

MEMORANDUM

To: Board of Directors .

Date: January 19, 2000



Kenneth R. Carlson, Director of Financing

From: CALIFORNIA HOUSING FINANCE AGENCY

Subject: REPORT OF BOND SALE AND RELATED INTEREST RATE SWAPS
HOME MORTGAGE REVENUE BONDS 2000 SERIES ABCDE

Building on our November experience, we have now arranged our second and third interest rate swaps. These two swaps, totaling **\$127.5** million, are part of a **\$174.8** million single family transaction. Interest rates on the swaps as well as on **\$42.5** million of bonds were set on January **12**. The entire issue will be delivered on January **27** and will consist of **\$42.5** million of fixed-rate tax-exempt bonds, **\$127.5** million of variable rate bonds (swapped to fixed) and a **\$4.8** million taxable note.

There are many similarities to our November deal: the "new money" portion is the same size (**\$170** million); one-half of this portion of the transaction (**\$85** million) is taxable; the taxables are being issued in variable rate form and swapped to a fixed rate; and "zero coupon" tax-exempt bonds are again being employed so that taxable bonds can be paid down more quickly.

What is different about this transaction is that not just the taxable bonds, but also one-half of the tax-exempt bonds are being issued at a variable rate and swapped to a fixed rate. Because the interest rate savings from swapping out tax-exempt bonds is higher than for taxable bonds, our use of the swap market for this transaction is resulting in a significantly larger estimated savings than we enjoyed in our November deal. The estimated savings for this transaction is approximately 0.60% of interest for the deal as a whole, compared to the alternative of our issuing all fixed-rate bonds. This reduced cost of funds enables us to keep our best rates in the mid-6% range for our lowest-income borrowers, despite recent general increases in interest rates.

Most of the swap-related interest rate savings was achieved through the tax-exempt swap. We chose to maximize savings there by assuming the risk that federal tax laws will not be fundamentally changed for a sustained period during the swap's 13-year average life. This is the same risk our investors take every time they purchase a fixed-rate tax-exempt bond or we take whenever we issue a variable-rate tax-exempt bond and do not swap it out. With the help of our swap advisor and our investment bankers, we have analyzed this risk in depth and have concluded that we can prudently absorb this risk for some portion of our debt.

Other Matters

Remarketing Risk: The California State Teachers' Retirement System has again joined with a highly-rated German bank to provide liquidity in the unlikely event that our **\$127.5** million of variable rate bonds are "put" back to us by investors and new investors cannot be found.

Credit Enhancement: All the bonds (except for Series E) are being insured and will carry the triple-A ratings of the insurer.

Veterans' Portion: Series E is a taxable convertible option bond included at the request of California Department of Veterans' Affairs. This bond is similar to the two we did last year and will preserve another \$4.8 million of tax-exempt authority until it is refunded by their next bond issue. They will reimburse us for our costs associated with this series.

Series	Amounts	Interest Rates	Maturities	Tax Status
2000 Series A	\$7,985,000	4.85 - 5.50%	8/1/00-8/1/11	Non-AMT
2000 Series B	34,514,877.75	4.65 - 6.85%	8/1/02-8/1/31	AMT
2000 Series C	42,500,000	4.85*	8/1/31	AMT
2000 Series D	85,000,000	7.195*	8/1/19	Taxable
2000 Series E	4,800,000	6.65%**	8/1/31	Taxable
Total	\$174,799,877.75			

CHFA Business Plan

Mid-year Status Report

SF Programs	1999/00	2000/01	2001/02	2002/03	2003/04
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F Loans	\$1,000M	\$1,000M	\$1,000M	\$1,000M	\$1,000M
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HAT Programs

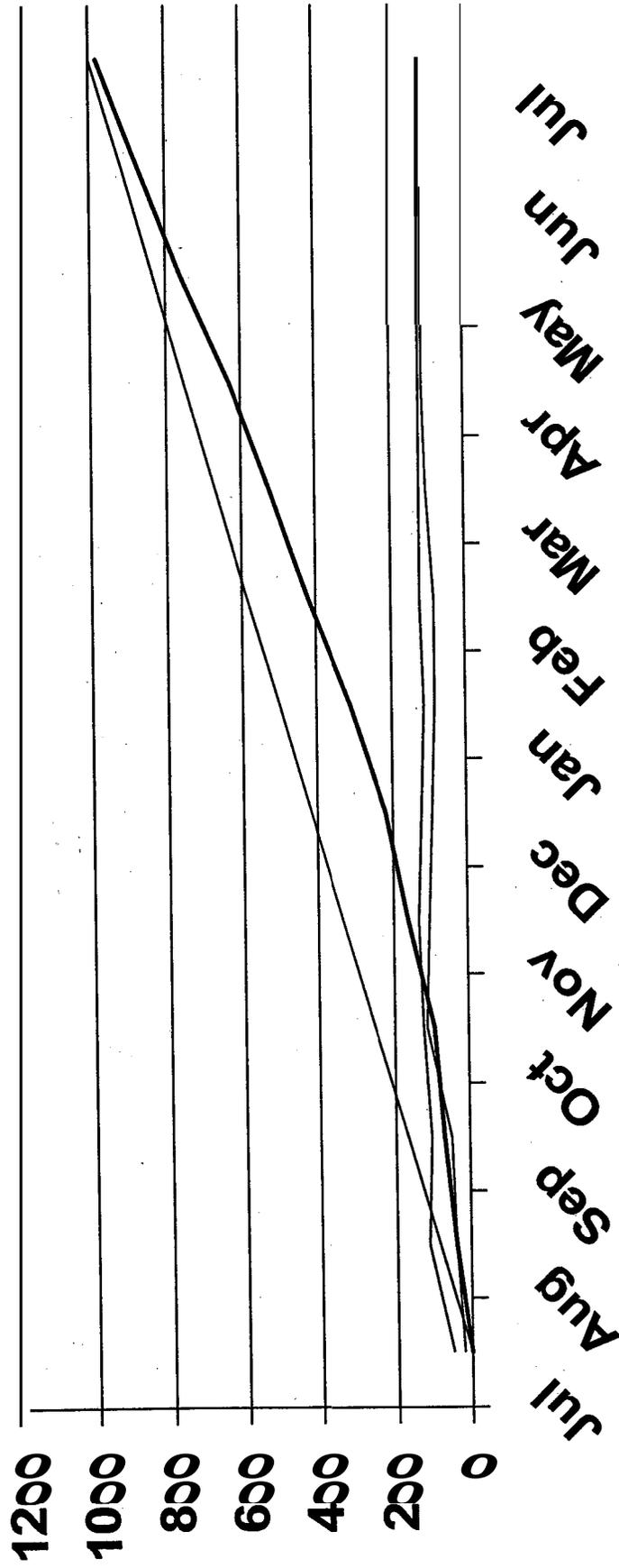
Self Help	\$2M	\$2M	\$2M	\$2M	\$2M
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Mortgage Assistance

Mortgage Assistance	\$5M	\$5M	\$5M	\$5M	\$5M
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Totals	\$1,007M	\$1,007M	\$1,007M	\$1,007M	\$1,007M
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1999/2000 SF Business Plan



— Goal — Purchase — Reservation — Purchase

CHFA

Interest Rate Schedule

	CHFA	AHPP
Statewide Moderate	7.5%	N/A
Income	7.0%	6.75%
Hi Cost Low	7.25%	N/A
Income	6.75%	6.5%

MULTI FAMILY PROGRAMS

	1999/00	2000/01	2001/02	2002/03	2003/04
New Const	\$70M	\$70 M	\$70 M	\$70 M	\$70 M
Acq/Rehab	\$30M	\$30 M	\$30 M	\$30 M	\$30 M
Special Needs	\$ 6 M				
Preservation	\$20 M				
Totals	\$12ε M				

FY 1999/2000

	Commitments	Applications	Total	Goal
New Const	\$13.5 M	\$0 M	\$13.5 M	\$70 M
Acq/Rehab	\$1.5 M	\$1.4 M	\$2.9 M	\$30 M
Special Needs	\$0 M	\$7.4 M	\$7.4 M	\$6 M
Preservation	\$43.8 M	\$102.6 M	\$146.4 M	\$20 M
Totals	\$58.8 M	\$111.4 M	\$170.2 M	\$126 M
HAT Programs	\$1.2 M	\$11 M	\$12.2 M	\$29 M

Single Family Objectives

Purchase \$1 billion single family loans:
(Requires PAB & leveraging)

Loan fund availability 365 days a year

Equitable distribution of loan funds statewide

Balanced utilization of loan funds between
resale and new construction

Mulhi Fami Objectives

Alternative Lender

- * Long term, fixed rate, below market loan
- * Special Needs financing
- * Preservation financing
- * Rate & product neutral

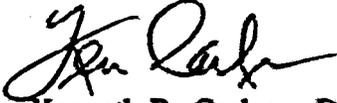


REPORTS.

1.	REPORT OF SINGLE FAMILY BOND <i>SALE</i> HOME MORTGAGE REVENUE BONDS. 1999 SERIES NOPQ.....	1002
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M E M O R A N D U M**To:** Board of Directors**Date:** January 6, 2000**Kenneth R. Carlson, Director of Financing****From:** CALIFORNIA HOUSING *FINANCE* AGENCY**Subject:** REPORT OF SINGLE FAMILY BOND SALE
HOME MORTGAGE REVENUE BONDS, 1999 SERIES NOPQ

I am pleased to report that we have done our first interest rate swap in conjunction with \$85 million of variable rate taxable bonds issued as part of a recent \$221.6 million single family transaction. Present value savings from using this technique is conservatively estimated at \$1.3 million, compared to issuing the taxable bonds at a fixed rate. Given how few buyers there are of long-term taxable housing bonds, accessing the much larger floating rate market and swapping to a fixed rate makes good economic sense.

The overall transaction also includes another \$85 million of tax-exempt fixed rate bonds and \$51.6 million of tax-exempt variable rate bonds. The transaction has two purposes: first, to provide approximately \$170 million of funds for new loans, and second, to reduce our debt service costs on \$51.6 million of 10-year-old bonds.

New Money

The \$170 million "new money" portion of the financing was structured in a similar way to that of the four previous transactions, with a 50/50 blend of tax-exempts and taxables. The tax-exempts were primarily structured as "zero coupon" bonds so that mortgage interest payments can be used to sink out the higher-interest-rate taxables. As before, even though the taxables were issued in variable rate form and swapped to a fixed rate, the taxables were structured as "planned amortization class" bonds with an amortization schedule and a relatively short (5-1/2 years) average life. The swap amortization matches that of the bonds.

Economic Refunding

The \$51.6 million of tax-exempt economic refunding bonds was issued in variable rate form without an interest rate swap. This structure is the same as we used last June for an even larger economic refunding. The wide spread between the old high-rate mortgages being transferred over and today's tax-exempt variable rates generates a significant economic savings that enables us to continue to provide our lowest rates for new mortgages to low-income first-time homebuyers in spite of our 50/50 blend of taxable bonds.

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Other Matters

Remarketing Risk: I am especially pleased to report that the **California State Teachers Retirement System** has joined with a highly-rated German bank to provide liquidity in the unlikely event that our \$136.6 million of variable rate bonds are "put" back to us by investors and new investors cannot be found.

Credit Enhancement: The \$170 million of new money bonds are all insured and carry the triple-A ratings of the insurer. The \$51.6 million of tax-exempt variable rate refunding bonds were not insured and thus carry the Aa2/AA- ratings of the Home Mortgage Revenue Bond indenture.

Series	Amounts	Interest Rates	Maturities	Tax Status
1999 Series N	\$ 85,000,240.07	4.10 - 6.30%	8/1/31	AMT
1999 Series O	85,000,000.00	6.655% ⁽¹⁾	8/1/12	Taxable
1999 Series P	25,135,000.00	Variable - 2.35% ⁽²⁾	8/1/15	Non-AMT
1999 Series Q	26,485,000.00	Variable - 2.40% ⁽²⁾	8/1/19	AMT
Total	221,620,240.07			

(1) Swap rate

(2) Rate for week of 1/5-1/11

MEMORANDUM

To: Board of Directors

Date: January 6, 2000



Ken Carlson, Director of Financing

From: CALIFORNIA HOUSING FINANCE AGENCY

Subject: Update on Variable Rate Bonds

As shown in the table below, the new net amount of variable rate bonds is **\$411.6** million, only **6.75%** of CHFA's entire estimated February **1, 2000** indebtedness of **\$6.1** billion. This is but a small increase **from the 6.5%** ratio reported at the November **Board** meeting. **By** "net amounts" we mean variable rate bonds that **are** not backed by complementary variable rate loans or not swapped **to fixed rates**.

Net variable rate bonds outstanding in November
(excluding bonds backed by variable **rate** loans) **\$384.1** million

Additional variable **rate** bonds
issued in December **\$136.6** million
expected **to be** issued in **January** **\$127.5** million

Less:

New variable **rate** bonds swapped **to fixed** rates
in November - \$ **85.0** million
in **January** (expected) - **\$127.5** million

Variable **rate** bonds **called** for redemption on Feb. **1** **-\$ 24.1** million

Net variable **rate** bonds **outstanding** in February **\$411.6** million
(excluding **bonds** backed by variable **rate** loans
or swapped **to fixed** rates)

While we **are** adding **\$264.1** million of variable **rate** bonds, **\$212.5** million is being swapped **to fixed** rates. These **interest rate** swaps **are** generating **significant** debt service savings in comparison **to** our alternative of **issuing** fixed-rate bonds. **This** savings will help us **continue** **to** offer exceptionally low **interest** rates (in the **mid-6%** range) **to** borrowers who meet the income requirements for **our** lowest rates.

Of the **\$212.5** million **being** swapped, **\$170** million is related **to** taxable bonds, where we have had the **most** difficulty in **finding** investors for fixed-rate **bonds**.

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The remaining \$51.6 million of new variable rate bonds represents our continued strategy of employing variable rate debt (**unswapped**) for economic refundings. These **refunding** bonds **are** backed by 10-year-old, relatively high-interest-rate loan portfolios that continue to pay **down** rapidly. **This** strategy generates significant debt service savings (**that we are** using to keep **our** loan rates low) without adding to **our** long-term **risks**. The \$51.6 million of new bonds is offset, in part, by a **\$24.1** million February 1 **redemption** of other variable rate **bonds**, resulting in a net addition of only \$27.5 million.

The table below **summarizes our risk** position as of February 1. **Since** the November Board meeting **our** modest **increase** in net variable rate risk **has** been entirely on the short-average-life side.

NET* VARIABLE RATE DEBT AS OF FEBRUARY 1, 2000

	<u>Tax-Exempt</u>	Taxable	Totals
.Short average life	\$170.0 million	\$108.2 million	\$278.2 million
Long average life	<u>\$ 13.6 million</u>	<u>\$119.8 million</u>	<u>\$133.4 million</u>
TOTALS	\$183.6 million	\$228.0 million	\$411.6 million

* Excluding **\$73.9** million of variable rate bonds backed by variable rate loans and \$212.5 million being swapped to **fixed** rates.

MEMORANDUM

Board of Directors

Date: January 6, 2000



Ken Carlson, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**Subject: 1999 **END-OF-YEAR BOND SALE SUMMARY**

Attached **are** tables showing **CHFA** bonds issued over the **last** five years **and** more detailed summaries of **our** 1999 bond transactions. Note that 1999 **has** proved to **be our** busiest year ever in terms of dollar volume with \$1.4 billion of bonds sold or **remarketed**, including \$1.35 billion for single family and **\$44.5** million for the multifamily program.

During the year we sold **\$449.1** million of taxable **bonds**. Of **this** amount, \$402.5 million was sold to expand our supply of **bond** proceeds for single family loans through **taxable/tax-exempt** blending. Another \$35.2 million was issued to refund old high-interest rate single family bonds, and \$11.4 million was issued for the California Department of Veterans Affairs.

Of interest **also** is the \$329.6 million of new variable rate bonds we issued to **reduce our** overall cost of funds in three of **our six** single family transactions. **Of this** amount, \$179.3 million was **issued** in tax-exempt form, and \$150.3 million taxable. A **total** of \$115 million was issued **to** provide funds for new loans and \$214.6 million to refund old high-interest-rate bonds.

Interest rates rose throughout the year, with rates for **our** 30-year tax-exempt **bond** ranging from a low of **5.25%** last January to a **high** of 6.30% in November. In comparison, rates for **our** 30-year **bond** ranged from **5.25% to 5.55%** during 1998.

Financing Innovations in 1999

There were four notable **financing** innovations **this** past year, **as** follows:

- Sale of **CHFA** general obligation **bonds** without credit enhancement. In the past, **CHFA** **has** always **wrapped** its general obligation **bonds** with third-party credit enhancement such **as** **bond** insurance. However, **this** year we sold a **total** of **\$66.5** million of **unenhanced** CHFA **G.O. bonds**, **including** **all** of **our** multifamily **bonds**, solely relying **on our** Aa3/AA- issuer credit ratings. **This** proven acceptance by investors of **our** G.O. ratings demonstrates **our** **added** financial independence.

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- **Use** of tax-exempt **capital appreciation bonds (CABs)**. **This** year five of our **six** single family **issuances** included a total of **\$244** million of CABs, or "zero coupon bonds". CABs enable us to defer payment of tax-exempt bond interest; as a result, we are able to use mortgage interest to pay down the principal of **higher-cost taxable bonds**. The overall effect is a **significant** savings in debt **service costs**.
- Issuance of tax-exempt variable rate **economic refunding bonds**. **During** the year we **issued a total** of **\$179.3** million of these **bonds** for our single family program. The concept here **has been to maximize** the savings related to high-interest-rate 10-year-old loan portfolios that **are** paying **off** quickly. The savings is being **used to help us keep our** new loan rates as **low as** possible, despite **the fact that our** new money transactions **are comprised** of **equal amounts** of taxables and tax-exempts.
- **Use** of an interest rate swap. **As** discussed in more detail in separate **reports**, in November we arranged **an \$85** million fixed-payoff interest rate swap designed to **reduce our** taxable cost of **funds**.

Attachments

CALIFORNIA HOUSING FINANCE AGENCY
 FIVE-YEAR SUMMARY
 BOND ISSUES FROM 1995 TO 1999

AS OF
 06-JAN-2000

YEAR	PROGRAM	PRIVATE ACTIVITY BOND ALLOCATION RECEIVED	BONDS SOLD CH		TOTAL	END OF YEAR BONDS OUTSTANDING *
			TAX-EXEMPT	TAXABLE		
1995	Single Family	\$475,000,000	\$786,350,000	\$108,310,000	\$894,660,000	\$3,351,462,895
	Multi-family	0	\$61,400,000	\$25,353,000	\$86,753,000	\$663,856,292
	SUBTOTAL	\$475,000,000	\$847,050,000	\$133,663,000	\$981,415,000	\$4,015,319,187
1996	Single Family	\$403,000,000	\$998,040,000	\$142,040,000	\$1,140,780,000	\$3,971,244,136
	Multi-family	\$20,200,000	\$54,120,000	0	\$54,120,000	\$653,680,000
	SUBTOTAL	\$446,000,000	\$1,052,160,000	\$142,740,000	\$1,194,900,000	\$4,604,924,136
1997	Single Family	\$317,512,970	\$784,355,000	\$282,700,000	\$1,056,055,000	\$4,424,670,461
	Multi-family	\$147,575,000	\$147,575,000	0	\$147,575,000	\$815,770,000
	SUBTOTAL	\$465,087,970	\$931,930,000	\$282,700,000	\$1,203,630,000	\$5,240,440,461
1998	Single Family	\$200,000,000	\$744,589,271	\$444,730,000	\$1,200,309,000	\$4,840,289,570
	Multi-family	\$56,060,000	\$172,425,000	0	\$172,425,000	\$85,250,000
	Undesignated	\$28,862,068				
SUBTOTAL	\$284,922,068	\$917,014,271	\$445,720,000	\$1,372,734,271	\$5,701,539,570	
1999	Single Family	\$266,314,568	\$909,576,435	\$449,165,000	\$1,358,741,435	\$5,198,938,820
	Multi-family	\$36,782,000	\$44,535,000	0	\$44,535,000	\$852,025,000
	SUBTOTAL	\$303,096,568	\$954,111,435	\$449,165,000	\$1,403,276,435	\$6,050,963,820
5-YEAR TOTALS		\$1,874,106,606	\$4,708,965,706	\$1,453,980,000	\$6,155,855,706	10008

* Bonds outstanding as of December 1, 1999

CALIFORNIA HOUSING FINANCE AGENCY
1999 BOND SALE SUMMARY.

	SINGLE FAMILY	MULTIFAMILY	TOTAL
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Tax-Exempt Bonds			
Variable Rate	\$179,330,000	\$0	\$179,330,000
Fixed Rate	200,755,000	44,535,000	\$245,290,000
CABS	244,071,435	0	\$244,071,435
Notes	285,420,000	0	\$285,420,000
	-----	-----	-----
SUBTOTALS	\$909,576,435	\$44,535,000	\$954,111,435
Taxable Bonds			
Variable Rate	\$150,265,000	\$0	\$150,265,000
Fixed Rate	287,500,000	0	\$287,500,000
Notes	11,400,000	0	\$11,400,000
	-----	-----	-----
SUBTOTALS	\$449,165,000	\$0	\$449,165,000
TOTAL	\$1,358,741,435 =====	\$44,535,000 =====	\$1,403,276,435 =====

ISSUANCE/ REMARKETING DATE	BOND INDENTURE AND SERIES	TAX-EXEMPT BONDS		TAXABLE BONDS	
		\$ AMOUNT	RANGE OF RATES OR AVERAGE RATE	\$ AMOUNT	RANGE OF RATES OR AVERAGE RATE
				TOTAL	
		\$ AMOUNT	RANGE OF RATES OR AVERAGE RATE	\$ AMOUNT	\$ AMOUNT
Single Family Bonds					
1/28/00	Single Family Mortgage Bonds II 1998 Series B (remarketing) 1999 Series A-1 1999 Series A-2 1999 Series A-3 1999 Series A-4 (variable) 1999 Series B 1999 Series C (note)	\$28,440,000.00 8,180,000.00 43,380,000.00 -0- -0- 42,330,000.00 -0-	5.15% - 5.20% 5.00% 4.80 - 5.25% N/A N/A 3.00% N/A	-0- -0- -0- 50,000,000.00 30,000,000.00 -0- 4,800,000.00	N/A N/A N/A 5.88% 5.043% N/A 5.00%
	SUBTOTAL	\$122,330,000.00		\$64,800,000.00	\$207,130,000.00
1/14/99	Home Mortgage Revenue Bonds 1999 Series A 1999 Series B 1999 Series C 1999 Series D (note)	\$13,738,054.80 48,761,927.88 -0- \$33,860,000.00	5.23% 3.10% - 5.48% N/A 3.02	-0- -0- \$62,500,000.00 -0-	N/A N/A 6.25% N/A
	SUBTOTAL	\$96,359,982.68		\$62,500,000.00	\$158,859,982.68
6/15/91	Home Mortgage Revenue Bonds 1999 Series E 1999 Series F 1999 Series G 1999 Series H (variable) 1999 Series I (variable) 1999 Series J (variable)	\$5,999,233.68 44,000,542.55 -0- -0- 22,460,000.00 105,250,000.00	5.50% 3.75% - 5.70% N/A N/A 3.023% 3.104%	-0- -0- 50,000,000.00 35,265,000.00 -0- -0-	N/A N/A 6.87% 5.448% N/A N/A
	SUBTOTAL	\$177,709,776.23		\$85,265,000.00	\$262,974,776.23
7/29/99	Single Family Mortgage Bonds II 1999 Series D-1 1999 Series D-2 1999 Series D-3 1999 Series E (note) 1999 Series F (note)	\$9,510,000.00 40,488,074.20 -0- 251,560,000.00 -0-	4.25% - 4.95% 3.95% - 5.92% N/A 3.40% N/A	-0- -0- \$50,000,000.00 6,600,000.00	N/A N/A 6.88% N/A 5.70%
	SUBTOTAL	\$301,558,074.20		\$56,600,000.00	\$358,158,074.20
10/7/99	Home Mortgage Revenue Bonds 1999 Series K 1999 Series L 1999 Series M	\$20,204,625.00 54,793,737.00 -0-	6.125% 4.05% - 6.25% N/A	-0- \$75,000,000.00	N/A N/A 7.12%
	SUBTOTAL	\$74,998,362.00		\$75,000,000.00	\$149,998,362.00

CALIFORNIA HOUSING FINANCE AGENCY
BOND ISSUES CALENDAR YEAR 1999

ISSUANCE/ REMARKETING DATE	BOND INDENTURE AND SERIES	TAX-EXEMPT BONDS		TAXABLE BONDS		TOTAL \$ AMOUNT
		\$ AMOUNT	RANGE OF RATES OR AVERAGE RATE	\$ AMOUNT	RANGE OF RATES OR AVERAGE RATE	
12/	Home Mortgage Revenue Bonds	\$85,000,240.07	4.1	-0-	N/A	\$85,000,240.07
	1999 Series M	-0-	3.00%	85,000,000.00	6.655%*	85,000,000.00
	1999 Series O (variable)	25,135,000.00	3	-0-	N/A	25,135,000.00
	1999 Series P (variable)	26,485,000.00	3	-0-	N/A	26,485,000.00
	1999 Series Q (variable)					
	SUBTOTAL	\$136,620,240.07		\$85,000,000.00		\$221,620,240.07
	SINGLE FAMILY TOTALS	\$909,576,435.18		\$449,165,000.00		\$1,358,741,435.18
	Mul Bonds					
5/20/99	Multifamily Housing Bonds III	\$44,535,000.00	3.45% - 3.375%	-0-	N/A	\$44,535,000.00
	1999 Series A					
	GRAND TOTALS	\$954,111,435.18		\$449,165,000.00		\$1,403,276,435.18

/bonds/board-bond-issuance-99/mf.m20

* Susp rate
** Initial rates