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SACRAMENTO HEADQUARTERS
1121 L STREET, SEVENTH FLOOR
SACRAMENTO, CA 95814-3974
(916) 322-3991

www.chfa.ca.gov

LOS ANGELES OFFICE
100 CORPORATE POINTE, SUITE 250
CULVER CITY, CA 90230-7641
(310) 342-1250

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State of California

MEMORANDUM

To: Board of Directors

Date: August 29,2002

Ken Carlson, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: REPORT OF BOND SALE AND INTEREST RATE SWAP AGREEMENTS MULTIFAMILY HOUSING REVENUE BONDS III, 2002 SERIES BC

On August 28th we set swap rates for $65,840,000 out of $71,775,000 of multifamily variable rate bonds to be issued on September 10th. All of the bonds will be issued as variable rate demand obligations, for which interest rates will be reset weekly and interest paid semiannually. The bonds are backed by our Aa3/AA- general obligation as well as by a standby bond purchase agreement with Fannie Mae.

The bonds will be issued to provide funds to finance new loans to four multifamily projects and to refund $26,200,000 of a prior CHFA bond issue. This prior issuance was the first of several refundings carried out in 1994 in connection with a number of defaults on loans originated in the mid-1980s. A total of four prior loans and an REO will be transferred as a result of the refunding. Attached is a listing of the projects to be financed by the bonds.

As shown in the table below, we have obtained three interest rate swaps, together in an amount related to the new and transferred permanent loans. The amount related to the bridge loan is not being swapped. For all swaps we were able to utilize the Bond Market Association ("BMA") index of tax-exempt variable rates. By using this index we avoid assuming risks associated with any future changes in marginal federal income tax rates. In addition, we have chosen to delay the starting dates for the three swaps. Delayed starts enable us to minimize negative investment arbitrage during the period between the issuance of the bonds and the date new loans are funded or (in the case of the refunding component) the prior bonds are retired.

Amount of Swap	Start Dates	End Dates	Interest Rates	Floating Rate Index
$33,520,000	2/1/2003	2/1/2035	4.037%	BMA – 0.20%
$14,970,000	2/1/2004	2/1/2037	4.405%	BMA – 0.15%
$17,350,000	8/1/2005	8/1/2037	4.638%	BMA – 0.15%

Attachment

Attachment

Project Name	Loan Amount	Interest Rate		Actual/Projected Loan Origination Date
New Loans				
Southlake Tower (1st loan)	$ 6,500,000	5.50%		29-Jul-02
Southlake Tower (2nd loan)	820,000	6.50%		29-Jul-02
Burbank Senior Artist	14,970,000	5.70%		01-Sep-03
Victoria Family Housing	15,535,000	5.50%		01-Sep-04
Plaza Del Sol Apartments	7,750,000	5.70%		01-Dec-04
Total	$ 45,575,000			
Old Loans Transferred from Prior Bond Issue				
Dorjil Estates (1)	$ 3,643,849	N/A		N/A
Hillside Villa	4,306,304	6.5% 5.75 - 7.0%	(2) & (3)	01-Feb-94
Huntington Square	9,152,458	7.00%		01-Feb-94
Regency Manor	5,013,682	6.25% 4.25 - 7.0%	(2) & (3)	01-Feb-94
Somersett Hills	4,762,035	6.88% 6.63 - 7.13%	(2) & (3)	01-Feb-94
Total	$ 26,878,328			
Grand Total	$ 72.453.328			

(1) Owned by the Agency. Amount as of default on February 25, 1998.
(2) Range of interest rates for stepped-rate loans.
(3) In connection with the refunding of the prior bonds, all of these borrowers will be offered a new 30 year loan at 6.5%.

State of California

MEMORANDUM

To Board of Directors

Date: August 28,2002

Ken Carlson, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: REPORT OF BOND SALE AND INTEREST RATE SWAP AGREEMENTS
HOME MORTGAGE REVENUE BONDS 2002 SERIES LMN

On July 17* we set interest rates for $14.8 million of fixed rate bonds and set swap rates for $155.2 million of variable rate bonds for a total of $170 million. The transaction proceeds will be used to fund approximately 1,100 new loans.

As shown in table below, the level of taxable bonds blended into our structures has declined as we try to provide mortgage rates that are competitive to falling market rates.

Date	HMRB Series	Taxable Percentage
July 2001	2001 LMNOP	70%
September 2001	2001 QRS	62%
November 2001	2001 TUV	40%
January 2002	2002 ABC	50%
March 2002	2002 DEFG	50%
Mav 2002	2002 HJK	35%
July 2002	2002 LMN	35%

The 35% taxable structure for the Series LMN bonds provides an overall interest cost of 4.376% that will be supported by our anticipated loan portfolio, with loan rates expected to range from **5%** to **5.75%.** In comparison, the interest cost for the previous issue was **4.89%.**

As expected, we were again faced with very low short-term investment rates. As we wait for our lenders to send us loans for purchase, our bond proceeds are invested at rates significantly below our cost of funds. The current daily rate for the State investment pool, where we are investing our proceeds, is 2.59%, giving us negative carry of 1.786%. Therefore, we again decided to delay the delivery of a portion of the bonds and delay the commencement of the swaps until a time when most of the loans would be originated.

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The bonds were structured in three series as shown on the table below. The ***$59.5*** million Series L bonds are taxable variable rate LIBOR indexed bonds that were purchased by the Federal Home Loan Bank of San Francisco. The ***$95.68*** million Series M bonds are tax-exempt variable rate demand obligations with liquidity provided by the Bank of Nova Scotia. For both the Series L and M bonds we have arranged interest rate swaps to provide a fixed rate cost of funds. The interest rate swaps are structured with declining notional amounts that match the expected amortization of the corresponding variable rate bonds. The **$14.82** million non-AMT Series **N** bonds were structured as serial bonds.

SERIES	L	M	N
$ Amount	**$59,500,000**	**$95,680,000**	**$14,820,000**
Type of Bonds	Indexed Floaters	VRDO	Serial
Tax Treatment	Taxable	AMT	Non-AMT
Maturities	**2024**	**2025,2032, 2033**	**2003-2014**
Average Life	5.40 yrs.	**15.76** yrs.	N/A
Interest Rates	Variable	Variable	**1.40415%**
Reset Frequency	Quarterly	Daily	N/A
Swap Rates	**5.10%**	**3.728%(2025) 3.52%(2032) 4.48%(2033)**	N/A
Bond Delivery Date	**8/8/02**	**10/17/02**	**8/8/02**
Swap Start Date	**12/1/02**	**10/17/02**	N/A
Credit Rating	Aaa/AAA	Aa2/AA- VMIG-1/A-1	Aaa/AAA
Bond Insurer	MBIA	N/A	MBIA

State of California

MEMORANDUM

To: Board of Directors

Date: August 29,2002

Ken Carlson, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: STATUS OF THE DRAWDOWN BOND PROGRAM

The table on the following page reflects drawdown bond program activity since the June 6, 2002 Board meeting. Note that $511.5 million of new drawdown bonds were added during this period, and another $207.3 million were redeemed or are scheduled for redemption, leaving a September 12 balance of $581.1 million.

As discussed previously, the drawdown bond program is our relatively new mechanism for preserving tax-exempt bond authority for future use, providing a less expensive and more flexible alternative to our former practice of issuing notes for this purpose under our Home Mortgage Revenue Bond indenture. Each of our current issues of tax-exempt Home Mortgage Revenue Bonds acts as a refunding of a like portion of drawdown bonds.

Drawdown bonds are 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 investment agreements with financial institutions with high credit ratings. The investment agreements backing the bonds bear interest at rates equal to or slightly in excess of the rate of the bonds, based on the same index as the bonds.

Drawdown Bond Program Activity

Single Family Drawdown Bonds	Bonds Outstanding at 6/6/02	Draws (Issuances) Since 6/6/02 Board Meeting	Redemptions Since 6/6/02 Board Meeting	Bonds Outstanding at 9/12/02
2002 A	$ 14.820.000	$ 0	$ 0	$ 14.820.000
2002 B	262,085,000	143,155,000	207,290,000	197,950,000
2002 C	0	15,475,000	0	15,475,000
2002 D	0	352,900,000	0	352,900,000
Totals	$276,905,000	$511,530,000	$207,290,000	$581,145,000

Multifamily Drawdown Bonds	Bonds Outstanding at 6/6/02	Draws (Issuances) Since 6/6/02 Board Meeting	Redemptions Since 6/6/02 Board Meeting	Bonds Outstanding at 9/12/02
2002	$ 1.700.000	$ 0	$ 1.700.000	$ 0

State of California

MEMORANDUM

To: Board of Directors

Date: August 28,2002

Ken Carlson. Director of Financing

From: CALIFORNIA HOUSING FINANCE AGENCY

Subject: INCREASE IN WAREHOUSING RESOURCES

In the past several months, the Agency has found the need to increase warehousing resources for both the multifamily and single family programs. The Agency was able to obtain a line of credit with Bank of America for multifamily loan warehousing and increase the amount of the loan with the State's Pooled Money Investment Account (PMIA) for single family loan warehousing.

On April 22,2002, the Agency executed an agreement with Bank of America for a line of credit to streamline the initial funding of multifamily and special program loans. The amount of the line of credit is $15 million and the interest rate is variable and indexed to market rates. Amounts drawn on the line of credit are to be reimbursed in a timely manner with bond funds or Housing Assistance Trust funds, as applicable. This line of credit will be available until April 1, 2004.

On July 17,2002 the Pooled Money Investment Board (PMIB) approved an increase in the Agency's loan from $150 million to $200 million. State law authorizes the PMIB to grant loans to State agencies where such loans are anticipated to be repaid with bond proceeds. The Agency originally borrowed $50 million from the PMIA in May 1994 to provide warehousing capabilities for home loans. This amount was increased to $100 million in May 1995 and to $150 million in August 1998 due to increased production levels. This new increase to $200 million was requested for this same reason.

The PMIB considers renewal of our loan every six months. The loan interest rate is established at the rate the entire pool is earning on the date the renewal becomes effective. The rate for the current period is 2.669%.

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MEMORANDUM

To: Board of Directors Date: August 29,2002

Ken Carlson, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: UPDATE ON VARIABLE RATE BONDS AND INTEREST RATE SWAPS

The following report describes our bond and swap positions as of the September 12 Board meeting. It takes into account bond pricings and interest rate swap agreements arranged prior to the Board meeting even if actual issuance or swap commencement takes place on a later date. Since the previous Board meeting, we have arranged to issue $753 million of new bonds, of which $738 million will be variable. Of this amount, $221 million is being swapped to fixed rates and $511.5 million are new drawdown bonds.

Variable Rate Debt Exposure

We have reached a milestone where more than half of our indebtedness is variable rate rather than fixed. The total amount of CHFA variable rate debt currently outstanding or priced for future delivery is $4.0 billion, 51% of our $7.8 billion of total indebtedness. As shown in the table below, our "net" variable rate exposure is $666 million, 8.5% of our indebtedness. The net amount of variable rate bonds is the amount that is neither swapped to fixed rates nor directly backed by complementary variable rate loans or investments.

VARIABLE RATE DEBT
($ *in millions)*

	Tied Directly to Variable Rate Assets	Swapped to Fixed Rate	Not Swapped or Tied to Variable Rate Assets	Total Variable Rate Debt
Single Family	$598 *	$2,290	$564	$3,452
Multifamily	16	440	102	558
Total	$614	$2,730	$666	$4,010

* includes drawdown bonds

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As discussed in each previous report, our **$666** million of net exposure provides the Agency with a useful internal hedge against today's low interest rate scenario, where we are experiencing low short-term investment rates and fast loan prepayments. For example, interest rates for the State Treasurer's investment pool, where we invest our single family bond proceeds, have now fallen to **2.59%.** In addition, the incidence of single family loan prepayments increased early in **2001** from an average of **$30** million per month in **1999 and 2000** to an average of ***$85*** million per month for the last **12** months. This high rate of prepayments has kept our loan portfolio from expanding in spite of our **$1** billion annual new production. However, debt service savings on our unswapped variable rate bonds should help to offset the economic consequences of low investment rates and high prepayments. As an example, the interest rates on our **$412** million of unswapped taxable variable rate bonds are currently at the **1.75%- 1.80%** level.

The table below summarizes this current risk position.

NET VARIABLE RATE DEBT
($ *in millions)*

	Tax-Exempt	Taxable	Totals
Short average life	**$166**	**$257**	**$423**
Long average life	**88**	**155**	**243**
TOTALS	**$254**	**$412**	**$666**

Interest Rate Swaps

Currently, we have arranged a total of **58** swaps with seven different counterparties for a combined notional amount of **$2.73** billion. These interest rate swaps generate 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 to multifamily sponsors and to serve a great many additional homebuyers.

The table below provides a summary of our current notional swap amounts.

INTEREST RATE SWAPS
($ *in millions)*

	Tax-Exempt	Taxable	Totals
Single family	**$885**	**$1,405**	**$2,290**
Multifamily	**440**	***0***	**440**
TOTALS	**$1,325**	**$1,405**	**$2,730**

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The table below shows the diversification of our swaps among the seven firms acting as our swap counterparties. Note that our swaps with Lehman Brothers, Bear Steams, and Goldman Sachs are with structured subsidiaries that are special purpose vehicles used only for derivative products. We have chosen to use these subsidiaries because the senior credit of those firms is not as strong as that of the others.

SWAP COUNTERPARTIES

Swap Counterparty	Credit Ratings Moodys	Credit Ratings S & P	Notional Amounts Swapped (*$ in millions*)	Number of Swaps
Merrill Lynch Capital Services Inc.	Aa3	AA-	$ 928.5	18
Lehman Brothers Derivative Products Inc.	Aaa	AAA	589.1	16
Salomon Brothers Holding Company Inc.	Aal	AA-	550.5	12
Bear Steams Financial Products Inc.	Aaa	AAA	452.2	7
UBS AG (Union Bank of Switzerland Aktiengesellschaft)	Aa2	AA+	101.4	2
JPMorgan Chase Bank - New York	Aa2	AA	97.1	2
Goldman Sachs Mitsui Marine Derivative Products, L.P.	Aaa	AA+	10.7	1
			$2,729.5	58

Note that, with interest rate swaps, the "notional amount" (equal to the principal amount of the swapped bonds) itself is not at risk. Instead, the risk is that a counterparty would default and, because of market changes, the terms of the original swap could not be replicated without additional cost.

Because all of our swaps have been entered into to establish "synthetic" fixed rates for our variable rate bonds, we receive floating rate payments from our counterparties in exchange for a fixed rate obligation on our part. In today's market, with very low short-term rates, the

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net periodic payment owed under our swap agreements is from us to our counterparties. As an example, on our August 1,2002 semiannual debt service payment date, we made a total of $39.8 million of net payments to our seven counterparties. Conversely, if short-term rates were to rise above the fixed rates of our swap agreements, then the net payment would run in the opposite direction, and we would be on the receiving end.

Risk of Changes to Tax Law

It should be noted that, for an estimated $956 million of the $1.325 billion of tax-exempt bonds swapped to a fixed rate, CHFA remains exposed to certain tax-related risks. In return for significantly higher savings, we have chosen through these interest rate swaps to retain exposure to the risk of changes in tax laws that would lessen the advantage of tax-exempt bonds in comparison to taxable securities. In addition, we bear this same risk for $271 million of our tax-exempt variable rate bonds which we have not swapped to a fixed rate. Together, these two categories of variable rate bonds total $1.227 billion, less than 16% of our $7.8 billion of bonds outstanding. This risk of tax law changes is the same risk that investors take every time they purchase our fixed-rate tax-exempt bonds.

Twes of Variable Rate Debt

The table below shows our variable rate debt sorted by type, **i.e.,** whether auction rate, indexed rate, or variable rate demand obligations (VRDOs). Auction and indexed rate securities cannot be "put" back to us by investors; hence they typically bear higher rates of interest than do "put-able" bonds such as VRDOs.

TYPES OF VARIABLE RATE DEBT
($ *in millions)*

	Auction Rate Bonds	Indexed Rate Bonds	Variable Rate Demand Obligations	Total Variable Rate Debt
Single Family	$100	$1,708	$1,644	$3,452
Multifamily	0	0	558	558
Total	$100	$1,708	$2,202	$4,010

Since September of 2000 we have been able to sell all of our taxable single family variable rate bonds to the Federal Home Loan Banks. Eleven different issues totaling $1.07 billion have been purchased by the San Francisco FHLB, and a twelfth issue of $70 million was purchased by the Topeka FHLB. These bonds have all been designed as indexed-rate securities and have no put feature.

In addition, our $581.1 million of currently outstanding drawdown bonds are indexed-rate securities.

Liauidity Providers

The following table shows the financial institutions currently providing CHFA with liquidity in the form of standby bond purchase agreements for our VRDOs. Under these agreements, if our variable rate bonds are put back to our remarketing agents and cannot be remarketed, these institutions are obligated to buy the bonds. As a result of our solicitation last fall, Lloyds TSB and Bank of Nova Scotia have been providing liquidity for our single family VRDOs being issued in 2002. Fannie Mae is providing liquidity for this year's multifamily VRDOs and is expected to provide liquidity for any single family VRDOs we may issue to finance down payment assistance loans. We have also asked Freddie Mac to act as a liquidity provider.

LIQUIDITY PROVIDERS
(*$ in millions)*

Financial Institution	$ Amount of Bonds	Type of Bonds
Fannie Mae	$ 328.7	MF
Commerzbank	281.6	SF
Lloyds TSB	272.0	SF
CalSTRS	257.0	SF/MF
Westdeutsche Landesbank	197.6	SF/MF
Landesbank Hessen-Thuringen	183.3	MF
Bank of Nova Scotia	165.7	SF
KBC	153.5	SF
Bayerische Landesbank	139.4	SF
Bank of New York	101.4	SF
Bank of America	81.0	SF
State Street	23.5	SF
Morgan Guaranty	16.9	SF/MF
Total	$2,201.6	

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MEMORANDUM

To: Board of Directors

Date: August 29,2002

Ken Carlson, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: **ANNUAL** INVESTMENT **REPORT**

In **1995** the Board adopted an investment policy and asked for a periodic investment report. Attached for your information is an investment report as of June 30, 2002, the end date for the most recent fiscal year. This report shows that CHFA moneys continue to be invested conservatively and in accordance with the Board-approved investment policy.

Attachment

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.CALIFORNIA HOUSING FINANCE AGENCY

INVESTMENT REPORT

June 30,2002

SUMMARY

As of June **30,2002,** CHFA (including **CaHLIF)** had **$9.6** billion of assets, of which **$2.7** billion **(28%)** consisted of investments (not mortgages). **$818** million of this **$2.7** billion was **used** to pay bond debt service due on August 1. For the fiscal year, CHFA/CaHLIF total revenues were **$666** million, of which **$102** million **(15%)** was investment interest income.

The following table shows what types of investments we hold for different categories of funds. Note that (as for the previous fiscal years) investment agreements are our most prevalent type of investment and are used exclusively for our bond funds. As before, our next most prevalent investment is the State's investment pool.

$ AMOUNT INVESTED (MILLIONS)

INVESTMENT TYPE	BOND MONEYS	NON-BOND MONEYS	TOTAL
Investment agreements	$1,725.8	$0.1	$1,725.9
State investment pool	498.8	286.6	785.4
Securities (fair market value)	101.2	9.3	110.5
Money market and Bank deposit	81.7	1.5	83.2
Totals	$2,407.5	$297.5	$2,705.0

INVESTMENT AGREEMENTS

As stated in the Investment Policy, we normally invest bond moneys in investment agreements. Such agreements give us a high level of security of principal, a fixed rate of return to match the fixed cost of our debt, and complete liquidity so that we can use them like interest-bearing checking accounts and make deposits and withdrawals on short notice.

The following table shows the types of bond moneys that are deposited into investment agreements.

INVESTMENT AGREEMENT BALANCES
(Millions of $)

	Bond Proceeds (For Loan Purchases)	Drawdown Bond Proceeds	Reserve Funds	Debt Service Funds	**Totals**
Single Family	$0	$543.3	$111.3	$881.6	$1,536.2
Multifamily	118.2	1.7	13.6	56.2	189.7
Totals	$118.2	$545.0	$124.9	$937.8	$1,725.9

The first two attachments show information about our $1.7 billion of deposits with financial institutions providing us with investment agreements. Note the high credit ratings of the institutions. If these credit ratings were to fall below a threshold level, we have the right to request collateralization or return of principal.

INVESTMENT POOL

As shown by the table on the previous page, we have $785.4 million invested with the State Treasurer in the State investment pool, which, over time, has given us security, a fair return (2.75% as of June 30), complete liquidity, and administrative simplicity.

As stated in the Investment Policy, we invest most non-bond moneys in the pool. We also invest a significant amount of bond moneys in the pool, including, most recently, Home Mortgage Revenue Bond proceeds. In addition, Housing Assistance Payments moneys from HUD for the Section 8 projects, servicing impound account moneys and mortgage revenue for some of the older transactions are also invested in the pool.

SECURITIES

The third attachment displays information about the $1 10.5 million (fair market value) of securities we hold. This category includes $69.2 million of Fannie Mae and Ginnie Mae securities backed by loans originated for our single family and multifamily programs. Note that the market value of the securities is slightly lower than the amortized value primarily because the loans backing the Fannie Mae and Ginnie Mae securities have below market interest rates.

The commercial paper was purchased by our outside trustee (U.S. Bank Trust, National Association) for investment of certain escrow and program account moneys.

IEY I AND BANK DEPOSI

Our outside trustee sweeps overnight deposits into a treasury securities money market fund which was paying 1.44% as of June 30. The amount invested in the money market includes some bond program moneys which we expect to use to purchase loans or mortgage backed securities or to pay costs of issuance. In addition, this category includes loan servicing revenues held in bank deposit accounts.

Attachments

CALIFORNIA HOUSING FINANCE AGENCY
FUNDS INVESTED IN INVESTMENT AGREEMENTS
TOTALS BY FINANCIAL INSTITUTION RATINGS

Moody's Ratings	Amount Invested 6/30/02	Percentage of Total Invested
Aaa	$1,125,671,576	65.22%
Aal	145,458,804	8.43%
Aa2	13,641,264	0.79%
Aa3	441,136,094	25.56%
Total	$1,725,907,738	100.00%

S & P Ratings		
AAA	$1,125,671,576	65.22%
AA+	155,793,746	9.03%
AA	13,536,073	0.78%
AA-	430,906,343	24.97%
Total	$1,725,907,738	100.00%

SUMMARY OF CHFA INVESTMENTS IN SECURITIES AS OF JUNE 30, 2002

TYPE OF INVESTMENT	PAR VALUE	BOOK VALUE	MARKET VALUE	REIGHTED AVERAGE COUPON	WEIGHTED AVERAGE REMAINING MATURITY
GNMA SECURITIES	$ 36,891,216	$ 36,891,216	$ 36,834,470	6.26%	28.88 Years
FNMA SECURITIES	34,215,392	34,626,449	32,373,928	6.48%	24.09 Years
COMMERCIAL PAPER	25,327,000	25,327,000	25,293,303	1.90%	0.06 Years
U.S. TREASURY BONDS	9,690,000	9,530,618	11,035,268	9.17%	8.90 Years
U.S. TREASURY BILLS	2,874,000	2,874,000	2,850,858	1.80%	0.45 Years
REFCORP BONDS	904,000	1,029,096	1,168,420	8.63%	18.55 Years
FHLMC SECURITIES	780,000	793,239	963,056	8.25%	13.92 Years
TOTALS	$110,681,608	$111,071,617	$110,519,302		

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SUMMARY OF CALIFORNIA HOUSING FINANCE AGENCY FUNDS DEPOSITED IN INVESTMENT AGREEMENTS - JUNE 30, 2002

INVESTMENT AGREEMENT PROVIDER	MOODY'S RATING	STANDARD & POOR'S RATING	AMOUNT INVESTED
AMERICAN INTERNATIONAL GROUP MATCHED FUNDING CORP. (AIGMFC)	Aaa	AAA	$ 433,455,487
TRINITY	Aaa	AAA	285,919,164
SOCIETE GENERAL	Aa3	AA-	275,681,653
BAYERISCHE LANDESBANK	Aaa	AAA	223,535,059
AEGON INSTITUTIONAL MARKETS	Aa3	AA-	140,407,830
WESTDEUTSCHE LB	Aa1	AA+	139,795,734
FGIC CAP.MARKETS SERVICES	Aaa	AAA	83,063,930
CDC FUNDING	Aaa	AAA	57,358,915
MBIA INV.MANAGEMENT CORP.	Aaa	AAA	42,339,021
MONUMENTAL LIFE CO.	Aa3	AA+	14,468,896
TMG FINANCIAL PRODUCTS	Aa2	AA	13,536,073
CANADIAN IMPERIAL BANK	Aa3	AA-	9,048,599
BANK OF AMERICA	Aa1	AA-	2,625,353
CITIBANK	Aa1	AA-	2,136,251
PACIFIC LIFE CO.	Aa3	AA+	1,529,116
CITICORP	Aa1	AA-	901,466
BANKAMERICA CORP.	Aa2	AA-	105,191
TOTAL FUNDS INVESTED IN INVESTMENT AGREEMENTS			$ 1,725,907,738

State of California

MEMORANDUM

To: **CHFA Board of Directors** **Date: 3** September **2002**

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

Subject: State Legislative Report

The Legislature successfully adopted a Budget and adjourned the current session on August 31. While a large number of bills were held in the Appropriations Committee because of a lack of available funds, there are a few significant housing bills did make it through the process that I would like to bring to your attention. As always, if you have any questions, please don't hesitate to give me a call.

CONSTRUCTION DEFECTS

SB 800 **Burton** Construction Defects

status: 8/31/02 – Assembly amendments concurred in. To enrollment.

This bill would 1) provide for detailed and specific liability standards for newly constructed housing, 2) create a pre-trial process that includes a builder's right to repair an alleged defect, and 3) provide third-party inspectors with immunity from liability.

Comments: This bill is the product of extended negotiations between builders, insurers and consumer attorneys.

HOMEBUYER ASSISTANCE

AB 1170 **Firebaugh** Housing: downpayment assistance.

status: 8/29/02 – Senate amendments concurred in. To enrollment.

This bill would create the Building Equity and Growth in Neighborhoods **(BEGIN)** Program and **BEGIN** Fund. Moneys in the fund would be made available, upon appropriation, to the Department of Housing and Community Development for grants to cities, counties, and cities and counties for assistance in the form of 2nd mortgage loans for downpayment purposes to qualifying new home buyers in those cities, counties, and cities and counties that have taken prescribed actions to remove barriers to affordable housing. Funding for this provision is containd in Proposition 46 (SB 1227), the Housing and Emergency Shelter Trust Fund Act of 2002, which will be before the voters on the November ballot.

INSURANCE

AB 1486 **Dutra** Mortgage guaranty insurance.

Status: **08/25/2002-Senate** amendments concurred in. To enrollment.

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

PRESERVATION

SB 372 **Dunn** Preservation interim loan programs.

status: 08/22/2002 – Assembly amendments concurred in. To enrollment.

This bill would establish two new interim loan programs to preserve affordable housing at risk of converting to market rate rents.

1025 Comments: This bill is sponsored by Housing California and National Housing Development Corporation. The majority of this bill will be administed by CHFA: Funding for this bill is included in Proposition 46 (SB 1227), the Housing and Emergency Shelter Trust Fund Act of 2002, which will be before the voters on the November ballot.

PREVAILING WAGES

SB *972* **costa** **Public works: prevailing wages.**

status: **08/29/2002-Senate concurs in Assembly amendments. To enrollment.**

This bill would exclude from the requirements of public works and prevailing wage laws: housing developments funded with below-market rate loans, if the occupancy of at least 40% of the units are restricted to tenants with incomes at 80% of the area median income or less for at least 20 years; Self-Help housing projects if the homebuyer perfoms at least 500 hours of construction work; repair or rehabiltation work of less than $25,000 performed on transitional homeless facilities operated by a non-profit entitiy; assistance in the form of mortgage assistance, downpayment assistance, or for the rehabilitation of a single family home; and the construction, expansion, or rehabilitation of an emergency or transitional housing shelter operated by a nonprofit organization, provided at least 50% of the total costs of the project (excluding real property) are derived from nonpublic sources.