



CALIFORNIA HOUSING FINANCE AGENCY

THERESA A. PARKER
Executive Director

CLARK WALLACE
Chairman

August 8, 2000

Franklin Raines, President
Fannie Mae
3900 Wisconsin Avenue, NW
Washington, D.C. 20016-2892

Dear Mr. Raines:

On behalf of California Housing Finance Agency I wanted to take this opportunity to thank you personally for the exemplary efforts of Fannie Mae on the sale and financing of the California FHA Section 236 loan portfolio. By selling these 278 multifamily loans to CHFA, Fannie Mae has created a very significant opportunity for affordable housing preservation. Opportunities like this are especially important given the extent of the affordable housing crisis we are experiencing here in California.

The sale of these Section 236 loans allows CHFA to preserve the interest reduction payments upon the termination of FHA insurance. Just as important, it enables CHFA to proactively contact and work with existing owners toward sales of these projects to new housing sponsors willing to provide affordability beyond the original term of the Section 236 program. Our new role as mortgagee of record should give us more standing with the current borrowers and a better chance for success.

What made this transaction possible was the exceptional effort by Fannie Mae staff to meet a very tight time deadline on a financing that was the first of its kind in the nation. The efforts of Wendell John and Tom Edgar in helping arrange the sale of the portfolio, providing needed information, and working cooperatively with the existing servicer were crucial in this effort.

However, the purchase of the loans would not have been possible if Fannie Mae's Public Finance Department had not quickly evaluated the financing options and agreed to purchase taxable pass-through bonds backed by the \$269 million loan portfolio. This financing alternative has enabled CHFA to become the mortgagee without taking on interest rate or other risks and with almost no cost. This agreement to allow CHFA to securitize the loan portfolio was an extraordinary action by Fannie Mae. Jack Gallagher and Jim Beachler

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Franklin Raines

- 2 -

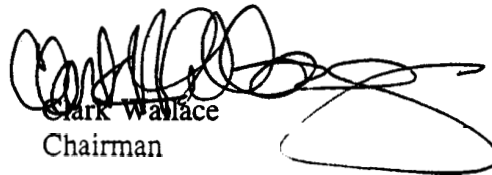
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deserve tremendous credit for the leadership role they played in taking on the transaction and carrying it through.

Over the past six years, the Public Finance Department has purchased more than \$400 million of our tax-exempt bonds, making Fannie Mae one of our largest investors. This new \$269 million transaction further expands the positive, synergic relationship between our organizations and encourages both of us to think of new cooperative endeavors for the future.

Thank you again for everything Fannie Mae has done to make this transaction a success.

Sincerely,


Clark Wallace
Chairman

cc: Angelo Mozilo
Anne Marie Wheelock
Theresa A. Parker

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