

MEMORANDUM

To: Board of Directors

Date: January 14, 1999



Kenneth R. Carlson, Director of Financing

From: CALIFORNIA HOUSING FINANCE AGENCY

Subject: REPORT OF SINGLE FAMILY MORTGAGE BOND II SALE

On January 13, 1999 the Agency and the State Treasurer priced \$207,130,000 of Single Family Mortgage Bonds to be delivered January 28th. The interest rates, including 5.20% for a 30-year triple-A tax-exempt bond, are the lowest we have ever achieved. Lendable proceeds of approximately \$160 million from Series 1998 B and 1999 A will be used to fund over 1,450 home loans our lenders are originating at interest rates ranging from 6.00% to 6.25%.

The bonds consist of four series as shown in the table below. 1998 Series B bonds represent the remaining portion of a one year convertible option bond we sold last March that is now being remarketed. 1999 A-1 and A-2 are replacement refundings of prior bonds and include approximately \$13 million of new money. The taxable components (1999 A-3 and A-4) combine to make up half of the lendable proceeds. The A-4 bonds are structured in a variable rate mode to help reduce our taxable cost of funds. These bonds will have interest rates that will reset weekly through an auction process.

The 1999 Series B bonds of \$42,330,000 will be issued as a one-year callable note to be refunded sometime over the next 12 months. 1999 Series C is a short term bond we are including at the request of California Department of Veterans Affairs. This bond will serve to preserve \$4.8 million of authority for them until their next bond issue. They will reimburse us for our costs associated with this series.

This issue is our sixth utilizing a structure where the bonds are divided into three classes or tranches each with separate credit ratings, as shown in the second table. Of the \$207,130,000 of bonds, \$136,000,000 are naturally rated Aaa/AAA by Moody's and Standard & Poor's because of the senior position they hold within the structure of the bonds. Both rating agencies have recently upgraded our agency general obligation rating to Aa3 and AA- respectively. This is the first time that CHFA general obligation bonds have been marketed based solely on our general obligation ratings, without the added cost of bond insurance or other credit enhancement. The one year portions (1999 B & C) have the highest short-term ratings from both Moodys and S & P.

Series	Amounts	Interest Rates	Maturities	Tax Status
1998 Series B	\$28,440,000	5.15-5.20%	8/1/19-8/1/30	AMT (remarketed)
1999 Series A-1	8,180,000	5.00%	8/1/17	Non-AMT
1999 Series A-2	43,380,000	4.80-5.25%	8/1/12-211/30	AMT
1999 Series A-3	50,000,000	5.89%	8/1/19	Taxable
1999 Series A-4	30,000,000	to be determined	8/1/15	Taxable
1999 Series B	42,330,000	3.00%	2/1/00	AMT
1999 Series C	4,800,000	5.00%	2/1/31	Taxable
TOTAL	\$207,130,000			

CREDIT CLASS	\$ AMOUNT	CREDIT RATINGS	
		Moody's	S & P
Class I	\$136,000,000	Aaa	AAA
Class II	8,000,000	Aa2	AA
Class III*	16,000,000	Aa3	AA-
Class IV	47,130,000	MIG-1	SP-1+

* backed by CHFA general obligation