defeased for 10 years. During this ten-year period, nearly $1 billion will be spent on the debt service payments for these bonds, and the bond proceeds will continue to go unused. If the proceeds were used for their intended purposes, the construction of these projects would generate over $1.2 billion in statewide economic activity, more than the debt service payments during the ten-year period. The vast majority of these bonds were issued for public works projects such as infrastructure construction and repair, new public facilities and affordable housing. Bondholders who purchased tax-exempt bonds (approximately 70% of the bonds in question) for specific public works projects were promised tax-free returns. Per federal tax law, tax-exempt bond proceeds must be used for their intended purpose, or the bonds could be subject to losing their tax-exempt status. The author also notes that "various amendments have been added to provide assurance that successor agencies would only be able to use 2011 redevelopment bond proceeds for projects which were actively being planned prior to January 1, 2011, and that the bill would "assure that cities who rushed to issue bonds, in order to "lock up" funds for future projects that there were not currently working on would not be able to use their 2011 bond."

SB 133	(DeSaulnier D) **Redevelopment.** **Last Amend:** 8/6/2013 **Location:** 8/28/2014-S. ENROLLMENT **Summary:** Would require each redevelopment agency to include additional information relating to any major audit violations, 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 1129	(Steinberg D) **Redevelopment: successor agencies to redevelopment agencies.** **Last Amend:** 8/22/2014 **Location:** 8/29/2014-S. ENROLLMENT **Summary:** Current law prohibits a successor agency from entering into contracts with, incurring obligations or making commitments to, any entity, as specified; or from amending or modifying existing agreements, obligations, or commitments with any entity, for any purpose. This bill would authorize a successor agency, if the successor agency has received a finding of completion, to enter into, or amend existing, contracts and agreements, or otherwise administer projects in connection with enforceable obligations, if the contract, agreement, or project will not commit new property tax funds or otherwise adversely affect the flow of specified tax revenues or payments to the taxing agencies, as specified.
SB 1404	(Leno D) **San Francisco redevelopment: successor agencies: housing.** **Last Amend:** 6/12/2014 **Location:** 8/29/2014-S. ENROLLMENT **Summary:** Would state findings and declarations relating to the obligation of the successor agency to the former Redevelopment Agency of the City and County of San Francisco to replace specified affordable housing units, and the necessity of a special statute.

Veterans

AB 585	(Fox D) **Department of Veterans Affairs: use of real property.** **Last Amend:** 8/6/2014 **Location:** 8/22/2014-A. ENROLLMENT **Summary:** Would require the Department of Veterans Affairs, by July 1, 2016, to create a prioritized list of unused or underutilized nonresidential real property owned by the department, and to propose one or more potential uses that will benefit California veterans, as specified. The bill would require the department to consider its inventory of properties as an integrated system, and to address how prospective uses of the properties could complement each other.

M E M O R A N D U M

To: CalHFA Board of Directors Date: September 3, 2014

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

Subject: Keep Your Home California Update

Attached please find the current update on KYHC activity. I was hoping to provide a full second quarter update (April through June of 2014), similar to the Q1-2014 report I provided at the last meeting, but that report has not yet been approved by US Treasury, and as such, is not yet available for distribution. Once that report has been released, I will send it to you in full. I can, however, provide you some highlights from that report:

- The Principal Reduction Program (PRP) transaction pipeline continues to show steady improvement. Servicer participation has grown 42% in the last year with the addition of 57 new registered servicers since Q2 2013. The most popular utility continues to be Recast, which enables a homeowner to obtain an affordable payment and reduce the total debt associated with their first mortgage without use of a loan modification. Of the 502 approved PRP transactions for the quarter, 343 (68%) were loan PRP Recast transactions.

- For the second quarter, approved PRP transactions (includes Recast, Modification and Curtailment utilities) resulted in the reduction of the median property loan-to-value from 146% to 112%. The median monthly payment was reduced $269 per month, from $1,523 to $1,229; an almost 20% reduction. The median homeowner debt-to-income ratio was also reduced from 37% to 30%.

- Unique homeowners receiving assistance in the quarter and from program inception were 3,522 and 40,797, respectively. The total number of homeowners projected to receive assistance from KYHC programs is expected to remain stable or grow over the remainder of calendar year 2014. As a result of continued improvement in California's unemployment rate (9.0% in June 30, 2013 as compared to 7.4% in June 30, 2014), KYHC anticipates a small decline in the total number of homeowners who receive assistance from the Unemployment Mortgage Assistance program. This modest reduction will be offset by continued growth in the Principal Reduction and Mortgage Reinstatement Assistance Programs.

- Unemployment Mortgage Assistance (UMA) program approved applicants for the quarter and from program inception were 2,628 and 32,970, respectively. Program to date, 24% of UMA recipients ended their assistance as a result of becoming re-employed. The percentage of homeowners who ended their UMA assistance as a result of becoming re-employed for the quarter was 37.0%, which is consistent with Q1 2014. Eleven percent (11.4%) of the homeowners who became re-employed this quarter did so between the ninth and twelfth months of unemployment.

- Mortgage Reinstatement Assistance Program (MRAP) approved applicants for the quarter and from program inception were 834 and 6,376, respectively. Ninety five percent (95%) of all MRAP approved applicants received assistance as a pure reinstatement, and only five percent (5%) received MRAP assistance in conjunction with a loan modification: this MRAP assistance helped reduce or eliminate arrearages and loan expenses that would have been capitalized (added) to the unpaid principal balance before the loan was modified to achieve an affordable payment.

- Overall, 99%, 98% and 92% of the homeowners still own their homes six (6), 12 and 24 months after receiving KYHC assistance, respectively. Of the 845 homeowners that no longer own their homes 24 months after receipt of KYHC assistance, 253 were due to a sale, 163 were due to a short sale and 49 were due to foreclosure.

- Seventy five percent (75%) of homeowners who received KYHC benefits since program inception are below 80% of the area median income (AMI) for their county of residence.

- Through June 30, 2014, 40,797 unique homeowners have received assistance from KYHC. Three thousand one hundred seventy seven (3,177) homeowners have received secondary assistance from KYHC including 1,968 homeowners that received UMA program assistance more than once, four (4) homeowners received additional MRAP program assistance **, eight (8) homeowners received additional PRP program assistance and 1,197 homeowners who received assistance from a unique, second KYHC program. A breakdown by program of homeowners assisted, assistance provided to date and remaining assistance committed is illustrated in the following chart. (**MRAP funds were provided, returned in error by the Servicer, and provided again. These homeowners did not receive two reinstatements.)

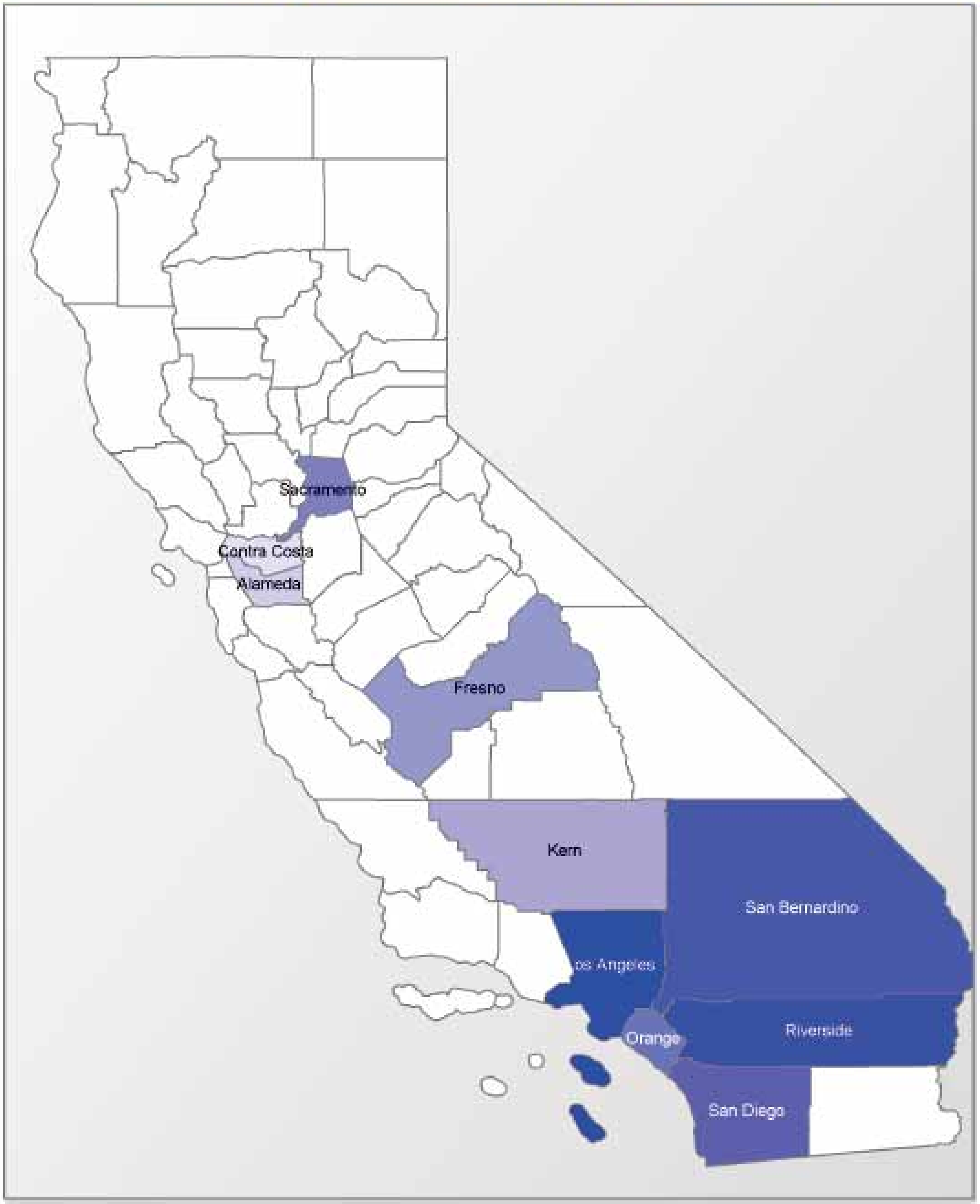
While we are in the midst of the third quarter, I can tell you that as of September 1 we have funded assistance for 44,232 households, totaling more than $783 million dollars. We have disbursements scheduled for another $74.3 million, and active reservations currently total approximately $258 million.

In addition, you have asked me to provide some maps indicating areas of the State with high levels of foreclosure and comparing that to where our assistance is being provided. We have been working on creating those maps for you, but it is still a work in progress. We are in the process of trying to find more specific foreclosure activity. We can clearly identify the counties with the highest levels of foreclosures, and those are indicated on first map (attached). The second map shows you where all of our assistance has occurred, and includes a chart breaking out that information for the top 10 counties. Each subsequent map is program specific, and again includes a specific breakout for the 10 counties with the highest number of foreclosures. If you have specific suggestions for what you would like to see in this area, please let me know and we will try to accommodate those requests.

CalHFA MAC
CALHFA MORTGAGE ASSISTANCE CORPORATION

2014 Geographic Mapping by Program

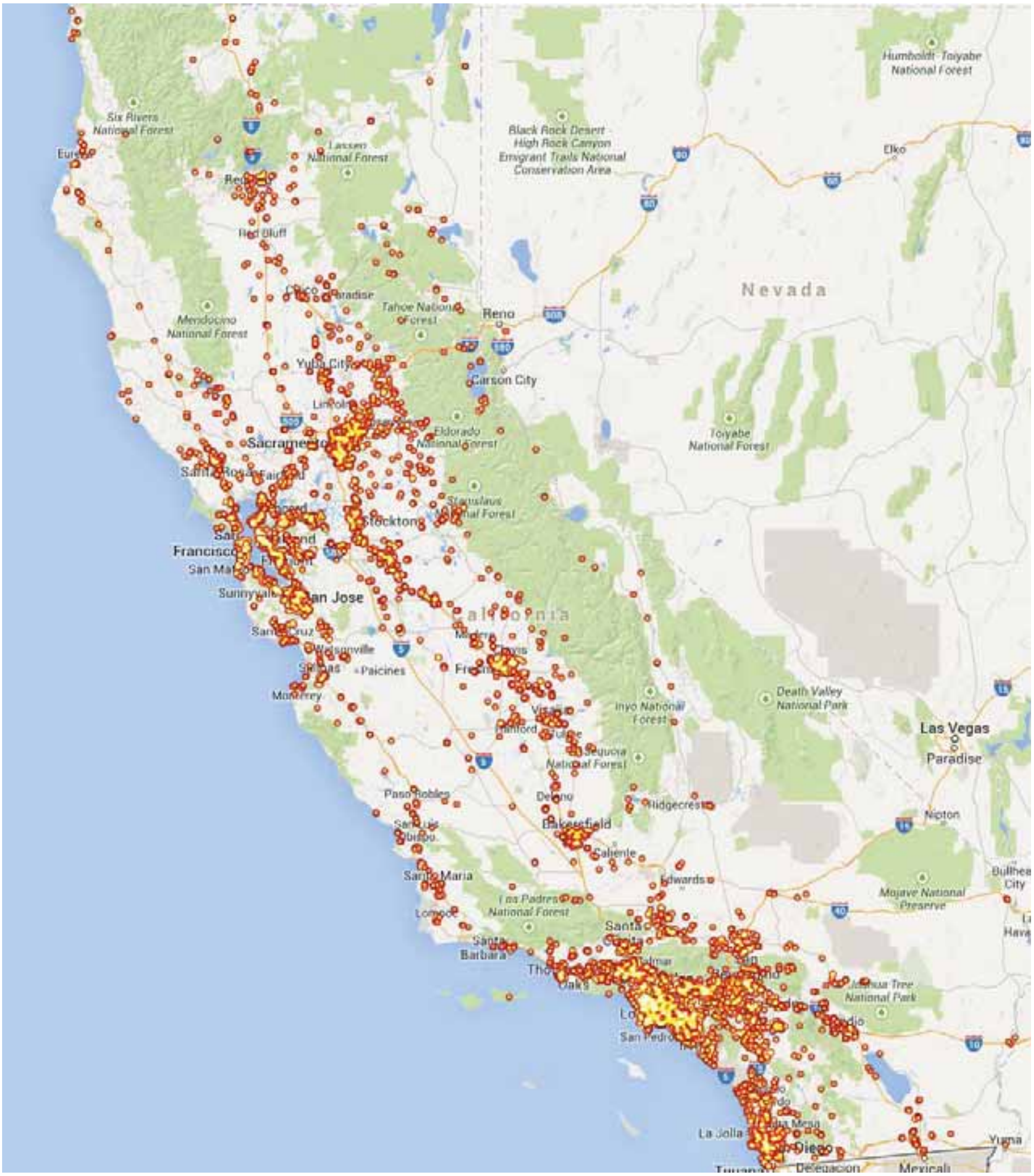
California Foreclosure Activity - Top 10 Counties



County	Foreclosure Ranking	Homeowners Assisted
Los Angeles	1	8,510
Riverside	2	4,224
San Bernardino	3	3,492
San Diego	4	3,393
Orange	5	2,489

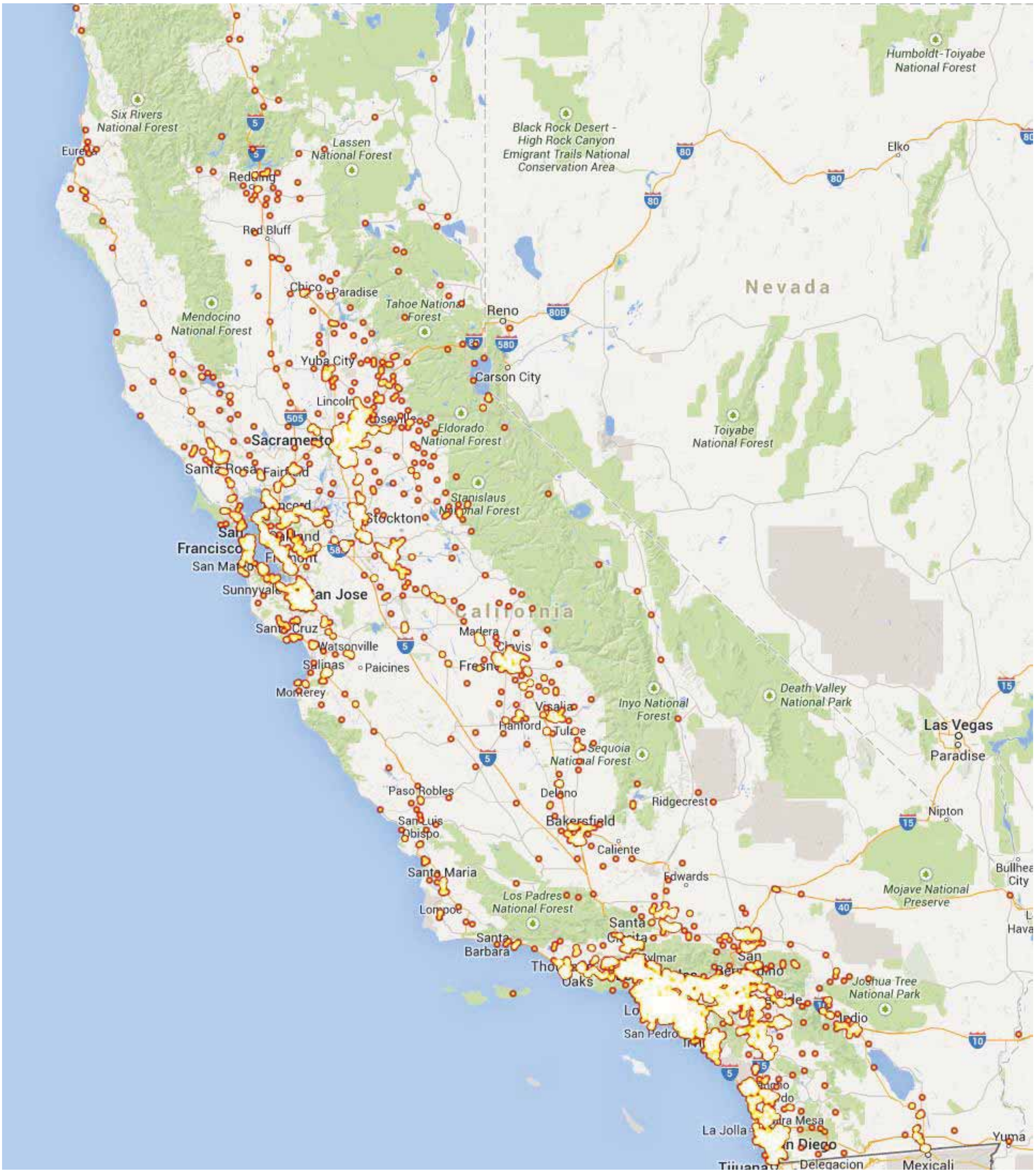
County	Foreclosure Ranking	Homeowners Assisted
Sacramento	6	2,736
Fresno	7	1,283
Kern	8	793
Alameda	9	1,361
Contra Costa	10	1,397

MRAP, PRP, TAP, and UMA



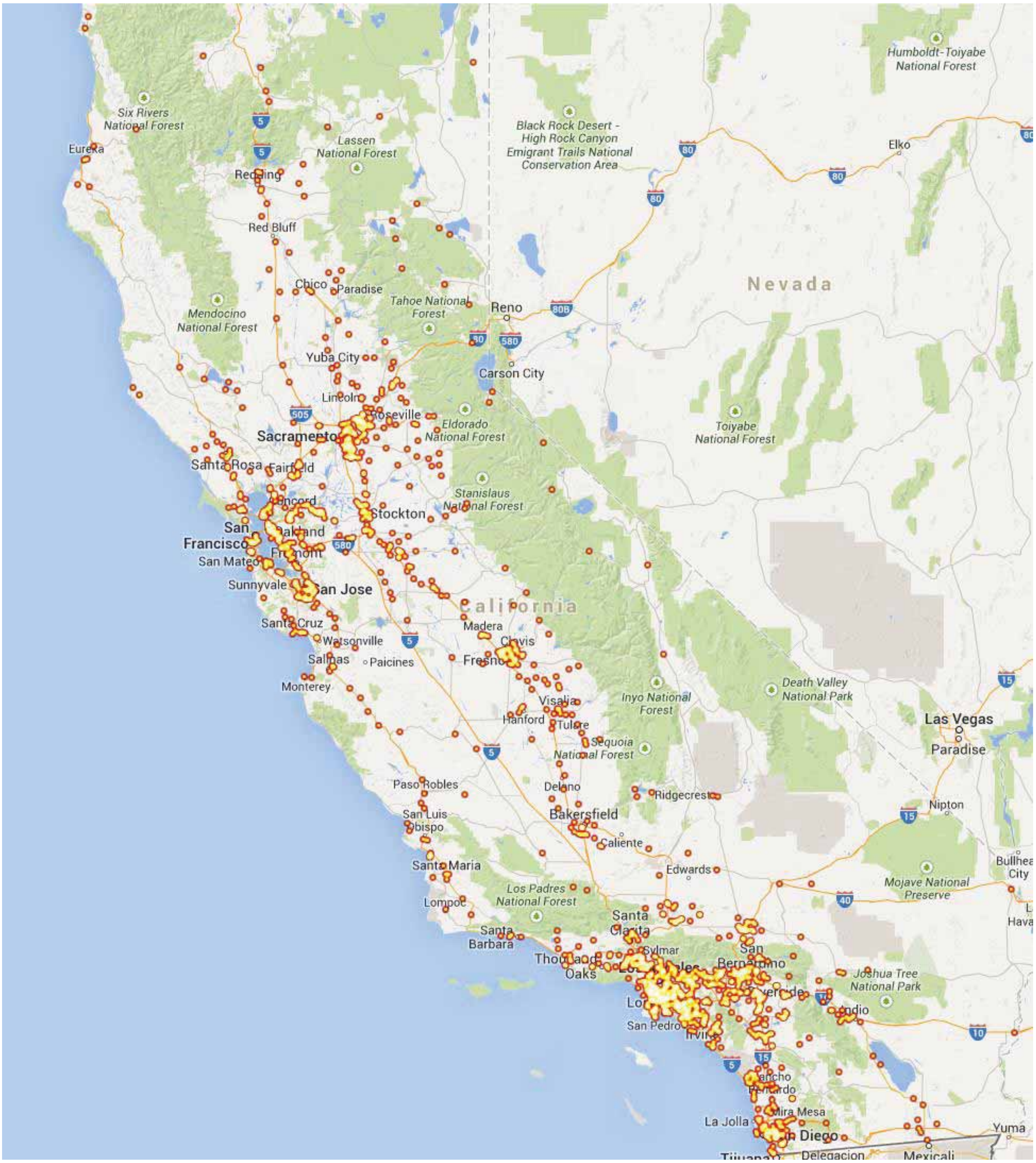
Top 10 Counties (Funded)	Unique Homeowners	Funded Amount
Los Angeles	9,060	$187,129,844.11
Riverside	4,491	$88,408,623.51
San Bernardino	3,684	$71,440,388.47
San Diego	3,578	$71,310,151.98
Sacramento	2,874	$54,861,049.41
Orange	2,627	$53,320,400.21
Contra Costa	1,462	$33,748,704.67
Alameda	1,418	$29,319,889.51
Fresno	1,362	$25,316,711.72
San Joaquin	1,291	$25,893,021.75

UMA



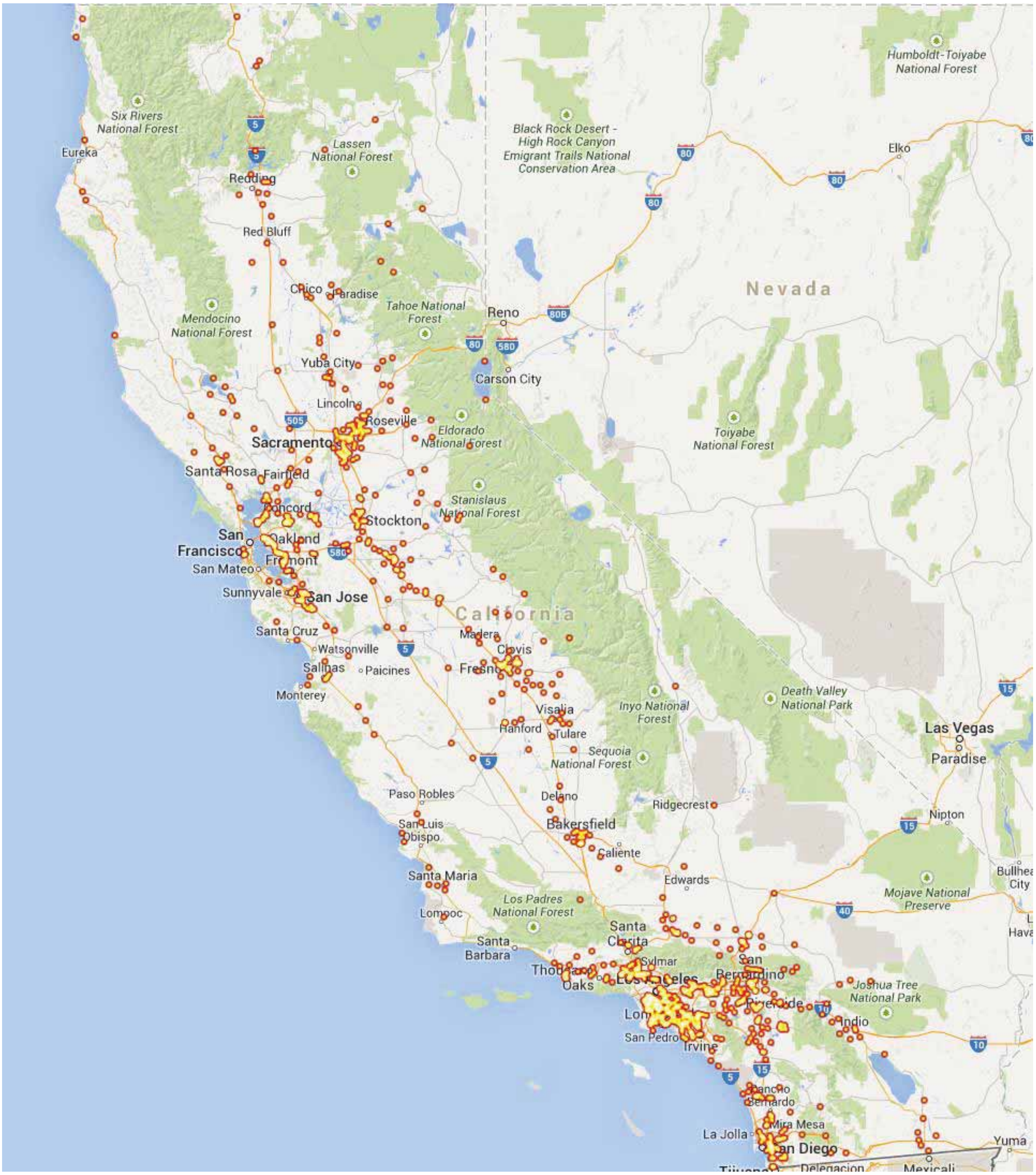
Top 10 Counties (Funded)	Unique Homeowners	Funded Amount
Los Angeles	7,139	$121,395,073.83
Riverside	3,341	$49,515,858.54
San Diego	2,842	$47,691,975.97
San Bernardino	2,557	$34,966,787.16
Orange	2,140	$38,215,384.89
Sacramento	2,025	$27,360,107.90
Alameda	1,095	$18,719,432.40
Ventura	1,016	$18,017,890.81
Contra Costa	1,015	$16,558,670.62
Santa Clara	997	$18,892,865.07

MRAP



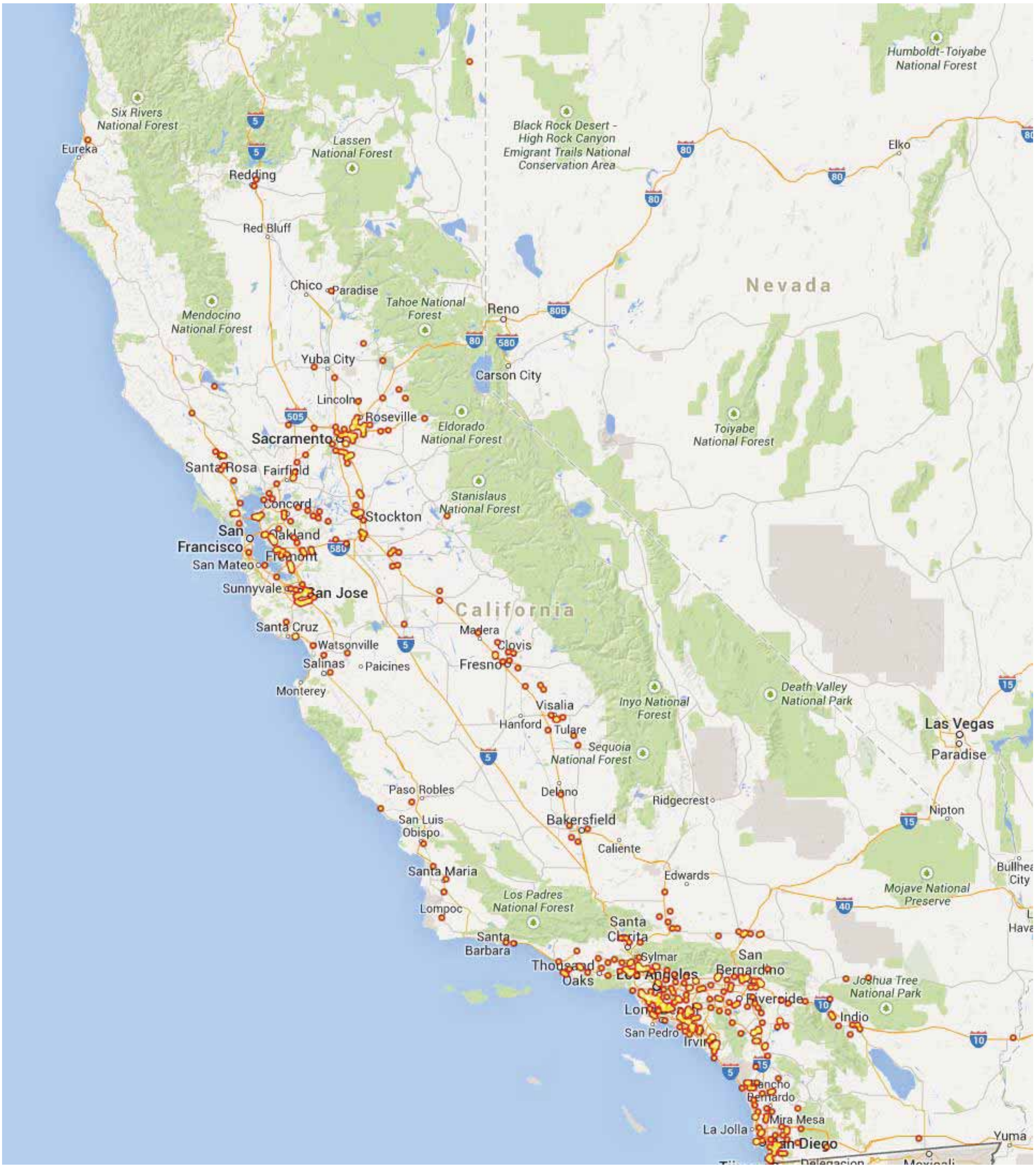
Top 10 Counties (Funded)	Unique Homeowners	Funded Amount
Los Angeles	1,199	$16,724,440.88
San Bernardino	795	$9,322,670.31
Riverside	757	$9,324,348.39
Sacramento	566	$7,129,738.91
San Diego	473	$7,049,618.79
Orange	352	$5,852,536.28
Contra Costa	275	$3,931,502.46
Fresno	264	$2,955,026.99
San Joaquin	241	$2,850,854.05
Alameda	203	$3,164,542.49

PRP



Top 10 Counties (Funded)	Unique Homeowners	Funded Amount
Los Angeles	787	$48,542,016.90
Riverside	450	$29,262,914.28
San Bernardino	419	$26,950,108.78
Sacramento	337	$20,164,202.60
San Diego	292	$16,263,998.84
Contra Costa	206	$13,186,133.98
Fresno	194	$11,548,371.73
Orange	159	$9,083,979.04
San Joaquin	155	$10,359,857.24
Alameda	125	$7,320,914.62

TAP



Top 10 Counties (Funded)	Unique Homeowners	Funded Amount
Los Angeles	133	$468,312.50
Riverside	87	$305,502.30
San Diego	78	$304,558.39
Sacramento	57	$207,000.00
San Bernardino	56	$200,822.22
Orange	46	$168,500.00
Alameda	28	$115,000.00
Santa Clara	22	$95,000.00
Contra Costa	21	$72,397.61
Solano	19	$65,000.00

M E M O R A N D U M

To: CalHFA Board of Directors Date: September 4, 2014

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

Subject: Keep Your Home California – Q2 2014

Isn't that the way it always works…finished by Board report last night, and this morning got the go ahead from US Treasury to release the Q2 Report. It is attached here for your review.

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August 15, 2014

To: Mark McArdle, U.S. Treasury

From: Di Richardson, President CalHFA MAC

Re: Quarterly Performance Data Report to U.S. Treasury, for period ending June 30, 2014

Attached please find a copy of the Quarterly Performance Data Report, for the period ending June 30, 2014. This report reflects the homeowner characteristics, results and outcomes for the Keep Your Home California (KYHC) Hardest Hit Fund (HHF) program.

The report describes several important milestones and accomplishments for the KYHC HHF Program.

The Principal Reduction Program (PRP) showed a marked improvement in the following key areas:

- The PRP transaction pipeline continues to show steady improvement. Servicer participation has grown 42% in the last year with the addition of 57 new registered servicers since Q2 2013. The most popular utility continues to be Recast, which enables a homeowner to obtain an affordable payment and reduce the total debt associated with their first mortgage without use of a loan modification.
    - Of the 502 approved PRP transactions for the quarter, 343 (68%) were PRP Recast transactions.
- For the quarter, approved PRP transactions (includes Recast, Modification and Curtailment utilities) resulted in the reduction of the median property loan-to-value from 146% to 112%. The median monthly payment was reduced $269 per month, from $1,523 to $1,229; an almost 20% reduction. The median homeowner debt-to-income ratio was also reduced from 37% to 30%.
- PRP Curtailment volume grew this quarter with 47 approved transactions as compared to 40 approved transactions in Q1 2014. The PRP Curtailment utility is designed to help homeowners with investor and/or loan restrictions that prevent a loan recast or modification. The PRP Curtailment enables the homeowner to reduce the amount they owe on their first mortgage loan to an appropriate level of debt.

The following chart contains specific pre- and post-assistance metrics for each of the three PRP utilities – Recast, Modification and Curtailment for Q2 of calendar year 2014. Because the three PRP utilities comprise a subset of the total PRP transaction population reported in the Quarterly Performance Report, the per-utility details provided differ from the total PRP production.

Principal Reduction Program (PRP) - Q2 2014

	Recast			Curtailment			Modification (2)		
	Pre Assistance	Post Assistance (3)	Change	Pre Assistance	Post Assistance (3)	Change	Pre Assistance	Post Assistance (3)	Change
Median Principal Balance (1)	$253,190	$184,814	-$68,376	$285,346	$188,719	-$96,627	$306,905	$249,590	-$57,315
Median Monthly Payment	$1,469	$1,154	-21%	$1,414	$1,349	-5%	$1,835	$1,446	-21%
Loan to Value	146%	111%	-24%	140%	110%	-21%	149%	117%	-21%
Debt to Income %	35%	29%	-17%	33%	31%	-6%	45%	33%	-27%
Median Assistance	$81,000			$84,000			$50,971		
Homeowners Approved	343			47			112		
Homeowners Approved	68%			9%			22%		

(1) Median Principal Balance Change includes impact of KYHC assistance and investor forbearance

(2) Post Assistance Principal Balance involving a loan modification includes the impact of investor match and/or forbearance (as applicable) in addition to KYHC assistance. Median assistance reflects only the KYHC contribution.

(3) Post assistance results for each PRP utility are provided to KYHC from servicers on a flow basis. As a result, post-assistance results may not capture the entire population of the pre-assistance data reported for all approved homeowners within the reporting period.

Sixty (60) of the 112 PRP modification transactions approved this quarter (i.e., 54% of the total) combined PRP with Home Affordable Modification Program (HAMP) loan modifications.

Additional areas of interest:

- Program administration expenses, as a percentage of benefit assistance dollars provided for the quarter and from program inception, were 7.2% and 11.7%, respectively. The program administration expense ratio is expected to continue to decrease (improve) over time because the majority of the costs associated to build the program have been invested and the amount of benefit assistance dollars provided will continue to increase. CalHFA MAC's overall, targeted administrative budget for the program is 7.5%.

- Unique homeowners receiving assistance in the quarter and from program inception were 3,522 and 40,797, respectively. The total number of homeowners projected to receive assistance from KYHC programs is expected to remain stable or grow the remainder of calendar year 2014. As a result of continued improvement in California's unemployment rate (9.0% in June 30, 2013 as compared to 7.4% in June 30, 2014), KYHC anticipates a small decline in the total number of homeowners who receive assistance from the Unemployment Mortgage Assistance program. This modest reduction will be offset by continued growth in the Principal Reduction and Mortgage Reinstatement Assistance Programs.

The following chart contains comparative year-over-year production for Q2 2014 versus Q2 2013. This data illustrates the steady growth in production achieved by the KYHC program overall.

Homeowner Approvals - Q2 2014/ Q2 2013 Volume Comparison						
Program	**2014 - Q2**		**2013 - Q2**		**% Change**	**# Change**
Unemployment Mortgage Assistance (UMA)	2,628	65%	2,192	66%	20%	436
Mortgage Reinstatement Assistance Program (MRAP)	834	21%	476	14%	75%	358
Principal Reduction Program (PRP)	502	12%	562	17%	-11%	-60
Transition Assistance Program (TAP)	79	2%	88	3%	-10%	-9
Community Second Mortgage Principal Reduction Program	1	0%	3	0%	-67%	-2
Total	4,044	100%	3,321	100%	22%	725

- Unemployment Mortgage Assistance (UMA) program approved applicants for the quarter and from program inception were 2,628 and 32,970, respectively. Program to date, 24% of UMA recipients ended their assistance as a result of becoming re-employed.
    - The percentage of homeowners who ended their UMA assistance as a result of becoming re-employed for the quarter was 37.0%, which is consistent with Q1 2014. Eleven percent (11.4%) of the homeowners who became re-employed this quarter did so between the ninth and twelfth months of unemployment.
- Mortgage Reinstatement Assistance Program (MRAP) approved applicants for the quarter and from program inception were 834 and 6,376, respectively. Ninety five percent (95%) of all MRAP approved applicants received assistance as a pure reinstatement. Five percent (5%) received MRAP assistance in conjunction with a loan modification: this MRAP assistance helped reduce or eliminate arrearages and loan expenses that would have been capitalized (added) to the unpaid principal balance before the loan was modified to achieve an affordable payment.
- Overall, 99%, 98% and 92% of the homeowners still own their homes six (6), 12 and 24 months after receiving KYHC assistance, respectively. Of the 845 homeowners that no longer own their homes 24 months after receipt of KYHC assistance, 253 were due to a sale, 163 were due to a short sale and 49 were due to foreclosure. KYHC recovered $3,825,732.46 (36%) of total assistance provided to the homeowners that no longer remained in their home 24 months after receiving assistance.
- Seventy five percent (75%) of homeowners who received KYHC benefits since program inception are below 80% of the area median income (AMI) for their county of residence.

As of the date of this report, the following chart provides year-over-year information on total and by-program servicer participation levels and growth from June 2013.

Servicer Participation - Q2 2014 / Q2 2013 Comparison				
Program	**2014 - Q2**	**2013 - Q2**	**% Change**	**# Change**
Unemployment Mortgage Assistance (UMA)	194	137	42%	57
Mortgage Reinstatement Assistance Program (MRAP)	190	136	40%	54
Principal Reduction Program (PRP)	131	88	49%	43
Transition Assistance Program (TAP)	127	84	51%	43
Community Second Mortgage Principal Reduction Program	N/A	N/A	N/A	N/A
Participating in All Programs *	104	67	55%	37

Excludes Community Second Mortgage Principal Reduction Program.

The following tables provide summaries of the statistical reporting data for U.S. Treasury including explanations of trends and program results.

Homeowners Assisted by Program

Through June 30, 2014, 40,797 unique homeowners have received assistance from KYHC. Three thousand one hundred seventy seven (3,177) homeowners have received secondary assistance from KYHC including 1,968 homeowners that received UMA program assistance more than once, four (4) homeowners received additional MRAP program assistance **, eight (8) homeowners received additional PRP program assistance and 1,197 homeowners who received assistance from a unique, second KYHC program. A breakdown by program of homeowners assisted, assistance provided to date and remaining assistance committed is illustrated in the following chart.

**MRAP funds were provided, returned in error by the Servicer, and provided again. These homeowners did not receive two reinstatements.

Homeowner Approvals - Program to Date Q2 2014					
Program	**Count**		**Amount Awarded**		**Remaining Commitment ***
Unemployment Mortgage Assistance (UMA)	32,970	75%	$404,988,590	56%	$90,274,391
Mortgage Reinstatement Assistance Program (MRAP)	6,376	14%	$84,438,373	12%	$0
Principal Reduction Program (PRP)	3,952	9%	$231,612,764	32%	$0
Transition Assistance Program (TAP)	642	1%	$2,362,193	0%	$0
Community Second Mortgage Principal Reduction Program	34	0%	$589,210	0%	$0
Total	43,974	100%	$723,991,131	100%	$90,274,391

* Remaining Commitment dollars included in the scheduled assistance column are for approved homeowners; contingent on the homeowner remaining unemployed.

Included in the amounts shown above, are approved homeowner transactions whose assistance was temporarily suspended by KYHC. An example of an approved but temporarily suspended transaction is a loan that is service transferred before the assistance has been paid in full to the transferor servicer.

These transactions require special review and handling while the transferee servicer information is obtained. As of June 30, 2014, 49 homeowners who were approved for UMA had their assistance temporarily suspended for a grand total of $552,760.47 in suspended assistance.

In Process Homeowners

As of June 30, 2014, a total of 5,103 homeowners were in the active pipeline, pending program eligibility determination, for one of the five KYHC programs. A breakdown by program of homeowners "In Process" is provided in the following chart.

In Process Homeowners - Q2 2014		
Program	**#**	**%**
Unemployment Mortgage Assistance (UMA)	1,148	22%
Mortgage Reinstatement Assistance Program (MRAP)	2,337	46%
Principal Reduction Program (PRP)	1,520	30%
Transition Assistance Program (TAP)	98	2%
Community Second Mortgage Principal Reduction Program	2	0%
Total	5,105	100%

Withdrawn Applications (1)

As of June 30, 2014, 45,393 homeowners were reported as withdrawn.

Homeowner Withdrawals - Program to Date Q2 2014				
Program	**Passive**	**Active**	**Total**	**%**
Unemployment Mortgage Assistance (UMA)	15,165	657	15,822	35%
Mortgage Reinstatement Assistance Program (MRAP)	18,214	1,069	19,283	42%
Principal Reduction Program (PRP)	9,506	322	9,828	22%
Transition Assistance Program (TAP)	446	14	460	1%
Community Second Mortgage Principal Reduction Program	0	0	0	0%
Total	43,331	2,062	45,393	100%

There are two types of withdrawn applications; active and passive. An active withdrawal is when a homeowner or servicer requests withdrawal from the program or the homeowner refuses to sign CalHFA MAC or servicer's required documents. A passive withdrawal is when the homeowner fails to provide CalHFA MAC with some or all of the required documents within the allowed timeframe (2) and is non-responsive to our attempts to collect the required documents. The chart illustrates, the vast majority of withdrawals are passive.

(2) Homeowners have 30 days to provide KYHC the required documents needed to determine program eligibility.

Ineligible Applications

For the quarter ending June 30, 2014, a total of 3,523 homeowner applications for assistance were reported as ineligible for KYHC assistance. A breakdown of the top ten reasons for ineligibility is provided in the following chart.

Ineligible Applications - Q2 2014		
Ineligible Reason	**#**	**%**
Servicer Not Participating in Program (PRP only) (1)	1,344	38%
Current Payment is Affordable (2)	392	11%
No Documented Hardship	274	8%
Pre Assistance Loan to Value < 105% (PRP only)	271	8%
Post Assistance Payment Not Affordable (PRP only)	227	6%
Homeowner Income Exceeds County AMI Guidelines	177	5%
Servicer Not Responding to KYHC Requests For Information	132	4%
Post Assistance Loan to Value > 140% (PRP only)	90	3%
Payment Affordable (MRAP only)	62	2%
No Current Source of Income	55	2%
Other	499	14%
Total	3,523	100%

(1) Primarily due to servicer not participating in PRP with a loan modification.
(2) A pre-assistance payment that is considered affordable, and thus ineligible, is a debt to income ratio of less than 31%.

Transaction Processing Time

The chart below reflects the quarter ending June 30, 2014 and program-to-date transaction processing times (in days) for each program. The median processing time in Q2 2014 improved in all programs except MRAP which remained stable when compared to program-to-date times. The transaction processing times are extended for MRAP and PRP whenever assistance is combined with a loan modification. These transactions require the homeowner to complete a trial payment plan which increases the time to approve and fund a transaction by an additional three to four months.

CalHFA MAC continually monitors processing time performance to ensure that homeowners obtain the assistance they need in a timely and efficient manner.

Median Transaction Processing Time		
Program	Q2 - 2014	Program to Date
Unemployment Mortgage Assistance (UMA)	29	37
Mortgage Reinstatement Assistance Program (MRAP) *	70	69
Principal Reduction Program (PRP) *	57	98
Transition Assistance Program (TAP)	52	56
Community Second Mortgage Principal Reduction Program	83	108
Total	41	47

* MRAP and PRP transactions when combined with a formal modification have an elongated processing timeframe. KYHC funds are disbursed to the servicer after the homeowner has successfully completed their trial payment plan and are ready to convert to their permanent modification.

Scheduled Assistance Disbursements

The following charts show the scheduled disbursements of assistance for the UMA and PRP programs, respectively.

Unemployment Mortgage Assistance (UMA)	
Period	Amount
Program to Date (a)	$404,988,590
July 2014	$25,465,818
August 2014	$11,940,961
September 2014	$10,895,903
October 2014	$9,578,278
November 2014	$8,581,009
December 2014	$7,305,942
January 2015	$5,814,383
February 2015	$4,533,693
March 2015	$3,346,196
April 2015	$1,872,212
May 2015	$939,997
Program Total (b)	$495,262,981

(a) Assistance disbursed as of June 30, 2014 - Quarterly UST Report amount

(b) Total Assistance committed on approved transactions

Principal Reduction Program (PRP)	
Period	Amount
Program to Date (a)	$231,583,824
2014 - Q4 (Note 1)	$14,470
2015 - Q4 (Note 1)	$14,470
Program Total (b)	$231,612,764

(a) Assistance disbursed as of June 30, 2014

(b) Assistance reported on Quarterly UST Report

Note 1. PRP assistance for one (1) homeowner is scheduled for disbursement in fourth quarter of 2014 and 2015.

This document describes the Housing Finance Agency (HFA) Hardest-Hit Fund (HHF) data that state HFAs are required to provide to Bank of New York Mellon. It includes quarterly borrower characteristic data and program specific performance data. All HFA HHF data submitted to Bank of New York Mellon must be accurate, complete, and in agreement with retained HFA records. Data should be reported by each state HFA by the 15th of the month following the quarter.

Data requested in the "Borrower Characteristic" worksheet should be reported in aggregate for all HHF programs run by the state HFA. Program specific data is separated into reporting tabs for each individual program. State HFAs should report program performance data on an individual program basis. A data dictionary has been provided to assist in the definition of each data point.

Report Quarter: June 30, 2014

Template Version Date: October 2013

	6/30/2014 QTD	Cumulative
que Borrower Count		
Number of Unique Borrowers Receiving Assistance	3,522	40,797
Number of Unique Borrowers Denied Assistance	2,594	27,576
Number of Unique Borrowers Withdrawn from Program	2,419	28,211
Number of Unique Borrowers in Process	4,519	N/A
Total Number of Unique Borrower Applicants	13,054	101,103
gram Expenditures ($)		
Total Assistance Provided to Date	$90,730,196.18	$723,991,130.65
Total Spent on Administrative Support, Outreach, and Counseling	$6,547,412.71	$84,464,629.10
rower Income ($)		
Above $90,000	5.08%	3.38%
$70,000- $89,000	12.35%	9.52%
$50,000- $69,000	20.95%	18.77%
Below $50,000	61.61%	68.34%
rower Income as Percent of Area Median Income (AMI)		
Above 120%	5.9%	3.0%
110%- 119%	4.4%	4.3%
100%- 109%	5.8%	4.8%
90%- 99%	7.5%	5.8%
80%- 89%	8.1%	6.9%
Below 80%	68.5%	75.2%
graphic Breakdown (by county)		
Alameda	111	1,361
Alpine	0	1
Amador	2	62
Butte	16	188
Calaveras	5	76
Colusa	1	26
Contra Costa	119	1,397
Del Norte	1	10
El Dorado	22	266
Fresno	141	1,283
Glenn	4	18
Humboldt	5	63
Imperial	27	249
Inyo	0	12
Kern	84	793
Kings	18	147
Lake	2	80
Lassen	1	17
Los Angeles	783	8,511
Madera	18	203
Marin	7	137
Mariposa	1	14
Mendocino	3	32
Merced	23	282
Modoc	0	2
Mono	1	6
Monterey	15	245
Napa	12	129
Nevada	5	135

	6/30/2014 QTD	Cumulative
Orange	223	2,490
Placer	41	669
Plumas	2	20
Riverside	387	4,224
Sacramento	206	2,736
San Benito	8	65
San Bernardino	324	3,492
San Diego	291	3,421
San Francisco	6	196
San Joaquin	89	1,229
San Luis Obispo	13	162
San Mateo	22	334
Santa Barbara	15	227
Santa Clara	87	1,141
Santa Cruz	15	184
Shasta	17	205
Sierra	0	5
Siskiyou	3	32
Solano	70	728
Sonoma	33	420
Stanislaus	54	771
Sutter	4	117
Tehama	3	36
Trinity	0	5
Tulare	49	551
Tuolumne	4	77
Ventura	98	1,179
Yolo	10	208
Yuba	20	128
me Mortgage Disclosure Act (HMDA)		
Borrower		
Race		
American Indian or Alaskan Native	21	241
Asian	267	2,881
Black or African American	378	3,933
Native Hawaiian or other Pacific Islander	33	372
White	2,346	23,484
Information Not Provided by Borrower	477	9,886
Ethnicity		
Hispanic or Latino	1,282	11,754
Not Hispanic or Latino	1,875	21,155
Information Not Provided by Borrower	365	7,888
Sex		
Male	1,852	21,017
Female	1,651	18,482
Information Not Provided by Borrower	19	1,298
Co-Borrower		
Race		
American Indian or Alaskan Native	12	100
Asian	156	1,500
Black or African American	123	1,045
Native Hawaiian or other Pacific Islander	29	271
White	1,239	10,548
[illegible]	[illegible]	[illegible]

		6/30/2014 QTD	Cumulative
	Ethnicity		
	Hispanic or Latino	705	5,649
	Not Hispanic or Latino	912	8,790
	Information Not Provided by Borrower	425	5,113
	Sex		
	Male	718	6,999
	Female	1,214	10,725
	Information Not Provided by Borrower	110	1,828
dship			
	Unemployment	2,331	30,798
	Underemployment	696	5,296
	Divorce	56	360
	Medical Condition	87	694
	Death	99	590
	Other	253	3,059
rent Loan to Value Ratio (LTV)			
	<100%	70.5%	49.3%
	100%-109%	7.2%	9.1%
	110%-120%	5.0%	7.8%
	>120%	17.2%	33.8%
rent Combined Loan to Value Ratio (CLTV)			
	<100%	70.5%	48.9%
	100%-119%	12.2%	16.9%
	120%-139%	8.3%	12.0%
	140%-159%	4.3%	8.3%
	>=160%	4.8%	13.9%
inquency Status (%)			
	Current	60.5%	64.9%
	30+	8.2%	7.5%
	60+	5.2%	5.8%
	90+	26.0%	21.9%
usehold Size			
	1	852	9,865
	2	836	8,818
	3	647	6,577
	4	655	10,061
	5+	534	5,476

he Geographic Breakdown, Hardship Information, HMDA fields as well as Median Household Size should be orted in whole number format. All other Borrower Characteristics fields should be reported as %.

Since applications marked as denied or withdrawn in previous quarters may be reconsidered due to a change in rower circumstances, some unique borrower counts may not sum in a quarter-over-quarter fashion.

An accounting adjustment for $7,199.30 was made to prior quarter administration expense and is reflected in the nulative expense number.

Unemployment Mortgage Assistance Program

		6/30/2014 QTD	Cumulative
ram Intake/Evaluation			
	Approved		
	Number of Applications Approved	2,628	32,970
	% of Total Number of Applications	55.3%	57.6%
	Denied		
	Number of Applications Denied	251	7,344
	% of Total Number of Applications	5.3%	12.8%
	Withdrawn		
	Number of Applications Withdrawn	729	15,822
	% of Total Number of Applications	15.3%	27.6%
	In Process		
	Number of Applications In Process	1,148	N/A
	% of Total Number of Applications	24.1%	N/A
	Total		
	Total Number of Applications Received	4,756	57,284
	Number of Borrowers Participating in Other HFA HHF Programs or Program Components	199	926
ram Characteristics			
eral Characteristics			
	Median 1st Lien Housing Payment Before Assistance	$1,550.37	$1,572.33
	Median 1st Lien Housing Payment After Assistance	$0.00	$0.00
	Median 2nd Lien Housing Payment Before Assistance	$0.00	$0.00
	Median 2nd Lien Housing Payment After Assistance	N/A	N/A
	Median 1st Lien UPB Before Program Entry	$241,082.54	$248,145.00
	Median 1st Lien UPB After Program Entry	N/A	N/A
	Median 2nd Lien UPB Before Program Entry	$0.00	$0.00
	Median 2nd Lien UPB After Program Entry	N/A	N/A
	Median Principal Forgiveness[1]	N/A	N/A
	Median Length of time Borrower Receives Assistance	N/A	9
	Median Assistance Amount	$3,679.37	$11,643.50
stance Characteristics			
	Assistance Provided to Date	$44,133,304.96	$404,988,589.60
	Total Lender/Servicer Assistance Amount	N/A	N/A
	Lender/Servicer Match (%)	N/A	N/A
	Median Lender/Servicer Assistance per Borrower	N/A	N/A
r Characteristics			
	Median Length of Time from Initial Request to Assistance Granted	29	37
	Current		
	Number	2,160	26,815
	%	82.2%	81.3%
	Delinquent (30+)		
	Number	153	1,986
	%	5.8%	6.0%
	Delinquent (60+)		
	Number	92	1,220
	%	3.5%	3.7%
	Delinquent (90+)		
	Number	223	2,949
	%	8.5%	8.9%

Unemployment Mortgage Assistance Program

		6/30/2014 QTD	Cumulative
ram Outcomes			
	Borrowers No Longer in the HHF Program (Program Completion/Transition or Alternative Outcomes)	2,498	24,563
rnative Outcomes			
	Foreclosure Sale		
	Number	0	0
	%	0.0%	0.0%
	Cancelled		
	Number	78	1,261
	%	3.1%	5.1%
	Deed in Lieu		
	Number	0	0
	%	0.0%	0.0%
	Short Sale		
	Number	0	0
	%	0.0%	0.0%
ram Completion/ Transition			
	Loan Modification Program		
	Number	0	0
	%	0.0%	0.0%
	Re-employed/ Regain Appropriate Employment Level		
	Number	911	5,771
	%	36.5%	23.5%
	Reinstatement/Current/Payoff		
	Number	0	0
	%	0.0%	0.0%
	Short Sale		
	Number	N/A	N/A
	%	N/A	N/A
	Deed in Lieu		
	Number	N/A	N/A
	%	N/A	N/A
	Other - Borrower Still Owns Home		
	Number	1,509	17,531
	%	60.4%	71.4%
eownership Retention[2]			
	Six Months Number	N/A	27,172
	Six Months %	N/A	99.5%
	Twelve Months Number	N/A	21,130
	Twelve Months %	N/A	98.2%
	Twenty-four Months Number	N/A	8,267
	Twenty-four Months %	N/A	91.7%
	Unreachable Number	N/A	32
	Unreachable %	N/A	0.1%

udes second mortgage settlement

rower still owns home

tics are based on number of Approved Applications

am Outcome results may not carryforward from prior quarter report due to reclassification of outcome based on additional information

ed and continued improvement in data collection processes.

Principal Reduction Program

		6/30/2014 QTD	Cumulative
ram Intake/Evaluation			
	Approved		
	Number of Applications Approved	502	3,952
	% of Total Number of Applications	11.1%	12.8%
	Denied		
	Number of Applications Denied	1,668	15,652
	% of Total Number of Applications	37.0%	50.6%
	Withdrawn		
	Number of Applications Withdrawn	817	9,828
	% of Total Number of Applications	18.1%	31.8%
	In Process		
	Number of Applications In Process	1,520	N/A
	% of Total Number of Applications	33.7%	N/A
	Total		
	Total Number of Applications Received	4,507	30,952
	Number of Borrowers Participating in Other HFA HHF Programs or Program Components	10	35
ram Characteristics			
eral Characteristics			
	Median 1st Lien Housing Payment Before Assistance	$1,522.73	$1,736.82
	Median 1st Lien Housing Payment After Assistance	$1,228.91	$1,362.51
	Median 2nd Lien Housing Payment Before Assistance	$0.00	$0.00
	Median 2nd Lien Housing Payment After Assistance	N/A	N/A
	Median 1st Lien UPB Before Program Entry	$267,024.15	$291,118.09
	Median 1st Lien UPB After Program Entry	$197,217.85	$222,867.14
	Median 2nd Lien UPB Before Program Entry	$0.00	$0.00
	Median 2nd Lien UPB After Program Entry	N/A	N/A
	Median Principal Forgiveness[1]	$80,000.00	$80,000.00
	Median Length of Time Borrower Receives Assistance	N/A	N/A
	Median Assistance Amount	$76,000.00	$53,000.00
stance Characteristics			
	Assistance Provided to Date	$34,638,133.67	$231,612,764.32
	Total Lender/Servicer Assistance Amount	$2,222,459.32	$79,939,202.95
	Borrowers Receiving Lender/Servicer Match (%)	10.4%	35.9%
	Median Lender/Servicer Assistance per Borrower	$33,843.25	$43,072.99
r Characteristics			
	Median Length of Time from Initial Request to Assistance Granted	57	98
	Current		
	Number	246	1,824
	%	49.0%	46.2%
	Delinquent (30+)		
	Number	44	305
	%	8.8%	7.7%
	Delinquent (60+)		
	Number	29	273
	%	5.8%	6.9%
	Delinquent (90+)		
	Number	183	1,550
	%	36.5%	39.2%

Principal Reduction Program

		6/30/2014 QTD	Cumulative
ram Outcomes			
	Borrowers No Longer in the HHF Program (Program Completion/Transition or Alternative Outcomes)	502	3,952
rnative Outcomes			
	Foreclosure Sale		
	Number	0	0
	%	0.0%	0.0%
	Cancelled		
	Number	2	102
	%	0.4%	2.6%
	Deed in Lieu		
	Number	0	0
	%	0.0%	0.0%
	Short Sale		
	Number	0	0
	%	0.0%	0.0%
ram Completion/ Transition			
	Loan Modification Program		
	Number	112	1,975
	%	22.3%	50.0%
	Re-employed/ Regain Appropriate Employment Level		
	Number	N/A	N/A
	%	N/A	N/A
	Reinstatement/Current/Payoff		
	Number	388	1,875
	%	77.3%	47.4%
	Short Sale		
	Number	N/A	N/A
	%	N/A	N/A
	Deed in Lieu		
	Number	N/A	N/A
	%	N/A	N/A
	Other - Borrower Still Owns Home		
	Number	0	0
	%	0.0%	0.0%
eownership Retention[2]			
	Six Months Number	N/A	2,836
	Six Months %	N/A	99.2%
	Twelve Months Number	N/A	1,670
	Twelve Months %	N/A	97.8%
	Twenty-four Months Number	N/A	280
	Twenty-four Months %	N/A	91.5%
	Unreachable Number	N/A	15
	Unreachable %	N/A	0.5%

udes second mortgage settlement

rower still owns home

tics are based on number of Approved Applications

am Outcome results may not carryforward from prior quarter report due to reclassification of outcome based on additional information

ed and continued improvement in data collection processes.

	6/30/2014 QTD	Cumulative
am Intake/Evaluation		
Approved		
Number of Applications Approved	834	6,376
% of Total Number of Applications	12.9%	14.2%
Denied		
Number of Applications Denied	1,557	16,760
% of Total Number of Applications	24.1%	37.4%
Withdrawn		
Number of Applications Withdrawn	1,743	19,283
% of Total Number of Applications	26.9%	43.1%
In Process		
Number of Applications In Process	2,337	N/A
% of Total Number of Applications	36.1%	N/A
Total		
Total Number of Applications Received	6,471	44,756
Number of Borrowers Participating in Other HFA HHF Programs or Program Components	48	236
am Characteristics		
ral Characteristics		
Median 1st Lien Housing Payment Before Assistance	$1,391.65	$1,409.24
Median 1st Lien Housing Payment After Assistance	N/A	N/A
Median 2nd Lien Housing Payment Before Assistance	$0.00	$0.00
Median 2nd Lien Housing Payment After Assistance	N/A	N/A
Median 1st Lien UPB Before Program Entry	$234,159.07	$237,975.08
Median 1st Lien UPB After Program Entry	N/A	N/A
Median 2nd Lien UPB Before Program Entry	$0.00	$0.00
Median 2nd Lien UPB After Program Entry	N/A	N/A
Median Principal Forgiveness[1]	N/A	N/A
Median Length of time Borrower Receives Assistance	N/A	N/A
Median Assistance Amount	$13,580.21	$12,176.38
ance Characteristics		
Assistance Provided to Date	$11,655,654.16	$84,438,373.30
Total Lender/Servicer Assistance Amount	$0.00	$0.00
Borrowers Receiving Lender/Servicer Match (%)	0%	0%
Median Lender/Servicer Assistance per Borrower	$0.00	$0.00
Characteristics		
Median Length of Time from Initial Request to Assistance Granted	70	69
Current		
Number	2	26
%	0.2%	0.4%
Delinquent (30+)		
Number	144	974
%	17.3%	15.3%
Delinquent (60+)		
Number	95	988
%	11.4%	15.5%
Delinquent (90+)		
Number	593	4,388
%	71.1%	68.8%

		6/30/2014 QTD	Cumulative
am Outcomes			
	Borrowers No Longer in the HHF Program (Program Completion/Transition or Alternative Outcomes)	834	6,376
native Outcomes			
	Foreclosure Sale		
	Number	0	0
	%	0.0%	0.0%
	Cancelled		
	Number	4	51
	%	0.5%	0.8%
	Deed in Lieu		
	Number	0	0
	%	0.0%	0.0%
	Short Sale		
	Number	0	0
	%	0.0%	0.0%
am Completion/ Transition			
	Loan Modification Program		
	Number	76	293
	%	9.1%	4.6%
	Re-employed/ Regain Appropriate Employment Level		
	Number	N/A	N/A
	%	N/A	N/A
	Reinstatement/Current/Payoff		
	Number	754	6,032
	%	90.4%	94.6%
	Short Sale		
	Number	N/A	N/A
	%	N/A	N/A
	Deed in Lieu		
	Number	N/A	N/A
	%	N/A	N/A
	Other - Borrower Still Owns Home		
	Number	0	0
	%	0.0%	0.0%
eownership Retention[2]			
	Six Months Number	N/A	4,762
	Six Months %	N/A	99.1%
	Twelve Months Number	N/A	3,612
	Twelve Months %	N/A	97.8%
	Twenty-four Months Number	N/A	1343
	Twenty-four Months %	N/A	92.9%
	Unreachable Number	N/A	23
	Unreachable %	N/A	0.5%

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cs are based on number of Approved Applications

m Outcome results may not carryforward from prior quarter report due to reclassification of outcome based on additional information

d and continued improvement in data collection processes.

Transition Assistance Program

		6/30/2014 QTD	Cumulative
ram Intake/Evaluation			
	Approved		
	Number of Applications Approved	79	642
	% of Total Number of Applications	27.1%	41.0%
	Denied		
	Number of Applications Denied	47	367
	% of Total Number of Applications	16.1%	23.4%
	Withdrawn		
	Number of Applications Withdrawn	68	460
	% of Total Number of Applications	23.3%	29.4%
	In Process		
	Number of Applications In Process	98	N/A
	% of Total Number of Applications	33.6%	N/A
	Total		
	Total Number of Applications Received	292	1,567
	Number of Borrowers Participating in Other HFA HHF Programs or Program Components	0	0
ram Characteristics			
eral Characteristics			
	Median 1st Lien Housing Payment Before Assistance	$1,730.04	$1,877.13
	Median 1st Lien Housing Payment After Assistance	N/A	N/A
	Median 2nd Lien Housing Payment Before Assistance	$0.00	$0.00
	Median 2nd Lien Housing Payment After Assistance	N/A	N/A
	Median 1st Lien UPB Before Program Entry	$302,853.00	$318,250.70
	Median 1st Lien UPB After Program Entry	N/A	N/A
	Median 2nd Lien UPB Before Program Entry	$0.00	$0.00
	Median 2nd Lien UPB After Program Entry	N/A	N/A
	Median Principal Forgiveness[1]	N/A	N/A
	Median Length of time Borrower Receives Assistance	N/A	N/A
	Median Assistance Amount	$2,000.00	$5,000.00
stance Characteristics			
	Assistance Provided to Date	$253,103.39	$2,362,193.02
	Total Lender/Servicer Assistance Amount	N/A	N/A
	Lender/Servicer Match (%)	N/A	N/A
	Median Lender/Servicer Assistance per Borrower	N/A	N/A
r Characteristics			
	Median Length of Time from Initial Request to Assistance Granted	52	56
	Current		
	Number	1	22
	%	1.3%	3.4%
	Delinquent (30+)		
	Number	0	15
	%	0.0%	2.3%
	Delinquent (60+)		
	Number	1	15
	%	1.3%	2.3%
	Delinquent (90+)		
	Number	77	590
	%	97.5%	91.9%

Transition Assistance Program

		6/30/2014 QTD	Cumulative
ram Outcomes			
	Borrowers No Longer in the HHF Program (Program Completion/Transition or Alternative Outcomes)	79	642
rnative Outcomes			
	Foreclosure Sale		
	Number	0	0
	%	0.0%	0.0%
	Cancelled		
	Number	0	0
	%	0.0%	0.0%
	Deed in Lieu		
	Number	N/A	N/A
	%	N/A	N/A
	Short Sale		
	Number	N/A	N/A
	%	N/A	N/A
ram Completion/ Transition			
	Loan Modification Program		
	Number	N/A	N/A
	%	N/A	N/A
	Re-employed/ Regain Appropriate Employment Level		
	Number	N/A	N/A
	%	N/A	N/A
	Reinstatement/Current/Payoff		
	Number	N/A	N/A
	%	N/A	N/A
	Short Sale		
	Number	79	640
	%	100.0%	99.7%
	Deed in Lieu		
	Number	0	2
	%	0.0%	0.3%
	Other - Borrower Still Owns Home		
	Number	N/A	N/A
	%	N/A	N/A
eownership Retention[2]			
	Six Months Number	N/A	N/A
	Six Months %	N/A	N/A
	Twelve Months Number	N/A	N/A
	Twelve Months %	N/A	N/A
	Twenty-four Months Number	N/A	N/A
	Twenty-four Months %	N/A	N/A
	Unreachable Number	N/A	N/A
	Unreachable %	N/A	N/A

udes second mortgage settlement

rower still owns home

tics are based on number of Approved Applications

am Outcome results may not carryforward from prior quarter report due to reclassification of outcome based on additional information

ed and continued improvement in data collection processes.

HHF Performance Data Reporting- Program Performance
Community Subordinated Lien Principal Reduction Program

		6/30/2014 QTD	Cumulative
Program Intake/Evaluation			
	Approved		
	Number of Applications Approved	1	34
	% of Total Number of Applications	25.0%	81.0%
	Denied		
	Number of Applications Denied	1	6
	% of Total Number of Applications	25.0%	14.3%
	Withdrawn		
	Number of Applications Withdrawn	0	0
	% of Total Number of Applications	0.0%	0.0%
	In Process		
	Number of Applications In Process	2	N/A
	% of Total Number of Applications	50.0%	N/A
	Total		
	Total Number of Applications Received	4	42
	Number of Borrowers Participating in Other HFA HHF Programs or Program Components	0	0
Program Characteristics			
General Characteristics			
	Median 1st Lien Housing Payment Before Assistance	$1,718.92	$1,588.39
	Median 1st Lien Housing Payment After Assistance	N/A	N/A
	Median 2nd Lien Housing Payment Before Assistance	$1,130.05	$400.16
	Median 2nd Lien Housing Payment After Assistance	$0.00	$0.00
	Median 1st Lien UPB Before Program Entry	$448,835.02	$199,962.00
	Median 1st Lien UPB After Program Entry	N/A	N/A
	Median 2nd Lien UPB Before Program Entry	$148,156.20	$70,273.00
	Median 2nd Lien UPB After Program Entry	$0.00	$30,000.00
	Median Principal Forgiveness[1]	$148,156.20	$48,713.17
	Median Length of time Borrower Receives Assistance	N/A	N/A
	Median Assistance Amount	$50,000.00	$18,954.03
Assistance Characteristics			
	Assistance Provided to Date	$50,000.00	$589,210.41
	Total Lender/Servicer Assistance Amount	$98,156.20	$993,998.69
	Borrowers Receiving Lender/Servicer Match (%)	100%	100%
	Median Lender/Servicer Assistance per Borrower	$98,156.20	$28,807.95
Other Characteristics			
	Median Length of Time from Initial Request to Assistance Granted	83	108
	Current		
	Number	0	30
	%	0.0%	88.2%
	Delinquent (30+)		
	Number	0	0
	%	0.0%	0.0%
	Delinquent (60+)		
	Number	0	0
	%	0.0%	0.0%
	Delinquent (90+)		
	Number	1	4
	%	100.0%	11.8%

HHF Performance Data Reporting- Program Performance
Community Subordinated Lien Principal Reduction Program

		6/30/2014 QTD	Cumulative
Program Outcomes			
	Borrowers No Longer in the HHF Program (Program Completion/Transition or Alternative Outcomes)	1	34
Alternative Outcomes			
	Foreclosure Sale		
	Number	0	0
	%	0.0%	0.0%
	Cancelled		
	Number	0	0
	%	0.0%	0.0%
	Deed in Lieu		
	Number	0	0
	%	0.0%	0.0%
	Short Sale		
	Number	0	0
	%	0.0%	0.0%
Program Completion/ Transition			
	Loan Modification Program		
	Number	0	0
	%	0.0%	0.0%
	Re-employed/ Regain Appropriate Employment Level		
	Number	N/A	N/A
	%	N/A	N/A
	Reinstatement/Current/Payoff		
	Number	1	34
	%	100.0%	100.0%
	Short Sale		
	Number	N/A	N/A
	%	N/A	N/A
	Deed in Lieu		
	Number	N/A	N/A
	%	N/A	N/A
	Other - Borrower Still Owns Home		
	Number	0	0
	%	0.0%	0.0%
Homeownership Retention[2]			
	Six Months Number	N/A	28
	Six Months %	N/A	96.6%
	Twelve Months Number	N/A	25.00
	Twelve Months %	N/A	100.0%
	Twenty-four Months Number	N/A	18.00
	Twenty-four Months %	N/A	100.0%
	Unreachable Number	N/A	0
	Unreachable %	N/A	0.0%

1. Includes second mortgage settlement
2. Borrower still owns home

Statistics are based on number of Approved Applications

Program Outcome results may not carryforward from prior quarter report due to reclassification of outcome based on additional information received and continued improvement in data collection processes.

que Borrower Count	
umber of Unique Borrowers Receiving Assistance	Total number of ***unique*** borrowers having received some form of assistance under any one of the HFA's programs. The number of borrowers represented in the other "Borrower Characteristics" fields should foot to this number.
umber of Unique Borrowers Denied Assistance	Total number of ***unique*** borrowers ***not*** receiving assistance under any of the programs and not withdrawn
umber of Unique Borrowers Withdrawn from Program	Total number of ***unique*** borrowers who ***do not*** receive assistance under any program because of voluntary withdrawal after approval or failure to complete application despite attempts by the HFA
umber of Unique Borrowers in Process	Totoal number of ***unique*** borrowers who have not been decisioned for any program and are pending review. This should be reported in the QTD column only.
tal Number of Unique Applicants	Total number of ***unique*** borrowers. This should be the total of the four above fields (using the QTD column for in process borrowers).
gram Expenditures	
tal Assistance Provided to Date	Total amount of assistance provided to borrowers through HHF program (s)
tal Spent on Administrative Support, Outreach, and Counseling	Total amount spent on administrative expenses to support the program(s)
rower Income	
Categories	At the time of assistance, borrower's annual income ($) rounded to the nearest thousand.
rower Income as Percent of Area Median Income (AMI)	
Categories	At the time of assistance, borrower's annual income as a percentage of area median income.
ographic Breakdown (by County)	
Categories	Number of aggregate borrowers assisted in each county listed.
me Mortgage Disclosure Act (HMDA)	
Borrower	
ce	
Categories	All totals for the aggregate number of borrowers assisted.
hnicity	
Categories	All totals for the aggregate number of borrowers assisted.
x	
Categories	All totals for the aggregate number of borrowers assisted.
Co-Borrower	
ce	
Categories	All totals for the aggregate number of borrowers assisted.
hnicity	
Categories	All totals for the aggregate number of borrowers assisted.
x	
Categories	All totals for the aggregate number of borrowers assisted.
dship	
Categories	All totals for the aggregate number of borrowers assisted.
rent Loan to Value Ratio (LTV)	
Categories	Market loan to value ratio calculated using the unpaid principal balance at the time of assistance divided by the most current valuation at the time of assistance.
rent Combined Loan to Value Ratio (CLTV)	
Categories	Market combined loan to value ratio calculated using the unpaid principal balance for all first and junior liens at the time of assistance divided by the most current valuation at the time of assistance.
inquency Status (%)	
Categories	Delinquency status at the time of assistance.

pproved	
umber of Applications Approved	The total number of applications approved for assistance for the specific program
of Total Number of Applications	Total number of applications approved for assistance for the specific program divided by the total number of applications received for the specific program.
enied	
umber of Applications Denied	The total number of applications denied for assistance for the specific program. A borrower that has provided the necessary information for consideration for program assistance, but is not approved for this assistance.
of Total Number of Applications	Total number of applications denied for assistance for the specific program divided by the total number of applications received for the specific program.
ithdrawn	
umber of Applications Withdrawn	The total number of applications withdrawn from the specific program. A withdrawl is defined as a borrower who was approved but never received funding, or a borrower who drops out of the process despite attempts by the HFA to complete application.
of Total Number of Applications	Total number of applications for assistance withdrawn for the specific program divided by the total number of applications received for the specific program.
Process	
umber of Applications In Process	The total number of applications for the specific program that have not been decisioned and are pending review. This should be reported in the QTD column only.
of Total Number of Applications	Total number of applications for the specific program that have not been decisioned and are pending review divided by the total number of applications received for the specific program.
tal	
tal Number of Applications Received	Total number of applicantions received for the specific program (approved, denied, withdrawn and QTD in process).
umber of Borrowers Participating in Other HFA HHF Programs or ogram Components	Number of households participating in other HFA sponsored HHF programs or other HHF program components.
gram Characteristics	
eral Characteristics	
edian 1st Lien Housing Payment Before Assistance	Median first lien housing payment ***paid by homeowner*** for all approved applicants prior to receiving assistance. In other words, the median contractual borrower payment on their first lien before receiving assistance.
edian 1st Lien Housing Payment After Assistance	Median first lien housing payment ***paid by homeowner*** for after receiving assistance. In other words, the median contractual first lien payment less HFA contribution.
edian 2nd Lien Housing Payment Before Assistance	Median second lien housing payment ***paid by homeowner*** for all approved applicants prior to receiving assistance. In other words, the median contractual borrower payment on their second lien before receiving assistance.
edian 2nd Lien Housing Payment After Assistance	Median second lien housing payment ***paid by homeowner*** for after receiving assistance. In other words, the median contractual second lien payment less HFA contribution.
edian 1st Lien UPB Before Program Entry	Median principal balance of all applicants approved for assistance prior to receiving assistance.
edian 1st Lien UPB After Program Entry	Median principal balance of all applicants approved for assistance after receiving assistance.
edian 2nd Lien UPB Before Program Entry	Median second lien principal balance of all applicants approved for assistance prior to receiving assistance.
edian 2nd Lien UPB After Program Entry	Median second lien principal balance of all applicants approved for assistance after receiving assistance.
edian Principal Forgiveness	Median amount of principal forgiveness granted ($). This should only include extinguished fees in the event that those fees have been capitalized. *Includes second lien extinguishment

tal Lender/Servicer Assistance Amount	(does not include HFA assistance). Lender waiving fees and / or forbearance does not count towards lender / servicer assistance.
rrowers Receiving Lender/Servicer Match (%)	Percent of borrowers receiving lender/servicer match out of the total number of assisted applicants.
edian Lender/Servicer Assistance per Borrower	Median lender/servicer matching amount (for borrowers receiving matching)
er Characteristics	
edian Length of Time from Initial Request to Assistance Granted	Median length of time from initial contact with borrower (general eligibility determination) to granted assistance. Please report in days (round up to closest integer).
rrent	
umber	Number of households current at the time assistance is received.
	Percent of current households divided by the total number of approved applicants.
elinquent (30+)	
umber	Number of households 30+ days delinquent but less than 60 days delinquent at the time assistance is received.
	Percent of 30+ days delinquent but less than 60 days delinquent households divided by the total number of approved applicants.
elinquent (60+)	
umber	Number of households 60+ days delinquent but less than 90 days delinquent at the time assistance is received.
	Percent of 60+ days delinquent but less than 90 Days delinquent households divided by the total number of approved applicants.
elinquent (90+)	
umber	Number of households 90+ Days delinquent at the time assistance is received.
	Percent of 90+ days delinquent households divided by the total number of approved applicants.
gram Outcomes	
rrowers No Longer in the HHF Program (Program mpletion/Transition or Alternative Outcome)	Number of households who are not longer in the HFA program and reach an alternative outcome or program completion/transition.
ernative Outcomes	
reclosure Sale	
umber	Number of households transitioned out of the HHF program into a foreclosure sale as an alternative outcome of the program.
	Percent of transitioned households that resulted in foreclosure.
ncelled	
umber	Number of borrowers who were ***approved and funded*** , then were disqualified or voluntarily withdrew from the program without re-employment or other intended transition.
	Percent of transitioned households that were cancelled from the program.
ed in Lieu	
umber	Number of households transitioned out of the HHF program into a deed in lieu as an alternative outcome of the program.
	Percent of transitioned households that resulted in deed in lieu.
ort Sale	
umber	Number of households transitioned out of the HHF program into a short sale as an alternative outcome of the program.
	Percent of transitioned households that resulted in short sale.
gram Completion/ Transition	
an Modification Program	
umber	Number of households that transitioned into a loan modification program (such as the Making Home Affordable Program)
	Percent of transitioned households entering a loan modification program.
-employed/ Regain Appropriate Employment Level	
	Number of households transitioned out of the program due to regaining

ort Sale	
umber	Number of households transitioned out of the HHF program into a short sale as the desired outcome of the program.
	Percent of transitioned households that resulted in short sale.
eed in Lieu	
umber	Number of households transitioned out of the HHF program into a deed in lieu as the desired outcome of the program.
	Percent of transitioned households that resulted in a deed in lieu
her - Borrower Still Owns Home	
umber	Number of households transitioned out of the HHF program not falling into one of the transition categories above, but still maintaining ownership of the home.
	Percent of transitioned households in this category
meownership Retention[1]	
x Months	Number of households assisted by the program in which the borrower retains ownership 6 months post receipt of initial assistance.
	Percent of households assisted by the program in which the borrower retains ownership 6 months post receipt of initial assistance divided by the total number of households assisted by the program 6 months prior to reporting period.
elve Months	Number of households assisted by the program in which borrower retains ownership 12 months post receipt of initial assistance.
	Percent of households assisted by the program in which the borrower retains ownership 12 months post receipt of initial assistance divided by the total number of households assisted by the program 12 months prior to reporting period.
nreachable	Number of homes assisted by the program that are unable to be verified by any means.
	Percent of homes assisted by the Program that are unable to be verified by any means.

orrower still owns home

formation should reflect quarterly activity (e.g., borrowers assisted during the reporting quarter)

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State of California

MEMORANDUM

To: Board of Directors **Date:** September 4, 2014

From: James S.L. Morgan, Housing Finance Chief
Multifamily Programs
California Housing Finance Agency ("CalHFA")

Subject: Agenda Item 5F: Update on Multifamily Portfolio Projects maturing on or before September 2019.

Background:

At the July 8, 2014, CalHFA Board meeting, staff made a presentation regarding HUD's regulatory waiver permitting CalHFA to make HUD Risk Share loans with amortization periods of up to 35 years, but terms as short as 17 years ("35/17 Loan Program"). Staff conveyed that there are 31 portfolio projects with loans maturing on or before April 1, 2019 that may be potential candidates for recapitalization under the 35/17 Loan Program. As of this writing, our current pricing presents us with interest rate challenges. That said, we are aggressively working on a pricing strategy that will assist us in meeting the goals of our Preservation Loan Program.

The Board requested a report back on the 31 portfolio projects including details on project affordability, ownership, type, Section 8, subordinate financing and location.

Report Back

Per the Board's request, the attached spreadsheet provides an overview on 34 portfolio projects that have loans maturing on or before September 1, 2019. Three projects were added to the original 31 due to extending loan maturity from April 1, 2019 to September 1, 2019.

The highlights of the report include the following:

- Project Location
- Ownership Structure
- Affordability Restrictions
- Subordinate Debt

Also included in the report are original/unpaid principal balances, maturity dates, and other project related information.

Attachment

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Ownership Type	City	Total # Units	Occupancy Type	Project Type	Tax Credit	CalHFA Section 8	HAP Expiration Date	CalHFA Original Loan Amt	CalHFA Current UPB	CalHFA Coupon	CalHFA Loan Start Date	CalHFA Loan Maturity Date	Total # Units ≤ 30% AMI	Tota Uni 35% A
Non-Profit	San Francisco	29	Family	PERMANENT				$370,000	$133,895	8.00%	6/15/1989	6/1/2019		
For-Profit	Davis	138	Family	PERMANENT				$7,800,000	$2,729,031	9.25%	12/30/1986	12/1/2018		
For-Profit	Red Bluff	46	Family	PERMANENT	9%			$500,000	$280,321	7.65%	7/17/1992	11/1/2012		13
Non-Profit	Sacramento	40	Family	HCD 2ND MG				$200,000	$200,000	1.00%	10/6/1988	10/1/2018		
				PERMANENT				$1,980,000	$728,483	9.95%	10/6/1988	11/1/2018		
Non-Profit	San Francisco	92	Family	PERMANENT	4%			$5,175,000	$749,925	6.00%	11/16/2000	12/1/2015	46	
Non-Profit	Sonoma	7	Senior	PERMANENT				$270,000	$53,441	3.00%	7/15/1988	8/1/2018		
For-Profit	Panorama City	154	Senior	PERMANENT		Section 8	9/30/2018	$4,900,000	$1,659,628	8.38%	9/18/1978	4/1/2019		
Non-Profit	Lafayette	67	Senior	PERMANENT		Section 8	8/31/2018	$2,069,000	$749,416	8.38%	5/26/1978	9/1/2019		
For-Profit	Los Angeles	24	Family	PERMANENT				$821,000	$274,647	9.75%	12/8/1987	5/1/2018		
Non-Profit	Pomona	165	Senior	OTHER		Section 8	7/31/2018	$54,000	$54,000	5.50%	4/1/1994	4/1/2018		
				PERMANENT				$4,105,000	$1,371,925	8.38%	7/20/1978	3/1/2019		
Non-Profit	Novato	7	Special Needs	PERMANENT				$425,000	$124,516	1.00%	7/1/2003	8/1/2018	2	
Non-Profit	Fresno	149	Senior	OTHER		Section 8	7/24/2020	$419,288	$419,288	3.00%	6/1/2006	3/1/2018		
				PERMANENT				$5,000,000	$1,360,228	8.38%	3/15/1979	3/1/2018		
Non-Profit	Los Angeles	62	Family	OTHER				$161,000	$161,000	3.00%	7/15/1988	7/14/2018		
Non-Profit	Sebastopol	42	Family	ST/LOCAL				$210,000	$199,002	3.00%	7/1/1987	7/19/2018		
				PERMANENT				$1,715,000	$559,848	7.50%	7/21/1988	8/1/2018		
				OTHER				$518,000	$432,912	3.00%	11/30/2005	9/1/2018		
For-Profit	Los Angeles	22	Family	PERMANENT				$710,000	$243,896	10.15%	3/18/1988	5/1/2018		
Non-Profit	Los Angeles	10	Family	PERMANENT		Section 8	2/28/2015	$438,200	$45,809	10.60%	2/8/1985	7/1/2015		
Non-Profit	Monterey Park	126	Senior	PERMANENT		Section 8	6/30/2018	$4,315,000	$1,398,861	8.38%	6/20/1978	1/1/2019		
				PERMANENT				$1,225,000	$291,644	5.70%	12/1/2001	2/1/2017		
Non-Profit	Novato	7	Special Needs	PERMANENT				$425,000	$124,516	1.00%	7/1/2003	8/1/2018		
Non-Profit	Santa Cruz	14	Special Needs	PERMANENT				$405,464	$163,652	1.00%	4/11/2008	5/1/2018		
For-Profit	Orange Cove	40	Family	R.H.C.P.				$1,826,500	$1,826,500	0.00%	6/23/1983	6/1/2015		
Non-Profit	Concord	96	Senior	HCD 2ND MG				$2,200,000	$2,200,000	3.00%	1/27/1988	4/1/2016	10	
				PERMANENT				$2,413,812	$657,473	8.50%	1/27/1988	7/1/2017		
Non-Profit	Point Reyes	27	Family	PERMANENT	4%			$720,000	$182,970	5.25%	5/1/2007	5/1/2016		
Non-Profit	Arcata	40	Family	PERMANENT		Section 8	6/30/2014	$1,620,000	$48,889	8.15%	6/19/1984	11/1/2014		
Local Government	Sacramento	124	Senior	R.H.C.P.				$932,744	$932,744	3.00%	10/19/1988	9/26/2016		
Non-Profit	Davis	14	Family	PERMANENT	9%			$318,000	$118,181	8.00%	12/16/1988	8/1/2019		
For-Profit	Placerville	67	Senior	PERMANENT		Section 8	9/30/2018	$1,465,000	$496,383	8.38%	9/6/1978	4/1/2019		
For-Profit	Los Angeles	20	Family	PERMANENT		Section 8	10/31/2016	$1,108,000	$268,468	10.20%	10/8/1986	3/1/2017		
Non-Profit	Chico	66	Family	R.H.C.P.		Section 8	3/31/2034	$2,049,654	$2,049,654	3.00%	3/13/1984	3/21/2013		
For-Profit	Galt	50	Senior	R.H.C.P.				$1,771,000	$1,771,000	0.00%	10/4/1983	10/1/2016		
Non-Profit	Novato	7	Special Needs	PERMANENT				$350,000	$33,280	1.00%	9/28/2000	10/1/2015		
Non-Profit	Palo Alto	68	Family	PERMANENT		Section 8	8/31/2018	$2,122,000	$680,013	7.88%	6/30/1978	3/1/2019		
Non-Profit	Santa Rosa	40	Family	ST/LOCAL F				$156,932	$124,433	3.00%	4/27/1987	6/24/2016		
				PERMANENT				$115,000	$27,717	6.50%	11/26/2001	12/1/2016		
For-Profit	Los Angeles	5	Family	PERMANENT				$98,300	$1,549	8.00%	8/2/1984	8/1/2014		
Non-Profit	Santee	188	Family	PERMANENT		Section 8	8/31/2019	$9,150,000	$7,552,242	5.90%	1/1/2004	2/1/2034		
								$1,300,000	$561,760	5.90%	1/1/2004	8/1/2019		
	Total # Units	**2,053**					**Total**	**$73,927,894**	**$34,043,141**			**Total # of Units**	**58**	**13**

t Name	Other Subordinate Financing								
	Subordinate Name -1	Original loan amt -1	Subordinate Name -2	Original loan amt -2	Subordinate Name -3	Original loan amt - 3	Subordinate Name -4	Original loan amt - 4	Subordinate I
partments	City of San Francisco	$739,600							
	None								
Apartments	HCD	$826,915							
partments	None								
	City & County of SF (CCSF)-CBDG	$2,276,000	CCSF (Home 1)	$4,316,256	CCSF (Home 2)	$700,000	CCSF (Home 3)	$663,584	CCSF (Home 4
nents	None								
	None								
e	None								
artments	LA Community Redev.	$906,800							
	None								
	None								
	None								
tel	Unknown								
th	Sonoma Cnty (SCCDC)	$684,085							
nts	L.A. Comm. Redev. Agency	$624,700							
	None								
	None								
	None								
	HCD	$1,558,502	County of Santa Cruz	$850,000	Santa Cruz Com Cred.	$108,000	City of Santa Cruz	$65,500	
za	None								
	Concord CRA	$2,290,644	Concord CRA	$93,482	Concord Homes, Inc.	$1,330,575			
rdable Homes	HCD	$1,738,000	County of Marin	$1,660,325	County of Marin-HOME	$667,672	County of Marin-CDBG	$335,351	
y Homes	City of Arcata	$140,000							
	None								
Gardens	HCD	$140,000	HUD	$157,056					
	None								
	CA Redev. Agency (CRA)	$686,966							
mmons	None								
	None								
	None								
Apartments	None								
	HCD	$559,356	HCD	$559,727	Sonoma Cnty CDC	$560,000			
die	CRA	$185,570							
	Subordinate Debt Total	**$13,357,138**		**$7,636,846**		**$3,366,247**		**$1,064,435**	

State of California

MEMORANDUM

To: CalHFA Board Members **Date:** September 4, 2014

Lori Hamahashi, Comptroller

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: Report 5G - Results of Fannie Mae Document Custodian Compliance Audit performed by CliftonLarsonAllen

CalHFA is the document custodian for a portfolio of Fannie Mae subordinate loans currently serviced by our Loan Servicing Division. As custodian, we must adhere to the Fannie Mae requirements. Each year there is an annual compliance audit which must be completed by July 31st covering the previous calendar year.

Attached is the report for the calendar year ending December 31, 2013 stating there are no audit findings or management letter items. These results mean that we are in full compliance with Fannie Mae's guidelines.

Also, for the Board's information, I have attached a schedule which identifies the audits or agreed-upon procedures CalHFA is subject to during the year.

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FANNIE MAE
Herndon, Virginia

REPORT OF AGREED-UPON PROCEDURES

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PAGE

CliftonLarsonAllen

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

Independent Accountants' Report on
Applying Agreed Upon Procedures

Fannie Mae
Herndon, Virginia

We have performed the procedures enumerated below, which were agreed to by Fannie Mae and the California Housing Finance Agency (CalHFA), solely to assist Fannie Mae in determining compliance and the propriety of financial reporting of CalHFA. CalHFA management is responsible for the propriety of accounting and compliance with Fannie Mae requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Quality of Certification Practices and Procedures
Procedures

1. Obtain a list of loans on hand and haphazardly select a loan sample that:
    a. Contains 150 loans certified since the previous review.
        i. If less than 150 loans were delivered to Fannie Mae since the previous review, sample all of the loans delivered.
    b. Represents all loan products certified since the last review (performed by Fannie Mae or the independent auditor), with an emphasis on ARMs, or loan types that the Document Custodian has previously demonstrated difficulty in certifying.
2. Complete a re-certification of all loans in the sample following the certification guidelines established in Fannie Mae's Requirements for Document Custodians, while taking into account previously granted waivers that are documented in existing Letters of Instruction or Exhibit A to the Custodial Agreement.
    a. Document any issues discovered for inclusion in the Findings Report.
    b. Obtain copies of all loan documents containing issues for submission with the Findings Report.
    c. Communicate issues to the document custodian for remediation upon discovery. Do not withhold the issues identified until the findings report is published.
3. Based on the procedures performed above, document the identified errors in the final report. The report should:
    a) Identify each error discovered
    b) Establish error rates for:
        i. Data errors;
        ii. Document errors; and,
        iii. Combined errors

c) Include copies of documents as attachments containing evidence of all issues discovered during testing of the loan sample.

Results

We did not identify any errors in our review of the Document Custodian's activities. CalHFA did not have any new loans delivered to Fannie Mae during the period and was previously granted a waiver since no more loans have been issued.

The summary of procedures and associated findings are as set forth below:

	Total	Adjustable	Fixed	MBS	Cash
Loans Requested	150	0	150	0	0
Loans Released/Transferred Out	0	0	0	0	0
Loans Reviewed	150	0	150	0	0
Standard Document Errors	0	0	0	0	0
Standard Document Error Rate	*0%*	*0%*	*0%*	*0%*	*0%*
Standard Data Errors	0	0	0	0	0
Standard Data Error Rates	*0%*	*0%*	*0%*	*0%*	*0%*
Combined Document + Data Errors	**0**	**0**	**0**	**0**	**0**
Combined Error Rate	***0%***	***0%***	***0%***	***0%***	***0%***

<u>General Custodian Data</u>

Procedures

1. Obtain a list of Fannie Mae loans on hand as of December 31, 2013 and document the number of Fannie Mae loans on-hand.
2. Request and review executed Form 2001 (Annual Statement of Eligibility for Document Custodians) for any existing waivers granted to the:
   a. Document Custodian
   b. Lender (related to certification)
3. Review data regarding previous audits and verify if there are any:
   a. Previous findings
      i. If previous findings exist, validate that they have been resolved and include a status update in the report to Fannie Mae.
   b. Outstanding issues
      i. If outstanding issues exist, validate that they have been resolved and include a status update in the report to Fannie Mae.

Results

CalHFA currently has 2,952 loans on hand. We obtained 150 loan files and reviewed the executed Form 2001 for any existing waivers granted to the document custodian without exception. There were no previous findings or outstanding issues noted.

General Compliance

Procedures

1. Request copies of executed Custodial Agreement (Form 2003) between the custodian and each of its Fannie Mae Lender customers as listed in the executed Form 2001.
2. If variances are noted, determine that all variances are documented in the form of a Letter of Instruction (which represents a variance granted to lender) or Exhibit A (which represents a variance granted to the Custodian) to the Custodial Agreement.
3. Determine through staff interviews and observations that the document custodian employs well-trained and knowledgeable staff that is familiar with pool certification procedures and Fannie Mae document control methods.

Results

We obtained and reviewed the executed Custodial Agreement (Form 2003) between CalHFA and Fannie Mae without exception. There were no variances noted, but an Exhibit A (Waivers and Variances) was still included in the custodial agreement. Based on staff interviews and observations, staff appears trained and knowledgeable and are familiar with pool certification procedures and Fannie Mae document control methods.

Regulation

Procedures

If the custodian is a regulated entity, perform the following:

1. Ask the Custodian to provide evidence of their regulator(s); a custodian must be regulated by:
    a. Federal Deposit Insurance Corp. (FDIC)
    b. Board of Governors of the Federal Reserve System
    c. Office of the Comptroller of the Currency (OCC)
    d. Office of Thrift Supervision (OTS)
    e. National Credit Union Administration (NCUA)
2. Identify/name the regulated institution (i.e. name of parent, subsidiary, etc.).
3. Identify the regulated institution's relationship to the Custodian.
4. Determine and document if the custodian is subject to periodic review by the primary regulator.
    a. If yes, request the frequency and date of the last review.

Results

CalHFA is not a regulated custodian, under the terms of the waiver, granted by Fannie Mae.

Reporting and Organizational Structure

Procedures

1. Obtain an organization chart. Based on the organizational chart and interviews with management:
    a. Determine that the document custodian operates as a physically separate department from departments that perform mortgage origination, selling and servicing functions.
    b. Determine that duties are completely segregated between lending and custodian activities.
    c. Determine that the document custodian maintains separate personnel, files and operations.
2. Determine if this is a lender, or an affiliate of a lender, acting as custodian for Fannie Mae documents.

Results

We obtained the most recent organizational chart for CalHFA. Employees responsible for Fannie Mae documents are part of the MRS department, which does not perform mortgage origination, selling, or servicing. The lending activities and custodian activities are completely segregated. CalHFA maintains separate personnel, files, and operations relating to Fannie Mae documents. CalHFA is a lender acting as a document custodian for Fannie Mae documents.

<u>Financial Ratings</u>

Procedures

If the custodian is a regulated entity, perform the following:

1. Request evidence of the regulated institution's most recent:
   a. IDC Ranking and date;
   b. KROLL Rating and date; and/or,
   c. Alternate financial rating and date
2. Determine through observation that the document custodian was able to produce rating evidence upon request.
3. Determine that the rating provided by the Custodian meets Fannie Mae's requirements as specified in the Requirements for Document Custodians.
4. Determine that the Custodian has a procedure in place to monitor their financial ratings for compliance.

Results

CalHFA is not a regulated custodian and does not have a ranking or rating under the terms of the waiver granted by Fannie Mae.

<u>Trust Powers</u>

Procedures

If the custodian is a regulated entity, perform the following:

1. If the Custodian is self-affiliated, obtain evidence of their Trust Powers.
2. Determine if there are custodial officers who are authorized to act for the institution in a trust capacity.

Results

CalHFA has obtained a waiver for the requirements related to Trust powers and has adhered to the terms and conditions of the Trust Power waiver imposed by Fannie Mae.

<u>Insurance Coverage</u>

Procedures

1. Read the Custodian's E&O policy to assure that it meets Fannie Mae's requirements, as specified in the Requirements for Document Custodians, and notate:
   a. Amount of Policy
   b. Amount of Deductible
   c. Deductible as percentage of face
   d. Policy expiration date

2. Read the Custodian's Financial Institution Bond coverage to assure that it meets Fannie Mae's requirements, as specified in the Requirements for Document Custodians, and notate:
   a. Amount of Bond Coverage
   b. Amount of Deductible
   c. Deductible as percentage of face
   d. Policy expiration date
3. Read the Custodian's documentation that demonstrates that the Custodian verified that the insurance carrier is rated by one of the following:
   a. A.M. Best Company, with a rating of 'B' or better
   b. Standard and Poor's Inc., with a rating of 'BBB' or better

Results
CalHFA obtained a waiver for the requirements related to insurance coverage.

Physical Facilities
Procedures

1. Obtain, observe and review the documentation that indicates that the facilities for storage of the custodial documents and files are fire-resistant storage facilities that provide at least two hours of fire protection.
2. Observe that the location and layout of the vault facility effectively limits access to the area.
3. Determine through observation that the custodian is able to account for the control of the keys, or have access to, all external vault exits.
4. Read the procedures for granting access to vault facilities to assure that access is granted to personnel on an as-needed basis to determine that personnel not working directly in custodian functions should not have access to the vault.
5. Observe the location in which documents are stored, while awaiting filing, to assure that it is secure.
6. Read and observe the vault's primary access control.
7. Read and observe that the vault has secondary access control.
8. Read and observe that there are controls in place to prevent unauthorized access by non-custodial employees to custodial facilities and systems.

Results
We observed the storage facilities for the custodial documents and noted that they are fire-resistant. The cabinets are FireKing, equipped with two hour fire protection.

We observed the location and layout of the vault facility. The facility is located on the 4th floor, which requires an access badge to enter. Within the 4th floor, the file room requires a special access badge maintained by only two authorized employees.

The document custodian is able to account for the control of keys. The primary key is kept by the Accounting Manager in a locked desk drawer on the 9th floor. The secondary key is kept with Business Services on the 4th floor. There are only two employees who have access to the vault facilities. The primary access person is an accountant. If he is unavailable, the backup person, a seasonal clerk, is responsible.

In order to obtain the vault key, they must sign the log-out sheet kept by the primary key holder. Once they are finished with the key, they return it and report the time returned key holder in the log.

We observed the location in which the documents are stored and determined it is secure.

The vault's primary access controls include the primary key holder keeping a locked key in her office, with only two staff having access to the Fannie Mae cabinets.

The secondary access controls include a second key held by the Business Services Manager. This key is also only available to two staff members. Based on our observations, controls appear to be in place to prevent unauthorized access by non-custodial employees to custodial facilities and systems.

Written Procedures for Certification and Custody

Procedures

1. Read the following written procedures to assure that they meet Fannie Mae's requirements, as specified in the Requirements for Document Custodians:
    a. Receipt of documents
    b. Registration into the document tracking system
    c. Certification of all required data elements
    d. Verification of all required documents
    e. Process for certification and custody of Fannie Mae cash loans, if applicable
    f. Process for certification and custody of Fannie Mae LTSC Class I and/or Class IV loans, if applicable
    g. Bailee letter processing, if applicable
    h. Satisfaction of prior creditor interests in Fannie Mae loans, if applicable
    i. Process for handling missing/incorrect documents and/or data errors found during the document-to-data review (including communication, tracking, and follow-up until certification or removal)
    j. Document release practices (including execution of Form 2009)
    k. Document reinstatement
    l. Servicing transfers (in and out)
    m. Details regarding how vault access is controlled and secured
    n. Process for moving documents within vault/file room as loans are sold to investors
    o. Process for granting/removing/periodic review (at least annually) of unauthorized access to the document tracking system
    p. Notification to Fannie Mae when users of the Doc Cert application cease to be authorized users.
    q. Certification that Fannie Mae is the controller (eNote custodians only)
    r. Follow-up and receipt of original Form 3269 Balloon Loan Modifications and verification that the document is endorsed in blank (RDC Section 8.5)
    s. Process for monthly quality controls
2. Interview and observe, through staff, to verify that employees have access to and follow written procedures

Results

We obtained and reviewed written procedures for the items identified in the procedures and determined that they meet Fannie Mae requirements. Based on staff interviews and observations, employees are knowledgeable of the written procedures and follow them accordingly.

<u>**Practices – Certification**</u>

Procedures

Determine if there are any new loans during the year. If so, perform the following:

1. Sit with certification staff to review certification practices. Assure that these practices meet Fannie Mae's requirements and the custodian's documented procedures.
2. Verify and document the certification method used by the document custodian.
   a. If certification is performed on an "As Submitted" basis:
      i. Request evidence to show that certification is performed against Form 2005 data obtained from the DocCert application.
      ii. Request evidence to show that all Fannie Mae-required fixed and adjustable rate certification fields are included in the data comparison.
   b. If pre-submission certification (meaning that certification is performed prior to submission of loan data to Fannie Mae) is performed using lender data:
      i. Request evidence to show that data used in pre-submission certification is compared to Form 2005 data obtained from the DocCert application prior to pool certification. This comparison may be an automated comparison (for cash loans, pre-submission data from Loan Delivery should be used). Any exceptions should have been noted and communicated to the lender for resolution prior to transmission of a certification status to Fannie Mae.
      ii. Request evidence to show that all the Fannie Mae-required data fields are included in the data certification process and in the data comparison, if applicable.
      iii. Request evidence that demonstrates how the document custodian ensures that all pre-certified loans are in their possession at the time of pool certification.
      iv. Request evidence that demonstrates how the document custodian ensures that all loans identified as Fannie Mae deliveries are not allocated to any other investor.
3. Request evidence to show that the document custodian validates MBS Corrections in the DocCert application.
4. Request evidence to show that the document custodian has ongoing feedback and communication regarding outstanding items with its lender customers.
5. Verify that all notes are endorsed in blank from the lender. If the document custodian executes, verify presence of a power of attorney allowing them to perform this function.
6. If facsimile signatures are used on blank endorsements:
   a. Obtain and review the Corporate Resolution recognizing the use of such signatures.
7. If the document custodian certifies and holds Fannie Mae cash loans, review the documentation that supports that:
   a. The Custodian sends a cash certification status to the lender; and,
   b. The Custodian maintains records of these notifications.
8. If the Custodian certifies and holds loans delivered as Long Term Standby Commitment (LTSC) Class I and/or Class IV, review the documentation that supports that:
   a. Communicates certification status to the lender; and,
   b. Identifies LTSC Class I and/or Class IV loans in their tracking system with Fannie Mae as the investor after loans are funded.
9. Read the Custodian's practices and policies to assure that all practices and procedures comply with Fannie Mae requirements and any updates are promptly incorporated.
10. If the document custodian certified eNotes, verify that the document custodian's certification practice includes validation that Fannie Mae is the controller for all eNotes.

11. Read the Custodian's procedure and tracking process to assure that the document custodian has a process in place to ensure receipt of the original Form 3269 (Balloon Loan Modification Agreement, endorsed to blank) when certification was based on a certified true copy of this document.

Results

These procedures were not applicable as there were no new loans certified.

Practices – Custody

Procedures

1. Ask the custodian to provide an overview and walk-through of the system they use to track the physical location of all Fannie Mae documents and files. Determine if the system has sufficient controls in place or document any gaps.
2. Determine if the document custodian is able to indentify Fannie Mae loans by a physical location and/or through use of a document tracking system.
3. Determine that appropriate access controls are in place to protect the document tracking system from unauthorized viewing and updating.
4. Haphazardly select 10 loans and request that the document custodian locate and retrieve the loans successfully and timely. This is in addition to the loan sample.

Results

CalHFA maintains physical copies of all Fannie Mae documents and files in file cabinets on the 4th floor. This location does not change and files are not moved. The system has sufficient controls in place in accordance with the guidelines.

CalHFA is able to identify Fannie Mae loans by a specific physical location on the 4th floor, as well as through the use of their document tracking system. There are appropriate access controls in place to prevent unauthorized personnel from accessing the document tracking system.

There are only 2 employees who have access to the document tracking system, and the same two employees are the only ones who have access to the room the Fannie Mae loans are physically held. We selected 10 loans from the Active Loan listing and observed as the Accountant located each note from the file cabinets successfully and timely.

Practices – Funding

Procedures

1. If indicated in the executed Form 2001 that bailee letters are delivered to the document custodian, request evidence that shows that the custodian has a process in place to withhold certification until Fannie Mae has validated and approved the wiring instructions.
2. Inquire if the document custodian issues trust receipts. If yes, obtain evidence that loans are removed from the trust receipts prior to certification.
3. Inquire if loans are self-funded prior to sale to Fannie Mae. If yes, obtain evidence that shows release of interest prior to certification.
4. Inquire if loans are funded through a warehouse line prior to sale to Fannie Mae. If yes, obtain evidence that either bailee letters are submitted to Fannie Mae or release of interest prior to certification.

5. Inquire if loans are funded through a FHLB prior to sale to Fannie Mae. If yes, obtain evidence of release of interest prior to certification.
6. Inquire if loans are funded through a funding facility prior to sale to Fannie Mae.
   a. If yes, determine the name of the facility and verify that funding agreements between the facility and document custodian are on file.
7. Determine if the lender has entered into any inter-creditor (tri-party) agreements.
   a. If yes, determine with whom and verify that copies of the agreements are on file.
8. Inquire if the document custodian has knowledge of, or operational involvement in, satisfying prior creditor interest of Fannie Mae loans. If yes, verify that:
   a. The document custodian has a process in place to ensure that the loans are released prior to funding.
   b. The process is documented in a procedure.
   c. The procedure is testable.

Results
These procedures were not applicable as there were no new loans funded.

Practices – Releases

Procedures
1. Observe the custody staff to conduct a review of document release practices.
2. Determine that the document custodian receives a Form 2009 (Request for Release of Documents) or equivalent prior to document release. Further verify that the form:
a. Contains all the required data elements.
b. Is maintained in either hard copy or electronic format.
   i. If electronic, verify that the Form can be printed in a suitable format upon request.
3. Haphazardly select one loan and request evidence to show that releases are processed only when the Form is signed and dated by authorized personnel.
4. Haphazardly select one loan and request evidence to show that the document custodian includes either Form 2009 or a loan manifest with the release package.

Results
We observed the document custodian staff review of the document release practices and noted that they follow the written procedures provided by Fannie Mae.

The document custodian receives a Request for Release of Documents from the Loan Servicing department prior to the release of documents. The electronic listing contains all necessary elements to accurately release the requested notes. The electronic form is available to be printed in a suitable format upon request.

We observed the FNMA Release Forms folder, which includes all necessary information that is completed and approved before the requested notes are released.

The document custodian maintains a loan manifest that is completed, reviewed, and approved each time documents are released.

Practices – Transfers

Procedures

Determine if there were any loan transfers during the year. If so, perform the following:

1. Inquire if the document custodian processes incoming servicing transfers. If yes, document the following:
   a. Evidence of the recertification completion date(s).
   b. Evidence of a reconciliation of documents to a loan trial balance.
   c. Evidence that the custodian completes the recertification of loans within the 6-month period required by Fannie Mae.
   d. Evidence of tracking system's ability to indicate whether pools have been recertified following an incoming transfer.

Results

These procedures were not applicable as there were no incoming loan servicing transfers during the period.

Practices – Monthly QC

Procedures

1. Verify through observation that the document custodian has a monthly QC process in place.
2. Request evidence that for each monthly QC over the past 12 months, the following documents have been retained:
   a. Loan sample list (including product type and certifier)
   b. Findings Report
   c. Evidence that the Findings Report was reviewed by document custody management staff
   d. Remediation evidence for all issues identified
3. Verify that the document custodian's documented procedures for the monthly QC include details on how to determine the loan sample size. Verification should include the method used for the regular monthly QC sample and the method(s) used when additional sampling is required (added) if:
   a. The previous three months QC identified systemic errors or errors related to an individual certifier.
   b. The overall error rate exceeds 3% for three consecutive months.
4. Provide a summary of the method(s) used to determine sample size.
5. Verify that the monthly QCs for the previous 12 months meet the sample size requirements outlined in the document custodian's documented procedures.

Results

We obtained and reviewed the monthly QC procedures put in place by the Document Custodian. Since CalHFA has not had any new loans since 2007, they are exempt from performing the monthly loan testing. We obtained and reviewed documentation of this exemption.

Disaster Recovery

Procedures

1. Request evidence of the existence of the custodian's (or affiliated entity's) written business continuity/disaster recovery plan.
2. Ensure through review that the plan:
   a. Identifies critical functions and resources.

b. Covers procedures and responsibility assignments, including a "Call Tree" to identify whom to call during an emergency and in what order.
c. Includes provisions for off-site retention of critical systems and data file resources.
d. Outlines a plan for the existing documents in the vault in the event of fire, water damage or any other disaster such that there is a need to move documents to a back-up facility or restore the documents.
e. Includes alternate processing facilities, and network and telecommunication capabilities.
f. Covers restoration of facilities and backup and recovery of data processing systems.

3. Request evidence to show that the business continuity/disaster recovery plan is tested at least annually and note the date of the last test.

Results

We obtained and reviewed CalHFA's written Business Continuity Plan and Disaster Recovery plan.

We ensured the plan included all required information identified in the procedure above. We obtained confirmation that CalHFA is in compliance with all FNMA Security Reporting requirements and noted their most recent plan was submitted in March 2014. We verified that the disaster recovery plan is tested annually, noting the date of the last test was September, 27, 2013.

* * *

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on compliance and financial reporting of the California Housing Finance Agency. Accordingly, we did not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of California Housing Finance Agency and Fannie Mae and is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Bellevue, Washington
July 17, 2014

CalHFA Schedule of Audits

	Fund or Program	Audit or agreed-upon procedure	Frequency	Fiscal Year or Calendar Year	Audit occurs during	Audit completed by	Distribute report to Audit Committee	Audit committee meeting to discuss results	Conducted by:	Contract expiration date
1	Housing Loan Insurance Fund	Financial Audit	yearly	Calendar	March	April	May	May	CliftonLarsonAllen	Dec-15
2	Fannie Mae document custodian audit	Compliance Audit	yearly	Calendar	May	July	September	November	CliftonLarsonAllen	Dec-15
3	Housing Finance Fund	Financial Audit	yearly	Fiscal	June, July and September	October	November	November	CliftonLarsonAllen	Dec-15
4	CHDAP Prop 1C	Agreed-upon procedure	yearly	Fiscal	July	August	September	November	CliftonLarsonAllen	Dec-15
5	Single Audit of all major Federal Programs (i.e. Section 8) and reporting of non-major federal programs	Compliance Audit	yearly	Fiscal	July and September	October	November	November	CliftonLarsonAllen	Dec-15
6	Financial Adjustment Factors (FAF) audit	Compliance Audit	every 3 years - next audit FY 2014-15	Fiscal	July and September	October	November	November	CliftonLarsonAllen	Dec-15
7	State Audit of Agency Administered Programs or procedures related to the overall yearly audit of the State of California	Compliance Audit	yearly and at least every two years for specific programs	Fiscal	varies - determined by California State Auditor	varies - determined by California State Auditor	next scheduled Board/Audit Committee meeting	next scheduled Board/Audit Committee meeting	California State Auditor	N/A
8	IRS examination of debt issuances	Compliance with Federal tax requirements	Specific debt issuance as chosen by the IRS	Issuance to full redemption date of tax-exempt bond	varies - determined by IRS	varies - determined by IRS	next scheduled Board/Audit Committee meeting	next scheduled Board/Audit Committee meeting	Internal Revenue Service	N/A

State of California

MEMORANDUM

To: CalHFA Board Members **Date:** September 4, 2014

Lori Hamahashi, Comptroller

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: Report 5H - Results of California Homebuyer's Downpayment Assistance Program (CHDAP) Proposition 1C Agreed-Upon Procedures Engagement performed by CliftonLarsonAllen

At CalHFA's request, CliftonLarsonAllen has performed agreed-upon procedures on CHDAP loans to verify Proposition 1C disbursements were made in accordance with program requirements.

Attached is the report for the fiscal year ending June 30, 2014 stating there are no audit findings or management letter items to report. This means that for the sample of loans tested each loan funded met the program requirements.

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CliftonLarsonAllen

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors
California Housing Finance Agency
Sacramento, California

We have performed the procedures enumerated below, which were agreed to by the California Housing Finance Agency (the Agency) solely to assist you with respect to the disbursement of Proposition 1C Funds by the Agency in accordance with the requirements of the California Homebuyer's Down Payment Assistance Program for the year ended June 30, 2014. The Agency's management is responsible for the disbursement of the Proposition 1C Funds. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedures
Our procedures were as follows:

1. Obtain and read the California Homebuyer's Down Payment Assistance Program (CHDAP) guidelines.
2. Obtain the CHDAP Commitment/Disbursement schedules for the fiscal year ending June 30, 2014. Haphazardly select a sample of 25 loans for testing.
3. Read the eligibility requirements for CHDAP loans, program announcements and commitments.
4. For each selected CHDAP loan, determine if the amount of funds committed/disbursed was used for the specified purpose, as specified in the approved loan application. Determine if the borrower qualifies based on income level and sales price, or other criteria that may be established by CHDAP as provided in the eligibility requirements obtained in Step 3.
5. For each selected CHDAP loan, determine that the proper loan agreement/lien was recorded against the property by agreeing the recorded loan/lien with the amount listed in the disbursement schedule.

Results
We did not identify any exceptions with respect to the disbursement of Proposition 1C Funds in accordance with the California Homebuyer's Down Payment Assistance Program.

***

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the disbursement of the Proposition 1C Funds in accordance with the California Homebuyer's Down Payment Assistance Program. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the California Housing Finance Agency and is not intended to be and should not be used by anyone other than these specified party.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Bellevue, Washington
August 4, 2014

BOARD GOVERNANCE TRAINING
California Housing

September 16, 2014

ClifftonLarsonAllen

CLAconnect.com

Nancy Jones
Principal

Objectives

Accountability and Fiduciary Responsibility

Understanding fiduciary duty

Specifics for the California Housing Finance Agency Board

Understanding how to govern your agency accountably and responsibly

California HFA Role

- Make financing opportunities available:
  - Construction, acquisition, and rehabilitation of multifamily housing for persons of low and moderate income
  - Single Family homeownership for persons of low and moderate income
- 3 active lines of business:
  - Single family lending
  - Multifamily lending
  - Contract administered programs

Determining Different Roles

- Governance is the ultimate responsibility of the board, while the responsibility of the staff is management.
- The Board is responsible for overall supervision and control of operations, while the Executive Director is responsible for day to day operations.

Historical Role of the CalHFA Governing Board

- Enact Financing Resolutions at beginning of each year permitting issuance of bonds and related matters
- Annually review approve and adopt the Agency's operating budget and business plan
- Renew and approve contracts over $1 million and any multifamily projects over $4 million

Purpose of the Governing Board

- Purposes for the board of directors
  - To provide organizational oversight
  - To maintain accountability to the public and the law
- The Board must ensure:
  - The Future
  - The Mission
  - Effective Governance
  - Effective Operations

Governance Responsibilities

- Establishing mission and philosophy
- Planning
- Supervision of the Governor appointed Executive Director
- Ensuring adequate resources and managing them effectively
- Setting policies to effectively guide operations and programs
- Reviewing financial and programmatic performance as compared to objectives

Governance Responsibilities (cont'd)

- Organization of the board to work effectively
- Ensuring legal and ethical integrity

What Does the Law Require?

- Duty of Care
  - Diligence and attentiveness to board responsibilities. Act as "an ordinarily prudent person" would "in a like position and under similar circumstances."
- Duty of Loyalty
  - Faithful pursuit of the interests of the organization rather than personal interests or the interest of another person or organization.
- Duty of Obedience
  - Act with fidelity, within the bounds of law generally, to the organization's mission.

Duty of Care

- Attend meetings and actively participate in the work of the board
- Scrutinize the work of committees having authorization of the board
- Participate in board actions. If you are there, you are responsible
- Know the books and records
- Protect the organization's assets consistent with restrictions and legal requirements

Duty of Care (cont'd)

- Assist the organization in obtaining adequate resources
- Honor your duty to investigate and report potential theft or mismanagement

Duty of Care (cont’d)

- Ensure financial accountability:
  - Oversee the Agency’s Executive Director
  - Check that resources are used prudently
  - Ensure:
    - ◊ accurate records are prepared
    - ◊ appropriate segregation of duties are maintained, and
    - ◊ internal controls are appropriate
- Ensure there is a record of decision making in board minutes

Duty of Loyalty

- Avoid conflicts of interest or the appearance of such conflict. If questions arise, the burden of proof that no conflict exists lies with the board member
- Abide by the written policy on avoiding conflicts of interests

Duty of Loyalty (cont'd)

- Do not divert a corporate business opportunity for your own personal gain
- Consider the rules of the Internal Revenue Code regarding self-dealing as guidance
- Consider not taking gifts from individuals or entities subject to the Agency's jurisdiction:
  - Limit of $440 per calendar year
  - Disclosure required if amount from one source totals $50 or more

Additional Requirements

- Open Meeting Act
- Duty of Disclosure of Economic Interests

Open Meeting Requirement

- Meetings conducted in public with 10 days advance notice
- Only vote on matters properly noticed and on agenda
- Majority cannot communicate with each other for Cal HFA business except in open meeting
- Closed sessions are limited – authorized by law and on agenda
- Emergency meetings can have less than 10 days notice under special circumstances

Duty of Disclosure of Economic Interests

- Rely on Agency's Form 700 yearly disclosure requirement
- Any financial interest in matter before the Board for a decision must be disclosed on record and must recuse from deliberations
- Reporting obligation if:
  - Knew, or
  - Should have known

Financial Reporting Responsibilities

- Three main groups responsible for quality of financial reporting:
  - Governing Body
  - Financial Management
  - Independent Auditors

Financial Oversight

Financial oversight is a core responsibility of the board

That means that ALL board members:

- Have equal and shared fiduciary responsibility for the organization
- Understand the content and significance of financial statements and audit

Financial Oversight (Cont'd)

- Ensure the protection and appropriate use of the organization's assets
- Establish program revenue and expense objectives which are consistent with the mission of the organization
- Insist on income-based spending
- Thoroughly discuss and adopt an annual budget that reflects the financial objectives and strategies of the organization before the beginning of its fiscal year

Financial Oversight (cont'd)

- Review financial statements regularly and compare them to budget. Ensure that you account for significant variances and require timely course adjustments as needed
- Ensure that strong and appropriate internal financial controls, processes, and practices are in place
- Establish appropriate financial policies to guide organization operations
- Where possible, establish an operating reserve to finance cash shortfalls and program growth

Financial Oversight (cont'd)

- Assess annual audit implications and approve action plans to strengthen performance
- Establish and monitor a system to ensure that the organization is in compliance with all relevant financial laws and regulations
- Establish adequate risk management mechanisms

Financial Oversight Responsibilities

- Provide quarterly review of financial statements
- Oversee financial operations:
  - Budgeting
  - Policy development
  - General financial planning – current and long-term
- Be alert to signs of financial problems
- Risk assessment
- Investment
- Audit oversight

Two Advisory Committees

- Audit
- Executive Evaluation Committee

Audit Responsibilities

- Select audit firm and define service expectations
- Discuss scope and timing of work with auditor
- Respond to audit findings and recommendations
- Present annual financial statements
- Review conflicts between auditors and management
- Review audit letters that are received in addition to the audit report

Role of Audit Committee

- Makes recommendations for selection and retention of auditors
- Review audit findings
- Reports to the Board

Audit Committee Best Practices - Characteristics

- Possess a basic understanding of governmental financial reporting and auditing
- Have access to at least one financial expert
- Enough members to ensure meaningful discussion and deliberation – minimum of 3
- Exercise professional skepticism

Audit Committee Best Practices - Duties

- Provide independent review and oversight of financial reporting processes, internal control and independent auditors
- Establish procedures for receipt, retention and treatment of complaints regarding accounting , internal control, or auditing matters.
- Annually present to the full Board – written report of how it discharged its duties and met its responsibilities

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