

MEMORANDUM

To: Board of Directors

Date: May 31, 2002



Ken Carlson, Director of Financing

From: CALIFORNIA HOUSING FINANCE AGENCY

Subject: SINGLE FAMILY DRAWDOWN BONDS SERIES 2002 B – ADDITIONAL DRAWING

On June 3, 2002, the Agency will complete another draw on the Drawdown Bonds issued earlier this year. This draw, in the amount of \$77,240,000, will refund maturing notes allowing us to preserve the tax-exempt authority originally used to issue these notes. As you may recall, the first draw on these bonds occurred in January of this year with a draw to preserve excess tax-exempt refunding authority from the February 1 redemptions.

The Drawdown Bonds were issued to help reduce transaction costs connected with preserving tax-exempt bond authority for future use and to provide an alternative to our usual issuance of notes for this purpose under our single family bond indentures. The bonds were issued in variable rate form and have monthly rate resets based on **an** index. The bonds **are** secured solely by their proceeds, which are invested in an investment agreement. The investment agreement backing the bonds bears interest at rates equal to or slightly in excess of the bonds, based on the same index as the bonds.

The Agency expects to issue additional Drawdown Bonds on June 21, 2002 which will be used to preserve CDLAC allocation received earlier this year and excess tax-exempt refunding authority from the August 1 redemptions.

MEMORANDUM

To: CHFA Board of Directors

Date: 3 June 2002

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

Subject: State Legislative Report

The Legislature has headed into the homestretch of the 2001-02 Session. Last Friday (May 31) was the last day for bills to pass their "House of Origin" in order to be acted upon this year. Because a number of bills didn't meet that deadline, I will no longer be including them in your Legislative Report. In an effort to streamline future reports and eliminate redundancy, you will notice that I have also dropped bills that I have already reported as signed for vetoed by the Governor (a good example would be SB 1227 (Burton), the Housing Bond bill). As such, the list should get smaller and smaller as the weeks wear on. Certainly, if you have any questions about any bill not on this list, you can call me (916/324-0801) or email me (drichardson@chfa.ca.gov) and I will be happy to get you whatever information you need.

Prevailing Wage Update.. .

At the last meeting, I promised to send you a copy of the amendments that are likely to be made to last year's SB 975 (Alarcon), which expanded the definition of public works projects subject to prevailing wage. When I made that promise, I was under the impression that we were within days of reaching agreement on final language. Unfortunately, that hasn't been the case, and negotiations have not been completed. As soon as an agreement has been reached, I will fax or email the final language to you. Until then, as always, I appreciate your continued patience.

HOMEBUYER ASSISTANCE

AB 1170 **Firebaugh** Housing: downpayment assistance.
status: 04/30/2002-SenateCom. on APPR.

This bill would create the Building Equity and Growth in Neighborhoods (BEGIN) Account within the Self-Help Housing Fund at HCD. Moneys in the account shall be made available, upon appropriation, to the department for grants to cities and counties for assistance in the form of 2nd mortgage loans for downpayment purposes to qualifying new home buyers in those jurisdictions that have taken prescribed actions to remove barriers to affordable housing.

Comments: This bill is sponsored by California Building Industry Association. Funding for this program is contained in the Housing Bond that will be on the November 2002 ballot.

INSURANCE

AB1486

Dutra Mortgage guaranty insurance.

status: 04/10/2002-Pending Concurrence. To inactive file by unanimous consent.

This bill would increase the allowable total indebtedness on which this insurance may be written to 103% of the fair market value.

Comments: This bill is sponsored by Mortgage Insurance Companies of America (MICA). The bill is currently being held on the Senate floor because questions were raised regarding the impact of this bill on predatory lending practices.

PREVAILING WAGE

SB 972

Costa Public works: prevailing wages.

status: 05/29/2002-Assembly Appropriations Committee. Hearing postponed by committee.

The current language of this bill would exclude from the requirements of public works and prevailing wage laws the construction or rehabilitation of privately owned residential projects if (1) the project is a self-help housing project and the homebuyer performs at least 500 hours of construction work; (2) the project is for the rehabilitation or expansion of a temporary or transitional homeless housing project with a total project cost of less than \$25,000; and (3) the assistance is either mortgage assistance, downpayment assistance, or for the rehabilitation of a single-family home.

Comments: The bill is currently supported by the California Coalition of Rural Housing; California Labor Federation, AEL-CIO; California Rural Legal Assistance Foundation; Coachella Valley Housing Coalition; Community Housing Improvement Program; Mercy Housing; Rural Communities Housing Development Corporation; Sacramento Housing Alliance; Self-Help Enterprises; South County Housing; and the State Building and Construction Trades Council. As stated above, additional amendments to this bill are currently being negotiated, and will be distributed as soon as they become available.

MISC

SB 1521

Kuehl Land use: model planning practices and policies.

status: 05/29/2002-In Assembly. Read first time. Held at Desk.

This bill would require the Office of Planning and Research to develop, in conjunction with an expanded Planning Advisory and Assistance Council, a state model zoning ordinance that emphasizes land use policies that are economically, socially, and environmentally sustainable and promote smart growth concepts, and to make that ordinance available to cities and counties by January 1, 2004. Local agencies that adopt an ordinance that conforms with that model would then be granted a preference for certain state grant funds.

Comments: This bill is sponsored by the Governor's Office of Planning and Research. Although the bill enjoys fairly wide support, there is some opposition from local governments the bill would grant a great deal of subjective judgment at the state level over issues that would dictate elements of a local jurisdiction's general plan, and will only serve exacerbate the existing situation of contradictory or competing policies from the state level.

SB 1654

Burton Governor's office: homelessness.

status: 05/29/2002-In Assembly. Read first time. Held at Desk.

This bill would establish the Office of Homelessness within the Governor's office to coordinate the efficient use of state resources to improve the management and oversight of all state homeless programs and to make annual recommendations to the Governor and the Legislature

SCA 13

Alarcon Local government: special taxes and general obligation bonds: local development.

status: 04/22/2002-To Coms. on L.GOV. and C.A.

This measure would authorize a local government, with the approval of a majority of its voters voting on the proposition, to impose a special tax that it is otherwise authorized to impose, if the tax is imposed exclusively to fund projects related to transportation and other local development.

Comments: While this bill has not yet been heard in any committee, Constitutional Amendments (which require 2/3 vote of each house to pass) are not subject to the same rules and deadlines as regular bills.

ATION

SB 372

Dunn Preservation interim loan programs.

status: 05/16/2002-Assembly Appropriations Committee

This bill would establish two new preservation interim loan programs known as the Preservation Opportunity Program and the Interim Repositioning Program.

Comments: This bill is co-sponsored by Housing California and National Housing Development Corporation. The majority of this bill will be administered by CHFA. Funding is included in the housing bond that will appear on the November 2002 ballot.

CHFA COMMUNICATIONS CAMPAIGN

Presented to the Board of Directors
Thursday, June 6, 2002
By Dawn Hulbert



OBJECTIVE

- To increase awareness/knowledge of CHFA with stakeholders and the general public through the development and implementation of an overall communications campaign.



GOALS

- Creation of a "brand" identity for CHFA.
- Education of stakeholders and public.
- Development of messages and media platforms consistent with CHFA interests.
- Position CHFA as a leader in the housing industry.



STRATEGIES

- Client / Consumer research.
- Development of key messages for three "product" arms.
- Creation of a corporate tag line.
- Re-evaluation of logo.

STRATEGIES

- Design/development of agency "look".
- Audit/re-design of website and collateral materials.
- Creation of a strategic marketing plan.

CONSUMER RESEARCH

- Statewide – 2 Distinct Groups
- Key Findings
 - Almost none aware of CHFA.
 - Little/no thought to financing before buying.
 - Thought "not eligible" or steered away.
 - Positive reactions to CHFA programs.
 - Positive reactions to state affiliation.
 - Income/Price Limits – varied reactions.

CONSUMER RESEARCH

- Key Findings (continued)
 - Priorities
 - Finding the "right" items
 - Funds for the development
 - Establishing a schedule
 - Interest rates - "15 minutes" example



STAKEHOLDER RESEARCH

- One-on-one Interviews Underway
 - Lenders, developers, non-profits, builders, Realtors®, housing advocates, legislators, governmental agencies, HUD-V staff
- Preliminary Findings
 - Very willing to talk
 - Very positive comments regarding individual staff
 - Processes as bureaucratic, laborious, somewhat inflexible



STAKEHOLDER RESEARCH

- Preliminary Findings (continued)
 - More local partnerships
 - State affiliation as an advantage
 - Accepts challenges private sector will not
 - Ultimate role: to get more people into housing



NEXT STEPS/TIMELINE

- PN to make recommendations based upon research findings in two weeks.
 - Tactics expected to include: proactive media relations, more targeted outreach efforts, possibility of paid media.
- Updating of logo, collateral materials, website.
- Rollout of new image, materials, and launch events scheduled for August.



California Housing Finance Agency



Board of Directors Meeting
June 6, 2002
Sacramento

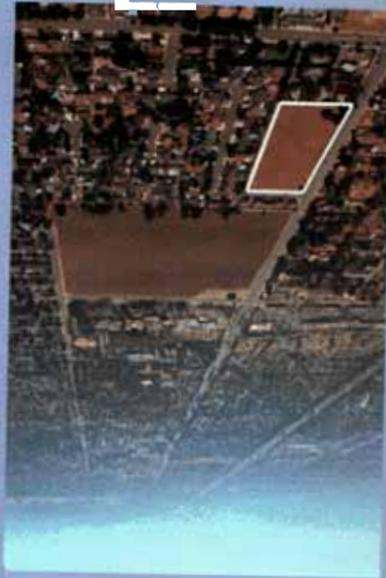
Multifamily Projects





California Housing
Finance Agency

Plaza Del Sol Apartments



California Housing
Finance Agency

Plaza Del Sol Apartments

Plaza Del Sol Apartments

California Housing
Finance Agency



Plaza Del Sol Apartments

California Housing
Finance Agency



Plaza Del Sol Apartments

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Finance Agency



Plaza Del Sol Apartments

California Housing,
finance Agency



Plaza Del Sol Apartments

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Plaza Del Sol Apartments

California Housing
Finance Agency



Plaza Del Sol Apartments

California Housing Finance Agency



Plaza Del Sol Apartments

California Housing Finance Agency



Victoria Family Housing

California Housing
Finance Agency



Victoria Family Housing

California Housing
Finance Agency





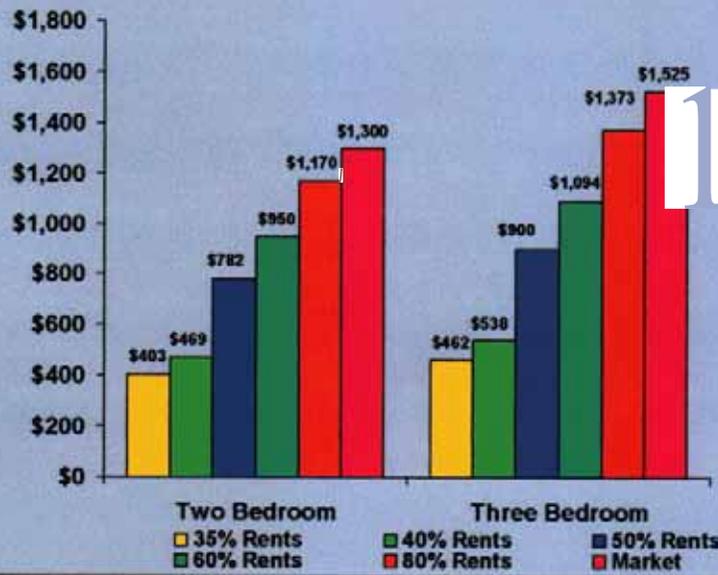
Victoria Family Housing

California Housing Finance Agency



Victoria Family Housing

California Housing Finance Agency



Fremont Oak Gardens

California Housing
Finance Agency



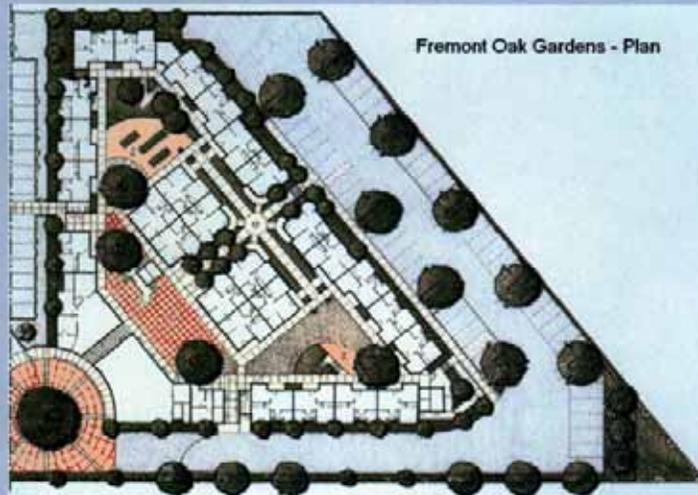
Fremont Oak Gardens

California Housing
Finance Agency



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Kaiser Medical Center

Fremont Oak Gardens

California Housing
Finance Agency



California School for the Deaf

Fremont Oak Gardens

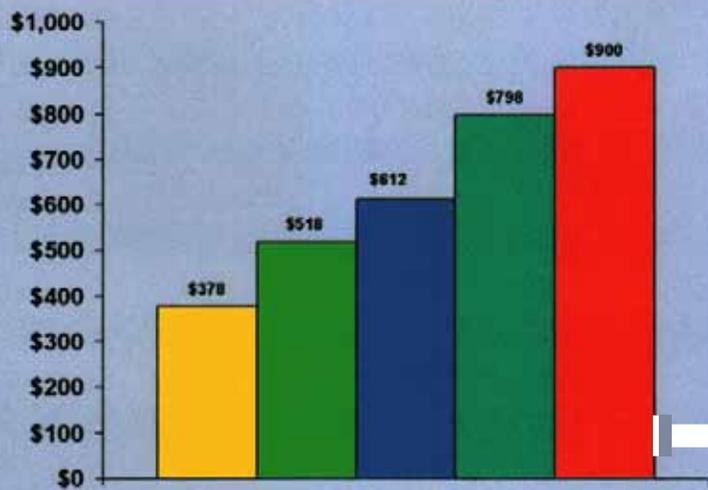
California Housing Finance Agency



Fremont Senior Center

Fremont Oak Gardens

California Housing Finance Agency



One Bedroom

30% Rents 60% Rents 50% Rents Market

Financing Downpayment Assistance With CHFA Bonds

Resolution 02-17
Amends 02-01 and 02-02

New Form of Indenture

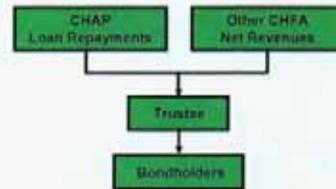
Downpayment Assistance Loans

- Low interest rate: 3% - 5%
- Simple interest, no compounding
- All payments deferred
- Subordinate to first mortgage
- Uninsured risk

CHFA General Obligation Rated Aa3 by Moody's AA- by S & P

\$832 million of CHFA
G.O. bonds
carry these ratings

Bond Financing of Down Payment Assistance Loans Paying Bond Investors



FINANCING REPORTS

- Recent Bond Issues
 - Single Family
 - Multifamily
- Variable Rate Bonds
- Interest Rate Swaps

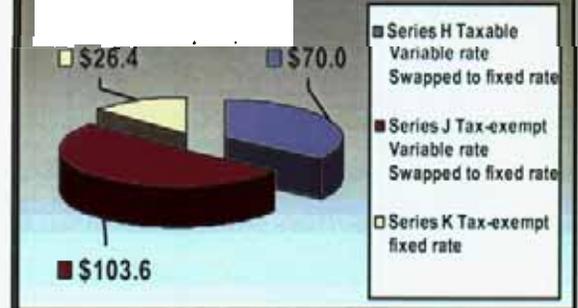
Recent Bond Sales

Date	Bond Series	\$ Amount
5/21/02	Home Mortgage Revenue Bonds 2002 Series HJK	\$200,000,000
5/22/02	Multifamily Housing Revenue Bonds III 2001 Series A	\$ 48,350,000
6/03/02	Single Family Drawdown Bonds 2001 Series B	\$ 77,240,000

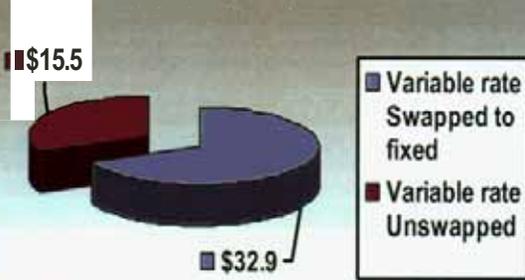
Recent Single Family Bonds

Designator	2002 ABC	2002 DEFG	2002 HJK
Pricing Date	1/24	3/13	5/21
\$ Amount	\$165 mm	\$210 mm	\$200 mm
New Loans			
to be Financed	1,100	1,400	1,300
% Taxable	50%	50%	35%
Interest Cost	5.06%	5.29%	4.89%

structure of HMRB 2002 HJK \$200 mm



Structure of MFHRB-III 2002A \$48,350,000



CALIFORNIA HOUSING FINANCE AGENCY

Variable Rate Debt as of June 6, 2002

(Millions of \$)

	Tied Directly to Variable Rate Assets	Swapped to Fixed Rate	Not Swapped or Tied to Variable Rate Loans	Total Variable Rate Debt
Single Family	\$220	\$2,177	\$617	\$3,014
Multifamily	18	376	96	490
TOTALS	\$238	52,553	\$713	\$3,504

Net Variable Rate Debt

(Millions of \$)

	Tax-Exempt	Taxable	Totals
Short average life	\$202	\$277	\$479
Long average life	78	156	234
TOTALS	\$280	\$433	\$713

Relationship of HFA Economics to Interest Rates

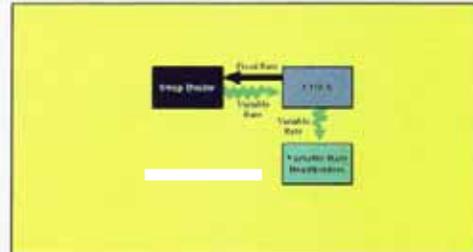
	Direction of Interest Rates	
	Falling	Rising
"Annuity" Value	↓	↑
Real Estate Value	↓	↑
Investment Returns	↓	↑
Asset Growth	↓	↑

Interest Rate Swaps

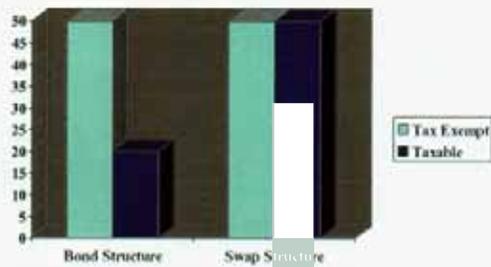
(Millions of \$)

	Tax-Exempt	Taxable	Totals
Single family	\$792	\$1,385	\$2,177
Multifamily	376	0	376
TOTALS	\$1,168	\$1,385	\$2,553

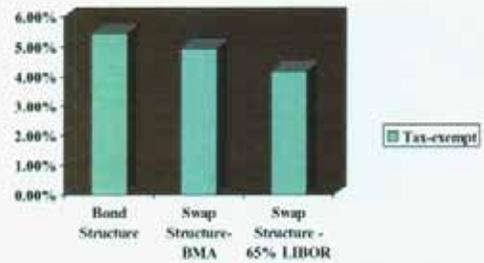
Interest Rate Swap



CALIFORNIA HOUSING FINANCE AGENCY Single Family Leverage



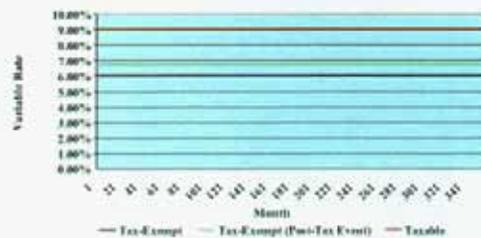
CALIFORNIA HOUSING FINANCE AGENCY Lower Multifamily Cost of Funds

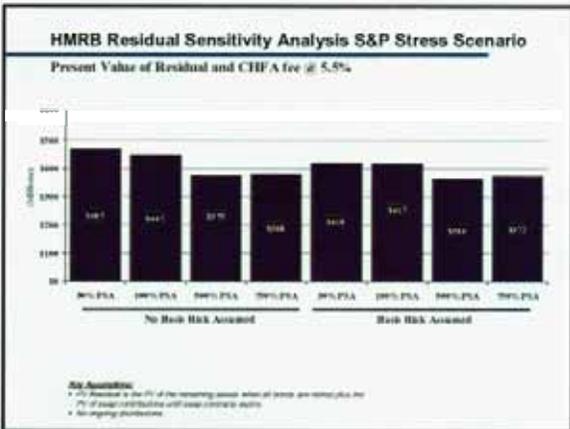
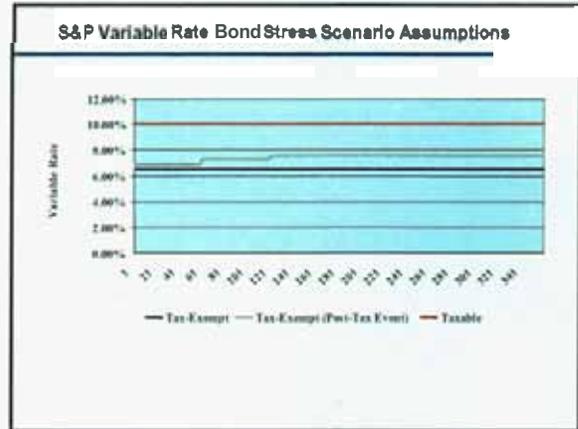
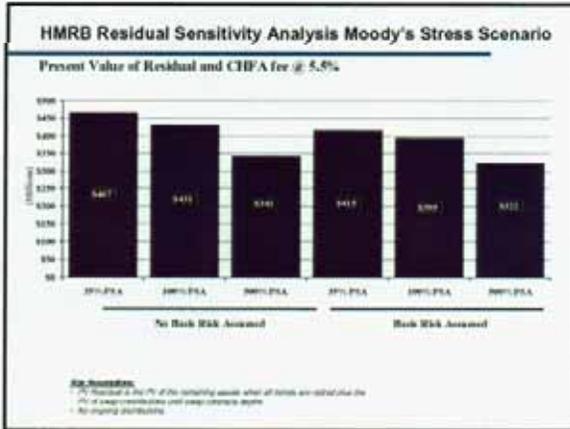


Analysis of Effect of Rating Agency Stress Scenarios on Residual Value of HMRB Program

Analysis by Caine Mitter Inc.
CHFA Cashflow Consultants

Moody's Variable Rate Bond Stress Scenario Assumptions





TYPES OF VARIABLE RATE DEBT BY TYPE OF HOUSING

(Millions of \$)

	Auction Rate	Indexed Rate	Variable Rate Demand Obligations	Total Variable Rate Bonds
Single Family	\$102	\$1,290	\$1,622	\$3,014
Multifamily	0	2	488	490
TOTALS	\$102	\$1,292	\$2,110	\$3,504

TYPES OF VARIABLE RATE DEBT BY TAX STATUS

(Millions of \$)

	Auction Rate	Indexed Rate	Variable Rate Demand Obligations	Total Variable Rate Bonds
Tax-Exempt	\$57	\$200	\$1,428	\$1,685
Taxable	45	1,092	682	1,819
Total	\$102	\$1,292	\$2,110	\$3,504