Executive Summary
CHFA 236 Financing Program
Preliminary Business Plan 2001-2002

INTRODUCTION

This is a preliminary business plan for the financing of CHFA's 236 loan portfolio. It is staff's intention to present this plan to the CHFA March Board meeting for evaluation and comment with the intent of seeking Board approval of the final plan at the May Board meeting in conjunction with the Agency's full **2001-2002** Business Plan.

SECTION 1. PRESERVATION OVERVIEW – CHFA , HUD & 236 PORTFOLIO

Program Activity. As of February **1, 2001,** under its preservation programs, CHFA has funded **13** preservation loans in the amount of approximately $**192** million, representing **2,381** units. The pipeline of potential Preservation activity is 16 loans in the amount of **$81** million representing **1,367** units. Loans have included highly leveraged acquisition financing and permanent loans through tax-exempt bonds coupled with 4% tax credits.

HUD Issues. All preservation projects involve some form of HUD processing. The primary areas involved included Mark-up-to-Market, Mark-to-Market, contract extensions, de-coupling, transfer of regulatory approval and the use of excess Section 8 income.

Portfolio Objectives. CHFA acquired the Fannie Mae portfolio to place the Agency in a better position to preserve the affordability of the projects. By owning these loans, CHFA can more easily contact owners and evaluate the operations of individual projects. The highest priority is to provide financing to facilitate the sale of at-risk properties to long term owners who intend to rehabilitate projects and maintain affordability.

Underwriting Guidelines. In order to effectively process loans for this portfolio, financing and refinancing underwriting guidelines for the portfolio should be developed to establish a clear set of parameters and requirements. These parameters will be more definitive then normal CHFA loan underwriting to allow for outsourced loan originations and the delegation of loan approvals.

SECTION 2. PROPOSED LOAN PRODUCTS AND PROCESSING GUIDELINES

Existing Loan Products. CHFA currently offers highly leveraged acquisition loans at either **95%** or 100% loan to cost with interest only rates at 5% or **7%** (non profit and for profit borrowers respectively) for **24** months. Permanent financing has generally been tax-exempt bonds coupled with 4% tax credits, **501c3** financing or taxable financing in conjunction with 9% tax credits.

New Loan Products for the 236 Portfolio.

- Mezzanine Construction Financing – Construction period financing provided by another lender in a junior lien position. The loan is paid off by the permanent financing.
- IRP Leveraging – A lower capitalization rate subsidized by FAF funds would yield increased capital for project purposes.
- Rehabilitation Second Loans – CHFA may offer second loans for the purpose of rehabilitation.

SECTION 3. PORTFOLIO ANALYSIS AND MARKETING

Portfolio Analysis. In order to provide the Agency a thorough understanding of the portfolio, the California Housing Partnership Corporation (CHPC) has been retained by the Agency to perform this portfolio analysis. With this analysis staff can better direct its resources toward those projects with the greatest risk of losing their affordability. The results of this analysis will be incorporated into the final business plan.

Marketing. The most effective marketing plan for the portfolio is to equip potential purchasers with the necessary financing tools to acquire these projects. Purchasers can then approach existing owners with credible offers. This "retail" approach is supported by CHFA's experience over the last four years of preservation activity.

SECTION 4. LOAN ORIGINATION AND OPERATONS

Origination. Staff is recommending the outsourcing of the 236 loan originations. This originator would be required to have:

- Existing experienced staff located near the CHFA Sacramento or Culver City offices.
- Experience as a Fannie Mae DUS underwriter or equivalent origination experience.
- The ability to perform HUD related processing.
- Access to experienced ctosing attorneys.

Agency staff would perform individual loan reviews.

Funding and Fees. Initially it is contemplated that acquisition and permanent funds will both come from CHFA. The originator would not be required to advance its own monies except for reports and other ancillary costs. Loan fees to the originator need to be established, however 75 bps to one point origination fee plus 25 bps to CHFA would seem appropriate.

SECTION 5. DELEGATION AND MANAGEMENT

An aggressive portfolio campaign will depend on the Agency's ability to react quickly to requirements of individual projects. Staff believes that the delegation of loan approvals from the Board to the CHFA senior staff is necessary to successfully implement the 236 Financing Program. In the current financing environment for affordable housing projects, seller requirements and program filing deadlines dictate the timeframes in which these projects are processed. This delegation would be subject to:

- Only projects within the existing 236 portfolio.
- Total CHFA loans not greater than $5 million per project.
- Loans within the 236 portfolio program guidelines as approved by the Board
- Total loan volume not to exceed $50 million annually
- Summary report of all funded loans at each Board meeting.
- CHFA Senior Staff to act as loan committee.
- Approval of the loan originator.

CHFA 236 Financing Program
Preliminary Business Plan 2001-2002

INTRODUCTION

The **236** Financing Business Plan is intended to provide a management tool and systematic guide for the financing of the CHFA **236** loan portfolio acquired from Fannie Mae. The plan calls for some changes from the normal loan processing system currently employed by CHFA, primarily in the areas of loan origination through outside entities and delegation of loan approval authority by the CHFA Board. The business plan also allows all parties involved in the process, from the CHFA Board of Directors to the loan processing staff to evaluate, comment and modify as appropriate the intended plan. It is expected that components of the business plan will change, as business plans do, when confronted with the reality of its business objective. Accordingly, staff believes that adjustments to this plan are as important as the original plan itself.

This is a preliminary business plan. It is staff's intention to present this plan to the CHFA Board for evaluation and comment with the intent of seeking Board approval at the May Board meeting in conjunction with the Agency's full **2001-2002** Business Plan.

SECTION 1. PRESERVATION OVERVIEW - CHFA , HUD & 236 PORTFOLIO

CHFA Activity

CHFA commenced its preservation activities in **1997** with the purchase financing of Chelsea Gardens in Santa Rosa. BRIDGE Housing was the project sponsor and the financing plan represented many of the primary components of preservation financing; transition funding, underwriting to tax credit rents, utilization of excess Section **8** funds and secondary financing debt serviced by project cash.

Acquisition Financing. In **1998** CHFA introduced **its** Interim Financing Program for Section **8** projects. This program offers highly leveraged, low interest loans for a two year period to help quickly acquire properties at risk of opting out of Section **8.** This program was later modified to provide permanent financing that also financed the acquisition of the project.

Construction Financing. CHFA generally does not provide construction financing for presentation properties. Funds for construction have come from traditional interim lending sources, mezzanine financing or tax credit equity. In all cases, CHFA staff monitors the rehabilitation work in accordance with the approved scope of work

Permanent Financing. Permanent financing for preservation projects have followed normal and customary CHFA underwriting guidelines modified only to address the potential expiration of the Section **8** contracts and the utilization of excess contract income. An acceptable permanent (take-out) financing structure is the exit strategy required for all acquisition financing.

501c3 Refinancing. Permanent loans to non-profits have proven to be an effective strategy where substantial equity for acquisition and rehabilitation was not required. CHFA method of warehousing loans with Agency reserves in anticipation of **501c3** bond issues has proven effective.

Program Activity. ***As*** of February 1, 2001, CHFA under its preservation programs has funded 13 loans in the amount of approximately $192 million, representing 2,381 units. The pipeline of potential activity is 16 loans in the amount of $81 million representing 1,367 units.

HUD Issues

Mark-Up-To-Market (MU2M) HUD's program of raising existing contract rents in line with current market rents has proven to be an effective program to generate needed project income. While CHFA does not base its loan amounts directly on these new contract levels, it does require the utilization of excess project income for benefit of the project.

Contract Extensions. HUD has offered contracts up to 20 years on certain projects (subject to annual congressional appropriations). CHFA requires sponsors to accept these renewals if offered.

Use of Section 8 Income. The combination of increased Section 8 income and CHFA's below market financing in some cases generates excess project income. This excess income is directed toward transition reserves, capital improvements or other project related costs. Once the transition reserve is established with these excess funds, residual monies can leave the project as a distribution subject to approvals by CHFA and HUD. It should be noted that once the transition reserve is established it is either used for its original purpose or other approved project related expenditures.

236 Portfolio Objectives and Underwriting

Portfolio Objectives. CHFA acquired the Fannie Mae portfolio to place the Agency in a better position to preserve the affordability of the projects. By owning these loans, CHFA can more easily contact owners and evaluate the operations of individual projects. The highest priority is to provide financing to facilitate the sales of at-risk properties to long term owners who intend to rehabilitate and maintain affordability. The refinancing of projects with existing owners is also a program objective utilizing 501c3 and taxable financing subject to rehabilitation requirements and sustainable rents.

Underwriting Guidelines. To effectively process loans for this portfolio, financing and refinancing underwriting guidelines should be developed to establish a clear set of parameters and requirements. These parameters will be more definitive then normal CHFA loan underwriting to allow for outsourced loan originations and the delegation of loan approvals.

SECTION 2. PROPOSED LOAN PRODUCTS AND PROCESSING GUIDELINES

The types of loan products offered for the 236 portfolio will be a combination of existing loan products and new financial tools designed to complement existing products and facilitate the business plan for the portfolio. Processing guidelines need to be formalized to give clear direction to loan originators, CHFA staff, purchasers and sellers.

Existing Loan ***Products.*** CHFA currently offers highly leveraged acquisition loans at either 95% or 100% loan to cost with rates at 5% or 7% (non profit and for profit borrowers respectively) for 24 months. All acquisition loans are approved in conjunction with an acceptable exit strategy, which is either a permanent take-out source or conversion of the acquisition loan to a permanent structure.

Permanent financing has generally been tax-exempt bonds coupled with 4% tax credits, 501c3 financing or taxable financing in conjunction with 9% tax credits. These permanent loans fit into the Agency's standard loan underwriting guidelines (LTV, debt coverage ratios, market and physical evaluations, reserves, etc). These guidelines have not changed significantly over the last five years.

New Loan Products for the 236 Portfolio. The existing loan products will serve as the primary financing vehicles for the preservation of the 236 portfolio, however additional loan products will address finance needs that are unique to the portfolio. These new loan products will be further detailed in the final Business Plan.

Mezzanine Construction Financing – An independent source of monies to fund rehabilitation in a junior lien position. The mezzanine finance provider would assume construction period risk and would eventually be paid off through permanent CHFA financing. Governmental, quasi-governmental, non-profit funds and commercial lenders have all expressed interest in providing these funds. Mezzanine financing would be especially applicable for the 501c3 structures.

IRP Leveraging – The income streams from HUD 236 mortgages are capitalized at the prevailing tax-exempt loan rate. A lower interest rate subsidized by FAF funds would increase capital for project purposes.

Rehabilitation Second Loans – CHFA may offer second loans for rehabilitation. These loans may be offered through localities under a "HELP" like structure for the benefit of the projects or as a direct CHFA loan that either amortizes or is paid through residual receipts.

Formalized Underwriting and Processing Guidelines. To complement the loan products, processing guidelines also need to be established and formalized. Generally accepted industry standards will be adapted to CHFA needs.

Fannie Mae Guidelines – In the event an outside loan originator is employed, utilizing approved DUS lender standard Fannie Mae loan guidelines would prove effective and familiar to borrowers, the originators, construction lenders and credit investors. These guidelines would need to be modified to coincide with CHFA preservation lending standards, but the basic loan due diligence process used by DUS lenders would be adapted to the 236 portfolio. The use of these guidelines may also extend to the use of standard Fannie Mae loan documents and report formats.

HUD Processing – All projects in the portfolio will be subject to some form of HUD processing, either Mark-up-to-Market, contract renewals, 236 de-coupling or assignment of oversight responsibilities. These procedures should be formalized in conjunction with the LA and SF Hub offices of HUD so that potential purchasers have a clear understanding of all requirements.

FHA Risk Share Insurance – The Agency contemplates utilizing FHA Risk Share for portfolio financings. Loan originators would be responsible for processing Risk Share for CHFA.

SECTION 3. PORTFOLIO ANALYSIS AND MARKETING

Portfolio Analysis. Understanding the nature and composition of the 236 portfolio is critical to an effective marketing program. To give the Agency a thorough understanding of the portfolio, the California Housing Partnership Corporation (CHPC) has been retained by the Agency to perform this analysis. While all the loans in the portfolio are important to the preservation effort, projects in high cost geographic areas, with private owners, generally represent a greater risk of loss. Projects owned by non-profits or those that have undergone Title II or Title VI preservation restructuring are less at risk. The results of this analysis will be incorporated into the final business plan.

Marketing. The most effective marketing plan for the portfolio is to equip potential purchasers with the necessary financing tools to acquire these projects. In turn these sponsors, both for-profit and non-profit can effectively approach existing owners with realistic purchase offers and timeframes to close the transactions. This "retail" approach is supported by CHFA's experience over the last four years of preservation lending. Although some current owners have interests in multiple projects, each property often has a different ownership structure with individual financial requirements for sale. CHFA will encourage portfolio sales whenever possible, however staff intends to be prepared for both retail and bulk sales.

Promotion. Promotional activities will include conferences (NPH, Housing California, SCANPH, etc) that focus on potential purchasers. Existing owners will be approached through organizations such as AHMA. Locality involvement is important, hence information at conferences sponsored the RDA, The League of Cites and Cal-ALHFA will be pursued. The Agency will also use its newsletter, website and e-mail broadcasts to disseminate information about the portfolio. Specific attention will be given to local governments where large numbers of projects are located.

SECTION 4. LOAN ORIGINATION AND OPERATONS

Depending on loan volume, existing CHFA staff may not have the capacity to originate all the loans in the 236 portfolio in a timely manner given the financial and regulatory complexity of each of these transactions. Recruiting and retaining experienced staff in the current economy is difficult and adding permanent staff capacity for a limited term project (two to three years) would not be prudent. Loan volume is also difficult to predict. At this juncture, however, 20 to 30 loans per year is possible. Consequently, staff would like to pursue the alternative of outsourcing the loan origination process.

Originator. A single loan originator could be delegated the underwriting and HUD processing responsibilities in accordance with new prescribed program guidelines set forth by CHFA. This originator would be required to have:

- Existing experienced staff located near the CHFA Sacramento or Culver City offices.
- Experience as a Fannie Mae DUS underwriter.
- The ability to perform HUD related processing.
- Access to experienced closing attorneys.

Specific Guidelines. In order for an outside originator to be effective, the loan guidelines must be very specific and the approval process well defined. CHFA needs to define such guidelines with the originator to achieve a high level of predictability.

CHFA Underwriting Review. The final loan undetwriting and HUD processing would be reviewed by existing CHFA staff to assure it meets the specific guidelines and to approve limited waivers. By narrowing the CHFA involvement, one loan officer with administrative support should be adequate to manage the expected volume

Funding and Fees. Initially it is contemplated that acquisition and permanent financing will come from CHFA. The originator would not be required to advance its own monies except for reports and other ancillary costs. Loans fees to the originator need to be established, however 75 bps to one point origination fee plus 25 bps to CHFA would seem appropriate. A more complicated fee structure may be evaluated involving minimum floor pricing with a sliding scale as production rises. An additional performance-based incentive payment plan for the originator should also be considered.

The program may include at a later date, funding from other sources such as Fannie Mae or other credit providers (subject to CHFA's satisfaction that long term affordability has been preserved).

SECTION 5. DELEGATION AND MANAGEMENT

Loan origination for at-risk properties must be performed quickly and pursuant to a well defined set of guidelines. Agency staff has traditionally brought all multifamily loans to the CHFA Board for approval, regardless of size or type. In the current financing environment for affordable housing projects, seller requirements and program filing deadlines dictate the timeframes in which these projects are processed. An aggressive portfolio campaign will depend on the Agency's ability to react quickly to requirements of individual projects. Staff believes that the delegation of loan approvals from the Board to the CHFA senior staff is necessary to successfully implement the 236 Financing Program. This delegation would be subject to:

- Only projects within the existing 236 portfolio.
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- Approval of the loan originator

SECTION 6. DEVELOPMENT TIMELINE

The preliminary business plan is being presented to the Board of Directors at the March 2001 Board meeting. Staff wishes to solicit input, comments and direction from the Board so that it may present the final business plan at the May Board meeting. Specifically staff desires comments on the following:

- The development of program guidelines specific to the 236 portfolio.
- Delegation of loan approvals.
- Evaluating and selecting a loan originator.

MEMORANDUM

To: CHFA Board of Directors

From: Di Richardson
Director of State Legislation

Date: March 6, 2001

RE: State Legislative Report

The deadline for introducing bills for the year has just passed, and a tremendous number were introduced within the last few days. Below I have listed several bills, which should be of interest to you. This list could change as we continue reviewing each bill to determine its impact.

CHFA SPONSORED

AB 1044 **Migden** **California Housing Finance Agency: bonds**
Status: **02/26/2001** **Read first time.**
Existing law sets forth various powers and duties of the California Housing Finance Agency in conjunction with the financing of housing. Under existing law, the agency is authorized to issue revenue bonds not exceeding a specified amount outstanding at any time, exclusive of indebtedness incurred to refund or renew bonds previously issued by the agency, the proceeds of which are used to finance housing developments and other residential structures. The bill would make an appropriation by increasing by an unspecified 'reasonable' amount the authorization of bonds to be issued by the agency, the proceeds of which under existing provisions of law are required to be deposited in the continuously appropriated California Housing Finance Fund.

BONDS

AB 52 **Wiggins** **Farmland Protection and Urban Infill Housing Bond Act of 2002**
Status: **12/05/2000** **From printer. May be heard in committee January 4.**
Existing law contains various provisions relating to housing and the conservation of agricultural land, including the Agricultural Land Stewardship Program Act of 1995 and the Williamson Act. This bill would enact the Farmland Protection and Urban Infill Housing Bond Act of 2002, which would declare legislative intent to require that the proceeds of bonds sold pursuant to the act to be deposited in the Farmland Protection and Urban Infill Housing Bond Fund, which the bill would create.

CHFA MISC

AB999 **Keeley** California Housing Loan Insurance Fund

Status: 02/26/2001 Read first time.

Under existing law, the California Housing Loan Insurance Fund is established and continuously appropriated to provide a program of bond and loan insurance administered by the California Housing Finance Agency to insure loans made to owners of rental housing developments or residential structures and to insure bonds issued by governmental agencies for purposes of financing existing housing affordable for persons and families of certain income levels. This bill would require those provisions to be administered by a board of directors with specified membership, powers, and duties, instead of by the agency. This bill contains other related provisions.

SB 519 **Vincent** Military base conversion: housing

Status: 02/24/2001 From print. May be acted upon on or after March 26.

Under existing law, each city, county, and city and county is required to adopt a general plan that includes certain mandatory elements, including a housing element that, among other things, identifies and analyzes existing and projected housing needs. The Department Of Housing And Community Development, in evaluating a proposed or adopted housing element for consistency with state law, may allow a city or county to identify sites that contain permanent housing located on a military base undergoing closure or conversion if that housing is available for occupancy within the planning period of the element. This bill would establish the California Temporary Military Affordable Housing Authority within the California Housing and Finance Agency to, among other things, examine and select housing units on a decommissioned military base for renovation and leasing as affordable senior housing. This bill contains other related provisions.

DOWNPAYMENT ASSISTANCE

AB 820 **Shelley** Public Employee Homebuyer Assistance Program

status: 02/25/2001 From printer. May be heard in committee March 27.

Existing law creates the California Housing Finance Agency with specified powers and duties relating to meeting the housing needs of persons and families of low or moderate income. Existing law also contains provisions administered by the agency for assisting members of the State Teachers' Retirement System to obtain home loans. This bill would enact the Public Employee Homebuyer Assistance Program, which would be administered by the California Housing Finance Agency to provide home loan assistance for state or local public employees for housing within the county where they are employed.

AB 905 **Cohn** Housing: financial assistance: public safety officers

status: 02/26/2001 Read first time.

Existing law requires the California Housing Finance Agency to administer various housing programs to meet the needs of persons and families of very low, low-, and moderate-income. This bill would create the Public Safety Downpayment Assistance Program, require the agency to administer the program, and prescribe conditions for the provision of downpayment assistance to public safety officers, as defined, employed by a city.

AB 1170 **Firebaugh** Housing: down payment assistance
Status: 02/26/2001 Read first time.
Existing law requires the Department of Housing and Community Development, the California Housing Finance Agency, and various other state and local agencies to administer programs to provide affordable housing through incentives to developers, rental housing assistance, and loans or grants for downpayment, interest subsidy, relocation, veterans, and other home purchase assistance. Existing law requires the housing element of a local general plan to identify adequate sites for affordable housing to be made available through appropriate zoning and development standards, including those relating to density. This bill would create the Building Equity and Growth in Neighborhoods Fund and would continuously appropriate any money in the fund to the department for grants for down payments to qualifying new home buyers in cities and counties that have taken prescribed actions to remove barriers to affordable housing through zoning of land at certain densities or removing other land use constraints on development. This bill contains other related provisions.

AB 1359 **Lowenthal** Housing: downpayment assistance and mortgages
status: 02/26/2001 Read first time.
Existing law sets forth various powers and duties of the California Housing Finance Agency in conjunction with the financing of housing. Existing law establishes the Homebuyer's Down Payment Assistance Program administered by the California Housing Finance Agency. This bill would require the agency, upon appropriation, to establish and administer, in conjunction with the Department of Housing and Community Development, a program that provides certain buyers of newly constructed residential dwellings with financial assistance for a downpayment toward the purchase of a newly constructed residential dwelling located within an area that has a high density of residential dwellings and is directly served by or built alongside a public transit line. This bill contains other related provisions.

SB 429 **Soto** Public School Teacher and Administrator Home Loan Program
Status: 02/22/2001 From print. May be acted upon on or after March 24.
Existing law establishes an assumption program of loans for education under which an applicant enrolled in a participating institution of postsecondary education, or an applicant who agrees to participate in a teacher trainee or teacher internship program, and who further agrees to obtain a teaching credential in subject areas that are designated as current or projected shortage areas or to provide classroom instruction in schools that serve large populations of pupils from low-income families, is eligible to receive a conditional warrant for loan assumption, to be redeemed pursuant to a prescribed procedure upon becoming employed as a teacher. This bill would establish the Public School Teacher and Administrator Home Loan Program, administered by the California Housing Finance Agency, for the purpose of assisting school districts in recruiting and retaining qualified teachers and administrators by providing home loan assistance to teachers and administrators employed by those school districts. By authorizing use of these funds for this new purpose this bill would make an appropriation. This bill contains other existing laws.

HCD

AB 928 **Daucher** **Live Near Your Work program**

Status: **02/26/2001** **Read first time.**

(1) Existing law contains provisions known as the Downtown Rebound Program that provides funds for residential infill projects to allow workers to live closer to their employment. This bill would enact the Live Near Your Work Program administered by the Department of Housing and Community Development that would provide grants through local jurisdictions to assist individuals to buy or rent housing near their work. The bill would create the Live Near Your Work Fund and continuously appropriate any money deposited in the fund to the department for the purposes of the program. This bill contains other related provisions and other existing laws.

PRESERVATION

SB 372 **Dum** **Preservation Interim Loan Programs**

Status: **02/22/2001** **From print. May be acted upon on or after March 24.**

Existing law prescribes the responsibilities of the Department of Housing and Community Development with respect to the provision of housing; establishes the Housing Rehabilitation Loan Fund, which is continuously appropriated for purposes of specified deferred payment housing rehabilitation loans; and prescribes requirements for the notification of tenants by owners proposing termination or prepayment of governmental assistance. This bill would establish the Preservation Interim Loan Program, and require the department to make loans on prescribed terms to designated entities to acquire assisted multifamily housing developments for which the owner has proposed the termination or prepayment of governmental assistance. This bill contains other related provisions.

TAX CREDITS

SB 73 **Dunn** **Taxation: low-income housing**

status: **01/25/2001** **SEN HOUSING AND COMMUNITY DEVELOPMENT**
To Com. on H. & C.D.

Existing insurance tax law and the Personal Income Tax Law and the Bank and Corporation Tax Law authorize, for so long as corresponding provisions of federal law are in effect, a credit against the taxes imposed by those state laws for certain amounts with respect to the provision of specified low-income housing. Those laws generally provide, subject to the addition of certain other amounts, that the maximum aggregate dollar amount of the credits allowed in each calendar year may not exceed $50,000,000 for the 1999 calendar year and each year thereafter. This bill would, for purposes of existing low-income housing tax credits, provide a $70,000,000 maximum aggregate dollar amount for the 2001 calendar year and each calendar year thereafter. In addition, this bill would for the 2002 calendar year, and, each calendar year thereafter, provide an adjustment for inflation measured by an increase in the Consumer Price Index. This bill contains other related provisions.

SB 401 **Soto** Tax **credits: second mortgages**

Status: **02/22/2001** **From print. May be acted upon on or after March 24.**

Existing law designates the California Tax Credit Allocation Committee as the state's housing credit agency for purposes of allocating federal housing tax credits. The Bank and Corporation Tax Law authorizes various credits against the taxes imposed by that law. This bill would authorize a homeownership tax credit, as specified, against those taxes for each taxable year beginning on or after January 1,2002, for qualified lenders, as defined. The bill would also authorize the committee to allocate housing tax credits to lenders that make qualified 2nd mortgage loans to qualified low-income homebuyers. This bill contains other related provisions.

CHFA
Single Family
Homeownership Programs

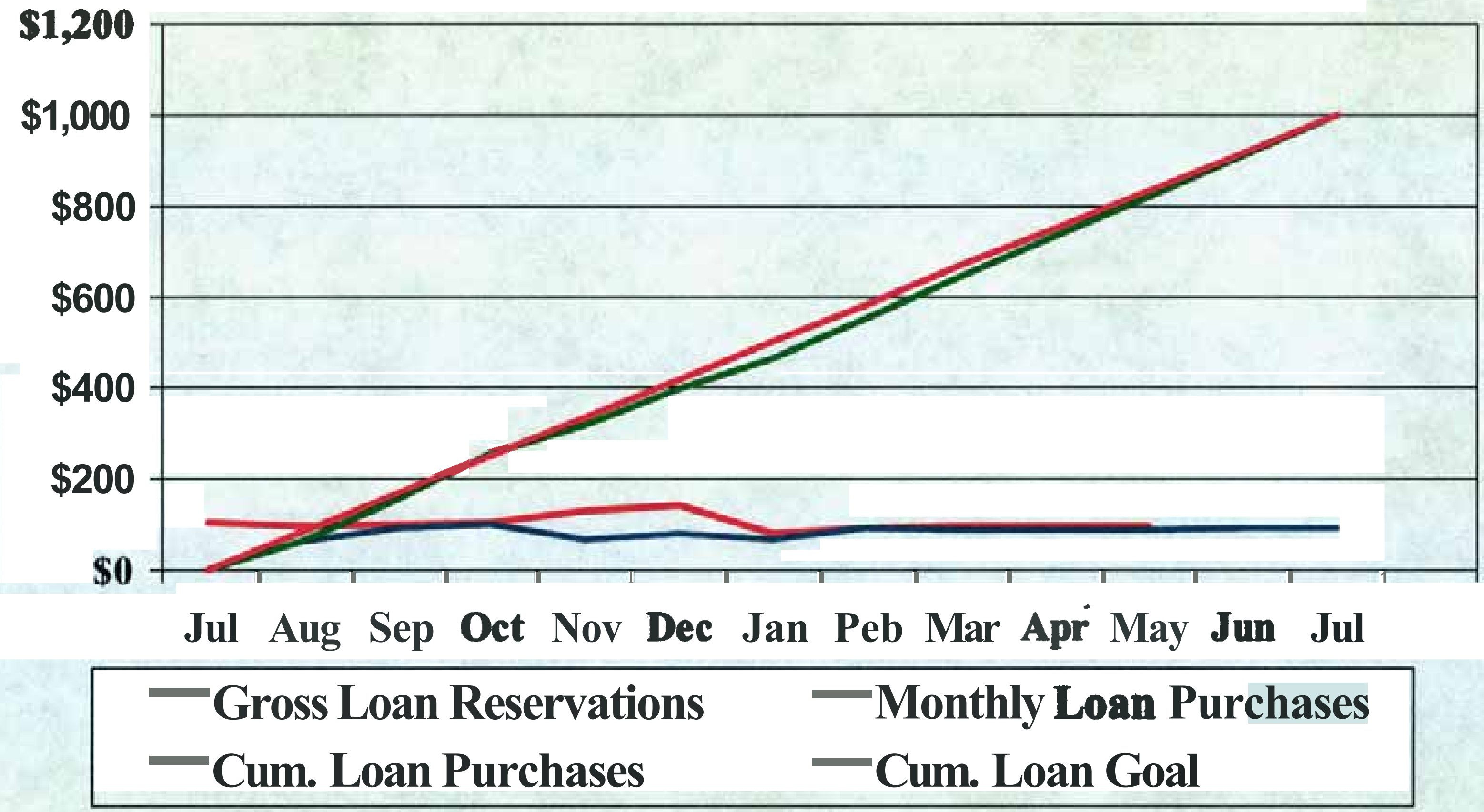
BUSINESS PLAN

(preliminary)

2001/02 – 2005/06

2000/01 SF Business Plan

(in Millions)



CHFA
Interest Rate Schedule (Current)

		CHFA	AHPP
Statewide	Moderate	6.75%	N/A
	Low	6.00%	5.75%
Hi Cost	Moderate	6.50%	N/A
	Low	5.75%	5.50%

Rates Effective 2/6/2001

SINGLE FAMILY HOMEOWNERSHIP

MISSION

To provide homeownership opportunities to very low, low and moderate income first-time homebuyers.

OBJECTIVES

Provide below market, long term, fixed rate first mortgage loans;

- Loan availability throughout the year;
- Equitable distribution of loans throughout the state and
- Provide loan products to expand the supply of affordable new construction housing.

PROPOSED 5-YEAR BUDGET

	2001/02	2002/03	2003/04	2004/05	2005/06	TOTAL
SF Loans	$1,000M	$1,000M	$1,000M	$1,000M	$1,000M	$5,000M
HAT (Housing Assistance Trust)						
Mortgage Assistance	$15M	$15M	$15M	$15M	$15M	$75M
Self-Help	$2.5M	$2.5M	$2.5M	$2.5M	$2.5M	$12.5M
TOTAL	$1,017.5M	$1,017.5M	$1,017.5M	$1,017.5M	$1,017.5M	$5,087.5M

Proposed Pilot Programs for FY 2001/2001

- CDLAC Extra Credit Teachers Downpayment Assistance Program
  - $20M special CDLAC allocation/Leveraged to $40M
  - $2.5M downpayment assistance (HPA)

- Extreme High Cost Area Downpayment Assistance
  - Santa Clara, San Mateo, San Francisco and Marin
  - $8.5M downpayment assistance (HPA)

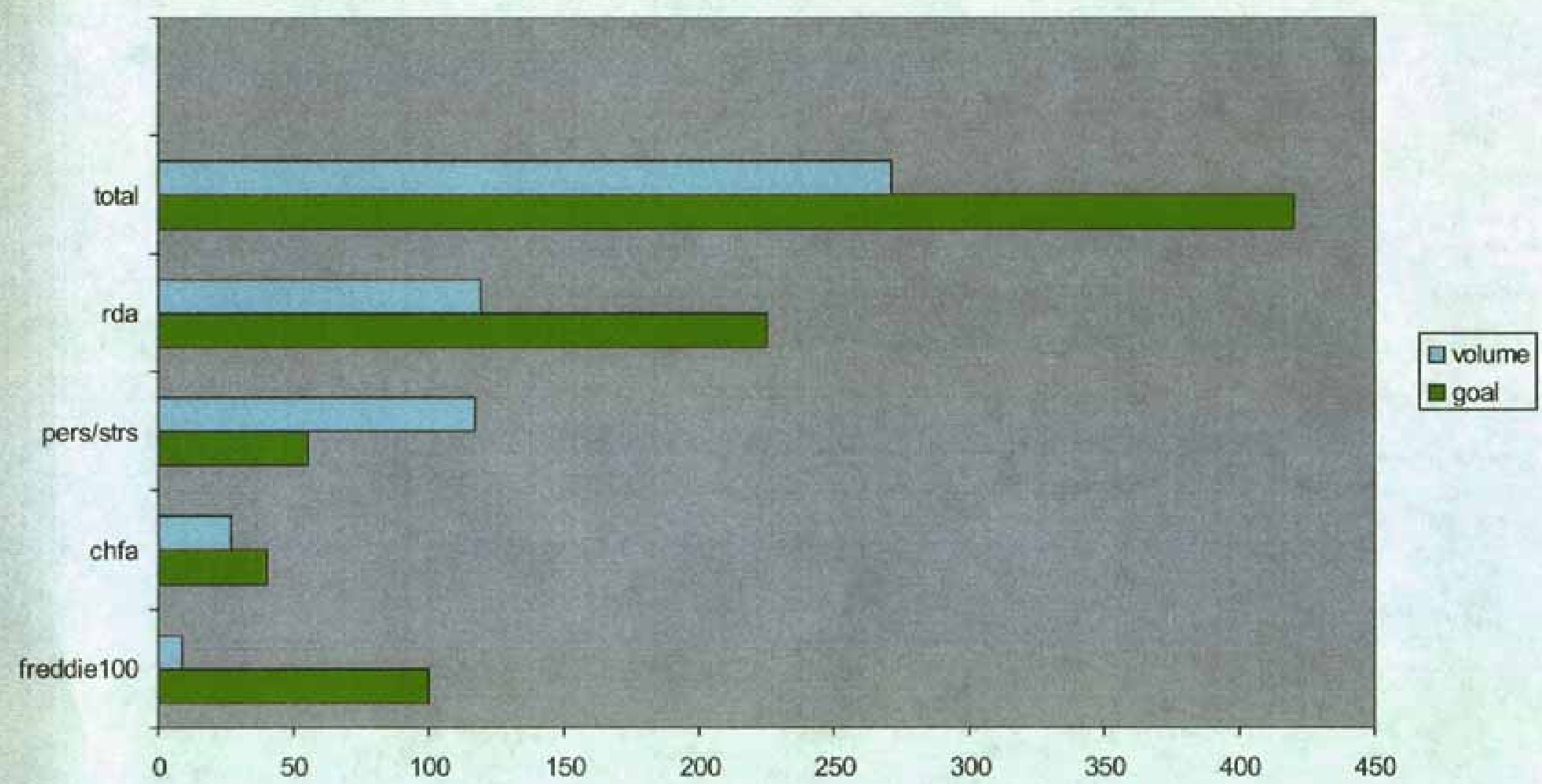
Contract Administered Homeownership Programs

- School Facility Fee Downpayment Assistance Program
  - $67.5 million allocated through FY 2000-2001
  - As of February 22,2001, 1,617 homebuyers of newly constructed homes received assistance in the amount of **$4.4** million.
- California Homebuyer's Downpayment Assistance Program
  - $50 million allocation
  - As of February 22,2001, **$9.4** million has been reserved of which **1,970** loans are in the pipeline for **$7.9** million and 391 loans have funded for $1.5.

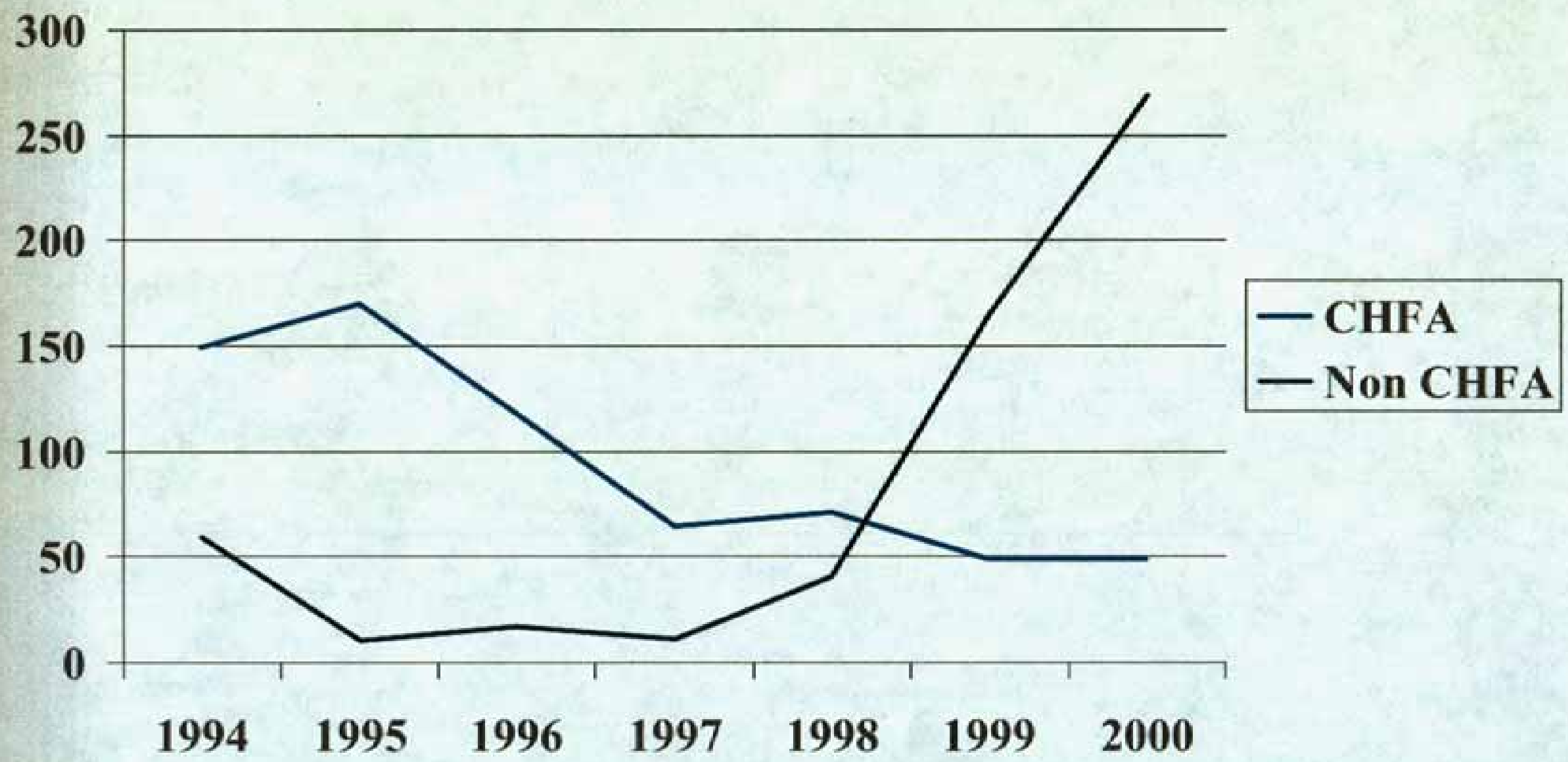
CaHLIF Status

(as of 2/28/01)

65% of Goal

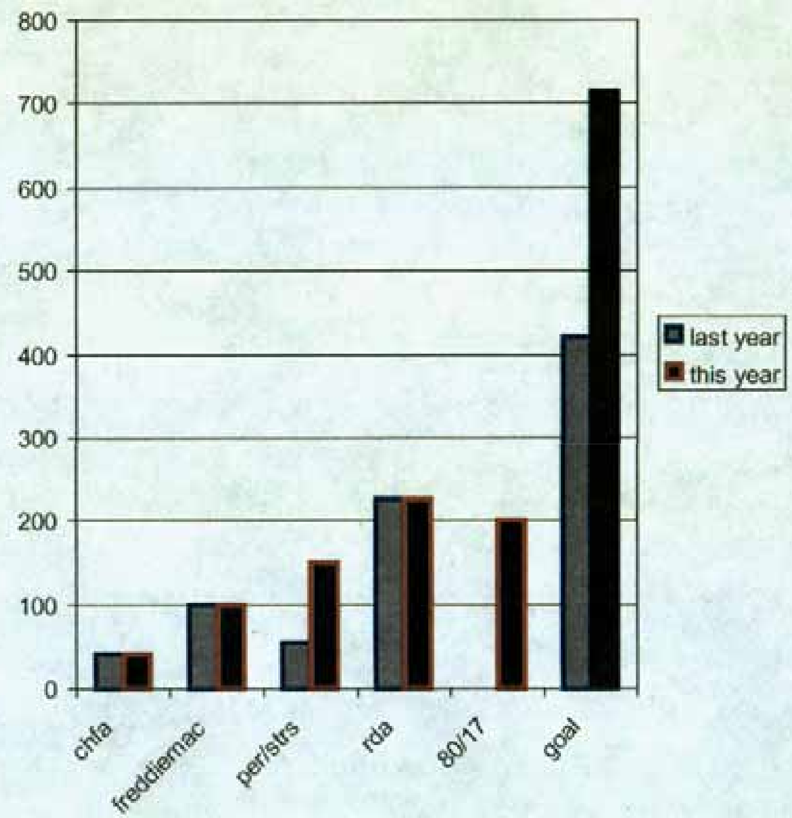


New Insurance ($millions)

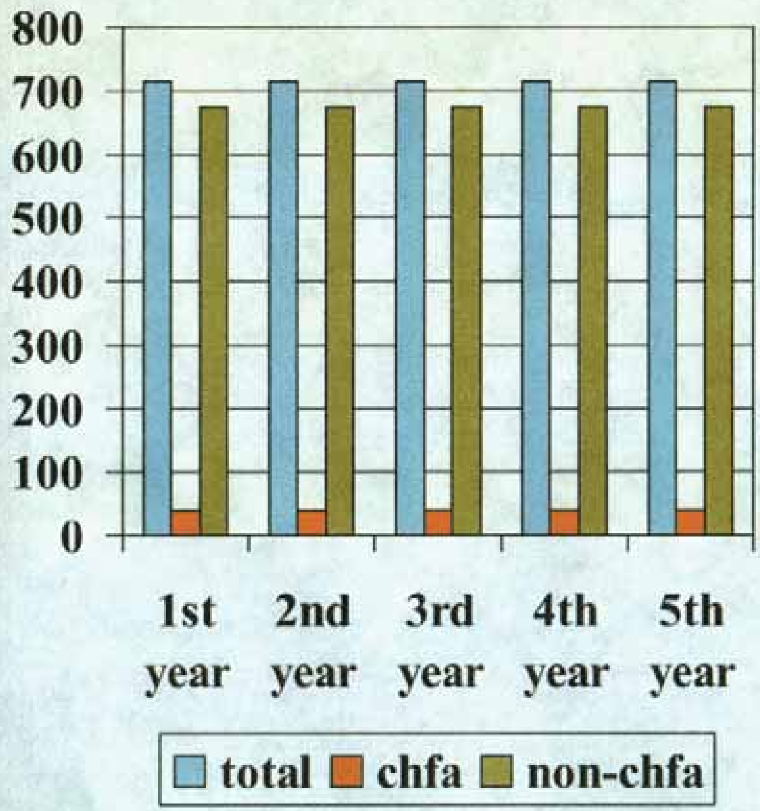


CaHLIF 2001-2 Business Plan

CHFA	$40
Freddie Mac	$100
Per/STRS	$150
RDA	$225
80/17	$200
Total	$715



CaHLIF 5 Year Business Plan
Total $3.5 Billion

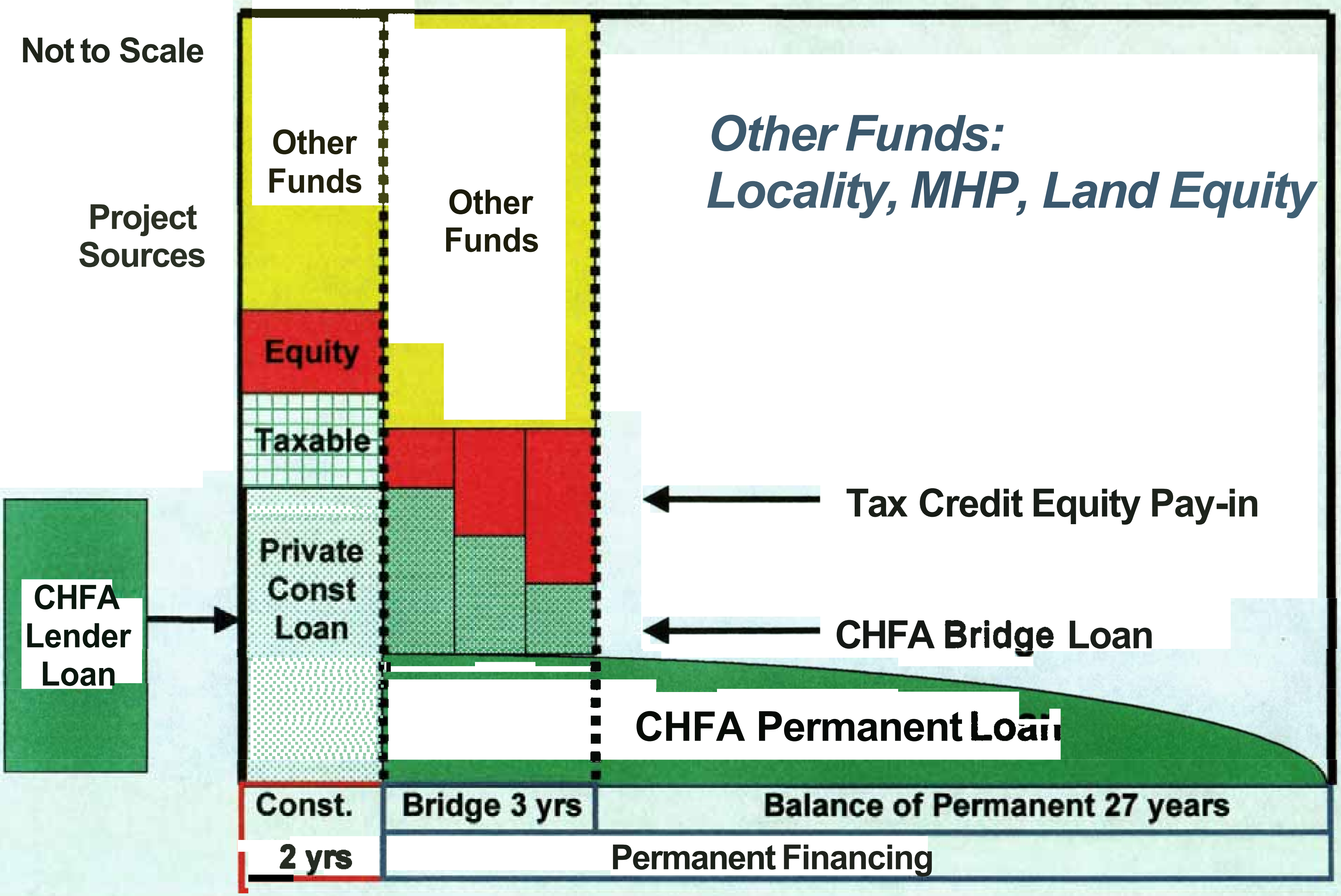


- Objectives
  - Serve 1st time homebuyers
  - Stimulate housing opportunities
  - Maintain fiscal integrity of fund
  - Cutting edge insurance products
    - lower credit scores
    - 100% loans
    - Public/Private partnerships

Lender Loan Program

- **Components**
  - Low cost of funds to the construction lender
  - Participate with experienced " A rated banks
  - Complements MHP Program
  - CHFA review process through construction
- **Benefits**
  - Assists in offsetting high construction costs
  - Linked to long term CHFA financing
- **Costs**
  - Reduced income to CHFA
  - Additional risk during construction and added documentation

Construction and Permanent Financing Sources



Multifamily Programs Business Plan FY 2001/02

- **Preservation**
  - Regular Preservation, 236 Portfolio, Opportunity Fund, HUD 202, Expiring Tax Credits Projects
- **New Construction**
  - Traditional Take-Out, Lender Loan, Bond Re-Funding
- **Special Needs**
  - Shorter Term Loans, SHIA Linked
- CHFA **Portfolio Section 8 Mis-Matches**
- **Taxable Moderate Income Product**

Multifamily Business Plan
FY 2001/02

Core Business Production Volumes

- **Preservation**
  - $110 million (includes 236 portfolio)
- New **Construction**
  - $120 million
- **Special** Needs
  - $20 million
- **$250 million Production Goal**
- **80% Tax-Exempt, 20% Taxable**

CHFA 236 Portfolio

- Portfolio Overview
  - Bay Area 18%, LA Co. 33%, San Diego Co. 12% Sacramento Co. 10%, Other 27%
- Non-profits: 44%
- For-profits: 56%
- Under LIHPRA: 24%
- Opt-Out / Pre-pay: 4%
- Portfolio averages
  - Project Units: 90
  - Loan balance: $937,000
  - Age: 31 years

236 Portfolio Objectives and Loan Process

- **Objectives**
  - Focus on projects most at-risk
  - React quickly to preservation opportunities
  - Provide portfolio specific sale or refinancing loan products
- **Outside Loan Originator**
  - Experienced staff with DUS type experience
  - Ability to perform HUD processing
- Board **Delegation**
  - 236 portfolio projects only
  - **Loans not** greater than $5 million and within program guidelines
  - Senior staff acts as loan committee

MULTIFAMILY BOND SALE

(Millions of $)

Series	Amounts	Maturities	Interest Rates	Tax Status	Number of Loans	Range of Loan Rates
2001 A	$17.2	2032	4.62%*	AMT	6	1%-6.35%
2001 B	9.2	2033	4.59%*	Non-AMT	2	5.75% -5.9%
2001 C	23.6	2041	5.58%**	Taxable	5	6.25%-9.0%
Total	$50.0					

- Swap rates

** Initial weekly rate

CALIFORNIA HOUSING FINANCE AGENCY

Variable Rate Debt as of February 2001

(Millions of $)

	Tied Directly to Variable Rate Loans	Swapped to Fixed Rate	Not Swapped or Tied to Variable Rate Loans	Total Variable Rate Debt
Single Family	$33	$1,209	$480	$1,722
Multifamily	16	209	37	262
Total	$49	$1,418	$517	$1,984

Net Variable Rate Debt

(millions of $)

	Tax-Exempt	Taxable	Totals
Short average life	$248	$ 89	$337
Long average life	37	143	180
TOTALS	$285	$232	$517

Interest Rate Swaps

(millions of $)

	Tax-Exempt	Taxable	Totals
Single family	$353	$856	$1,209
Multifamily	209	0	209
TOTALS	$562	$856	$1,418

TYPES OF VARIABLE RATE DEBT

(Millions of $)

	Auction Rate	Indexed Rate	Variable Rate Demand Obligations	Total Variable Rate Bonds
Single Family	$ 87	$ 344	$ 1,291	$ 1,722
Multifamily	0	0	262	262
Total	$ 87	$ 344	$ 1,553	$ 1,984

TYPES OF VARIABLE RATE DEBT

(Millions of $)

	Auction Rate	Indexed Rate	Variable Rate Demand Obligations	Total Variable Rate Bonds
Tax-Exempt	$57	$ 0	$ 839	$ 896
Taxable	30	344	714	1,088
Total	$87	$344	$1,553	$1,984