1. REPORT OF BOND SALE AND INTEREST RATE SWAP AGREEMENTS HOME MORTGAGE REVENUE BONDS 2002 SERIES STUV 1002

2. REPORT OF BOND SALE AND INTEREST RATE SWAP AGREEMENTS MULTIFAMILY HOUSING REVENUE BONDS III, 2002 SERIES DE 1004

3. SUMMARY OF YEAR 2002 BOND FINANCINGS; SCHEDULED FINANCINGS IN JANUARY 2003 1006

4. UPDATE ON VARIABLE RATE BONDS AND INTEREST RATE SWAPS 1010

5. 2002 INFORMATION TECHNOLOGY REPORT 1016

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State of California

MEMORANDUM

1002

To Board of Directors **Date:** December 17, 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 STUV

On November 20th we set swap rates for $121.1 million of variable rate bonds and on December 4th we set interest rates on $33.7 million of fixed rate bonds. The total bond issue, including a $25.2 million portion of unswapped taxable variable rate bonds, is $180 million. The transaction proceeds will be used to fund approximately 1,165 new loans with rates expected to range from 4.25% to 5.75%.

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

Date	HMRB Series	Taxable Percentage
January 2002	2002 ABC	50%
March 2002	2002 DEFG	50%
May 2002	2002 HJK	35%
July 2002	2002 LMN	35%
September 2002	2002 OPQR	29%
December 2002	2002 STUV	25%

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 would be invested at rates significantly below our cost of funds. 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.

1003

The bonds were structured in four series as shown on the table below. The $19.8 million Series S bonds are taxable variable rate LIBOR indexed bonds that were purchased by the Federal Home Loan Bank of San Francisco. The Series T bonds are a new type of variable rate security that is remarketed weekly but does not require liquidity; they are expected to be sold to retail customers and trade like auction bonds. The $101.3 million Series U bonds are tax-exempt variable rate demand obligations with liquidity provided by Dexia Credit Local, a Belgian bank that is the parent company for the bond insurer, FSA. The $33.7 million AMT Series V bonds were structured as serial bonds.

For the Series S and U bonds (totaling $121.1 million) 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.

SERIES	S	T	U	V
$ Amount	$19,845,000	$25,155,000	$101,295,000	$33,705,000
Type of Bonds	Indexed Floaters	R-FLOATs	VRDO	Serial
Tax Treatment	Taxable	Taxable	AMT	AMT
Maturities	2019	2032	2031 & 2032	2003-2014
Average Life	2.8 yrs.	19 yrs.	10.9 & 19.6 yrs.	N/A
Interest Rates	Variable	Variable	Variable	1.85-4.60%
Reset Frequency	Quarterly	Weekly	Daily	N/A
Swap Rates	3.35%	N/A	3.24% & 3.91%	N/A
Bond Delivery Date	12/19/02	12/19/02	3/06/03	12/19/02
Swap Start Date	5/1/03	N/A	3/6/03	N/A
Credit Rating	Aaa/AAA	Aaa/AAA	Aaa/VMIG-1 AAA/A-1+	Aaa/AAA
Bond Insurer	FSA	FSA	FSA	FSA

State of California

MEMORANDUM

To: Board of Directors

Date: December 19, 2002

Ken Carlson

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 DE

On December 4th we set swap rates for $71,150,000 out of $84,065,000 of multifamily variable rate bonds issued on December 18th. All of the bonds were 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 have been issued to provide funds to finance new loans to ten multifamily projects and to refund $18,165,000 of a prior CHFA bond issue. A total of four prior loans 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. Amounts related to bridge loans and lender loans are 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
$12,655,000	2/3/2003	2/1/2035	4.085%	BMA – 0.20%
$16,470,000	2/3/2003	2/1/2034	4.151%	BMA – 0.15%
$42,025,000	11/1/2004	8/1/2037	4.571%	BMA – 0.15%

Attachment

Attachment

Project Name	Loan Amount	Interest Rate		Actual/Projected Loan Origination Date
New Loans				
Gateway Apartments	$ 7,900,000	5.50%		30-Oct-02
Country Hills	4,110,000	6.00%		17-Dec-02
Countrywood Apartments	750,000	5.00%		20-Dec-02
Parkwood Apartments	6,000,000	5.75%		08-Jan-04
Gateway Santa Clara	5,785,000	5.75%		01-Apr-04
White Rock Village	13,375,000	5.85%		01-May-04
Laguna Canyon	8,360,000	5.75%		01-Jun-04
Cedar Park	5,815,000	5.95%		05-Aug-04
Dove Canyon Apartments	9,100,000	5.70%		01-Dec-04
Fremont Oaks Gardens	6,400,000	3.00%	(1)	15-Feb-03
Total	$ 67,595,000			
Old Loans Transferred from Prior Bond Issue (2)				
Casa Del Rio	$ 542,797	7.80%		01-Nov-94
The Grove Apartments	6,732,375	7.95%		01-Apr-94
Victoria Woods Apartments	6,814,173	7.90%		01-Jun-94
Willowbrook II	3,441,769	7.95%		01-Mar-94
Total	$ 17,531,114			
Grand Total	$ 85,126,114			

(1) The Agency expects to subsidize the interest rate on the permanent loan to 5.75%. The source of funds for this interest rate subsidy is expected to come from the Agency's share of McKinney savings from certain FAF projects.

(2) 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

1006

To: Board of Directors

Date: December 17, 2002

Ka Carlson

Ken Carlson, Director of Financing

From: CALIFORNIA HOUSING FINANCE AGENCY

Subject: SUMMARY OF YEAR 2002 BOND FINANCINGS; SCHEDULED FINANCINGS IN JANUARY 2003

Year 2002 Bonds

Attached are tables summarizing our year 2002 bond transactions and showing bonds issued (or contracted for) over the last five years. Note that our 2002 volume of $2.1 billion has proved to be our busiest year ever, exceeding our 2000 volume of $1.95 billion and our 2001 volume of $1.64 billion. The increase in volume is related to the drawdown bonds that were issued this year to preserve issuance authority, stemming from a larger volume of bonds redeemed from prepayments.

The amount of Agency bonds outstanding as of December 31, 2002 is estimated to be $8.16 billion, up from $7.99 billion as of the end of 2001. However, approximately $700 million of bond principal will be retired on February 1st.

During the year we issued $418 million of taxable bonds, all of which were sold to expand our supply of bond proceeds for single family loans through taxable/tax-exempt blending. This amount was much lower than last year, when we issued $672.9 million. We have continued to reduce the level of taxable bonds blended into our structures in order to keep our cost of funds sufficiently low so that our mortgage rates can be competitive.

Our variable rate bonds this year (not including drawdown bonds) totaled $1.14 billion, slightly more than last year's $1.11 billion. This year $726.8 million was tax-exempt and $418 million was taxable. All of the $726.8 million of tax-exempt variable rate bonds were demand obligations where investors may put the bonds back to our remarketing agents. Of the $418 million of taxable variable rate bonds, $375.8 million was issued as indexed floaters without a put feature. Most of these bonds were sold to the Federal Home Loan Bank of San Francisco. The $726.8 million of combined tax-exempt variable rate demand obligations was sold largely to money market mutual funds.

January 2003 Financings

We expect to issue approximately $300 million of drawdown bonds or notes in January to preserve authority related to the eligible portion of the total retirements of single family bond principal scheduled for February 1.

We are also scheduled to arrange interest rate swaps on January 15 and price bonds on January 29 for our first regular single family issuance of 2003. This issue is expected to be sized between $180 million and $200 million, depending on the volume of loan reservations received at the time. We anticipate that approximately one fourth of this issue will be taxable, with the Federal Home Loan Bank of San Francisco the investor.

Attachments

CALIFORNIA HOUSING FINANCE AGENCY
2002 BOND SALE SUMMARY

	SINGLE FAMILY	MULTIFAMILY	TOTALS
TAX-EXEMPT BONDS			
Variable Rate (VRDO)	$522,645,000	$204,190,000	$726,835,000
Fixed Rate	$112,924,946	$0	$112,924,946
CABS	$61,429,192	$0	$61,429,192
SUBTOTALS	$696,999,138	$204,190,000	$901,189,138
TAXABLE BONDS			
Variable Rate			
Index Floaters	$375,845,000	$0	$375,845,000
Auction Bonds	$17,000,000	$0	$17,000,000
R-Floats	$25,155,000	$0	$25,155,000
Fixed Rate	$0	$0	$0
SUBTOTALS	$418,000,000	$0	$418,000,000
TOTALS	$1,114,999,138	$204,190,000	$1,319,189,138
DRAW DOWN BONDS			
AMT	$758,140,000	$1,700,000	$759,840,000
Non-AMT	$30,295,000	$0	$30,295,000
SUBTOTALS	$788,435,000	$1,700,000	$790,135,000
GRAND TOTALS	$1,903,434,138	$205,890,000	$2,109,324,138

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CALIFORNIA HOUSING FINANCE AGENCY
FIVE-YEAR SUMMARY
BOND ISSUES FROM 1998 TO 2002

YEAR	PROGRAM	PRIVATE ACTIVITY BOND ALLOCATION RECEIVED	BONDS SOLD			END OF YEAR BONDS OUTSTANDING
			TAX-EXEMPT	TAXABLE	TOTAL	
1998	Single Family	$228,862,068	$744,589,271	$455,720,000	$1,200,309,271	$4,955,380,928
	Multifamily	$56,060,000	$172,425,000	$0	$172,425,000	$854,250,000
	SUBTOTAL	$284,922,068	$917,014,271	$455,720,000	$1,372,734,271	$5,809,630,928
1999	Single Family	$237,452,500	$909,576,435	$449,165,000	$1,358,741,435	$5,358,987,794
	Multifamily	$36,782,000	$44,535,000	$0	$44,535,000	$852,025,000
	SUBTOTAL	$274,234,500	$954,111,435	$449,165,000	$1,403,276,435	$6,211,012,794
2000	Single Family	$217,128,000	$824,647,265	$673,800,000	$1,498,447,265	$6,014,913,814
	Multifamily	$159,315,000	$183,020,000	$269,038,416	$452,058,416	$1,254,860,972
	SUBTOTAL	$376,443,000	$1,007,667,265	$942,838,416	$1,950,505,681	$7,269,774,786
2001	Single Family	$369,775,798	$768,279,441	$633,745,000	$1,402,024,441	$6,576,639,421
	Multifamily	$123,550,000	$204,230,000	$39,185,000	$243,415,000	$1,418,013,974
	SUBTOTAL	$493,325,798	$972,509,441	$672,930,000	$1,645,439,441	$7,994,653,395
2002	Single Family	$466,400,000 *	$1,485,434,138	$418,000,000	$1,903,434,138	$6,710,592,013
	Multifamily	$119,445,000	$205,890,000	$0	$205,890,000	$1,447,901,901
	SUBTOTAL	$585,845,000	$1,691,324,138	$418,000,000	$2,109,324,138	$8,158,493,913
	5-YEAR TOTALS	$2,014,770,366	$5,542,626,549	$2,938,653,416	$8,481,279,965	

* Includes and estimated $105,000,000 of carryforward.

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State of California

MEMORANDUM

To: Board of Directors **Date:** December 17, 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 anticipated bond and swap positions as of January 1. It takes into account bond pricings and interest rate swap agreements already agreed to even if actual issuance or swap commencement takes place on a later date. Since the previous Board meeting, we have contracted to issue $264 million of new bonds, of which $230 million will be variable.

Variable Rate Debt Exposure

As noted in the previous reports, we have reached a milestone where more than half of our indebtedness is variable rate rather than fixed. The total amount of CalHFA variable rate debt will now be $4.2 billion, 52% of our $8.0 billion of total indebtedness. As shown in the table below, our "net" variable rate exposure is $692 million, 8.3% 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	$448 *	$2,569	$590	$3,607
Multifamily	10	511	102	623
Total	$458	$3,080	$692	$4,230

* includes drawdown bonds

1011

As discussed in each previous report, our $692 million of net exposure provides 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 bond proceeds, have now fallen to 2.25%. In addition, the high incidence of single family loan prepayments since early in 2001 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 helps to offset the economic consequences of low investment rates and high prepayments. As an example, following the November rate cut by the FOMC, the interest rates on our $437 million of unswapped taxable variable rate bonds are currently in the 1.40% - 1.55% range, a level far lower than we ever imagined.

The table below summarizes this risk position as of January 1.

NET VARIABLE RATE DEBT
($ in millions)

	Tax-Exempt	Taxable	Totals
Short average life	$166	$257	$423
Long average life	88	180	268
TOTALS	$254	$437	$691

Interest Rate Swaps

Currently, we have arranged a total of 67 swaps with eight different counterparties for a combined notional amount of $3.08 billion and expect to enter into another $150 million of swaps during January. 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 first-time homebuyers. The table below provides a summary of our notional swap amounts.

INTEREST RATE SWAPS
($ in millions)

	Tax-Exempt	Taxable	Totals
Single family	$1,088	$1,481	$2,569
Multifamily	511	0	511
TOTALS	$1,599	$1,481	$3,080

1012

The table below shows the diversification of our swaps (not including the swaps to be contracted for in January) among the eight firms acting as our swap counterparties. Note that our swaps with Lehman Brothers, Bear Stearns, and Goldman Sachs are with highly-rated 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. Note that with our most recent swaps with Merrill Lynch we will enjoy the credit of their triple-A structured subsidiary. In addition, we have added the Bank of America as a counterparty.

SWAP COUNTERPARTIES

Swap Counterparty	Credit Ratings Moody's	S & P	Fitch	Notional Amounts Swapped (*$ in millions*)	Number of Swaps
Merrill Lynch Capital Services Inc.					
Guaranteed by:					
Merrill Lynch & Co.	Aa3	A+	AA-	$ 928.5	18
MLDP, AG	Aaa	AAA	AAA	121.1	3
Salomon Brothers Holding Company Inc.	Aa1	AA-	AA+	592.0	13
Lehman Brothers Derivative Products Inc.	Aaa	AAA	NR	589.1	16
Bear Stearns Financial Products Inc.	Aaa	AAA	NR	452.2	7
Goldman Sachs Mitsui Marine Derivative Products, L.P.	Aaa	AA+	NR	169.6	4
UBS AG (Union Bank of Switzerland AG)	Aa2	AA+	AAA	101.4	2
JPMorgan Chase Bank	Aa3	AA-	AA-	97.1	2
Bank of America, N.A.	Aa1	AA-	AA	29.1	2
				$3,080.0	67

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.

1013

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 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 seven counterparties, and we expect the net payment to be even higher on February 1. 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.

Basis Risk

All swaps contain an element of what is referred to as "basis risk" – the risk that the floating rate component of the swap will not match the floating rate of the underlying bonds. This risk arises because swap floating rates are based on indexes, which consist of market-wide averages, while bond floating rates are specific to the individual bond issue or series.

Periodically, the divergence between the two floating rates widens, as market conditions change. These divergences were anticipated when we entered into the swaps. In today's market, we have encountered one such divergence that is worth noting as it pertains to our LIBOR-based swaps used in conjunction with the Agency's tax-exempt variable rate bonds. Based on a conservative reading of historic patterns, we chose to enter into these swaps at 65% of LIBOR, the market benchmark taxable floating rate index. These percentage-of-LIBOR swaps afford us with excellent liquidity and great savings compared with other alternatives.

Disruptions between supply and demand can skew the ratio of tax-exempt rates to taxable rates. As an example, today the short-term market has been flooded with new issues of variable rate and short-term bonds, including State of California revenue anticipation notes and the California Department of Water Resources bonds to reimburse the State general fund for the power purchases in 2001. As a result, the ratio of national tax-exempt rates (the BMA index) to LIBOR has at times exceeded 100%, and has averaged 76.3% year to date. During the months of October and November it averaged over 90%.

When the BMA/LIBOR percentage is very high – as it is today – the swap payment we receive falls short of our bond payment, and the all-in rate we experience is somewhat higher. The converse is true when the percentage is low. In response to this recent anomaly, we and our advisors have looked for a better index than a flat 65% of LIBOR. After considerable study of California tax-exempt variable rate history, we have settled on a new index that results in comparable fixed-rate economics but performs better when short-term rates are low and the BMA/LIBOR percentage is high.

Risk of Changes to Tax Law

For an estimated $1.16 billion of the $1.6 billion of tax-exempt bonds swapped to a fixed rate, we remain exposed to certain tax-related risks, another form of basis risk. 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 $1.43 billion, less than 18% of our $8.0 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.

Amortization Risk

Our interest rate swaps (and the underlying bonds) amortize over their lives based on assumptions about the receipt of prepayments, and the single family transactions which include swapped bonds have been designed to accommodate prepayment rates between two and three times the "normal" rate. To the extent that more prepayments are received, the excess must then be invested, used for the redemption of other (unswapped) bonds, or recycled directly into new loans. As noted in previous reports, the incidence of prepayments rose from an average of $30 million per month in 1999 and 2000 to an average of $67 million per month for 2001 and over $100 million per month this year. Mortgage interest rates fell markedly during the third quarter of this year. Apparently this spurred even more of our borrowers to refinance, as this quarter we are receiving prepayments at a pace of $150 million per month.

Our high rate of prepayments is currently in excess of what we had planned for, and we are using a mix of techniques to manage the excess liquidity. To the extent that we recycle funds directly into new loans, then fewer new bonds will need to be sold. During 2002 we purchased $35 million of new loans with excess prepayment money from prior year bond issues, and in 2003 we expect a much greater volume of recycling.

Types of Variable Rate Debt

The table on the next page 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 & Similar Securities	Indexed Rate Bonds	Variable Rate Demand Obligations	Total Variable Rate Debt
Single Family	$127	$1,632	$1,848	$3,607
Multifamily	0	0	623	623
Total	$127	$1,632	$2,471	$4,230

1015

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. Thirteen different issues totaling $1.21 billion have been purchased by the San Francisco FHLB, and a another 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 $432 million of currently outstanding drawdown bonds are indexed-rate securities.

Liquidity Providers

The table below shows the financial institutions providing 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. For the next one or two single family transactions we expect Dexia Credit Local, a highly-rated Belgian bank, to provide liquidity. Fannie Mae provided liquidity for all our multifamily VRDOs in 2002 and has become our largest participant. We have also asked Freddie Mac to act as a liquidity provider in 2003 for our single family bonds.

LIQUIDITY PROVIDERS
($ in millions)

Financial Institution	$ Amount of Bonds	Type of Bonds
Fannie Mae	$ 394.0	MF
Lloyds TSB	333.0	SF
Commerzbank	281.6	SF
CalSTRS	257.0	SF/MF
Bank of Nova Scotia	207.3	SF
Westdeutsche Landesbank	197.6	SF/MF
Landesbank Hessen-Thuringen	183.3	MF
KBC	153.5	SF
Bayerische Landesbank	139.4	SF
Bank of New York	101.4	SF
Dexia Credit Local	101.3	SF
Bank of America	81.0	SF
State Street	23.5	SF
Morgan Guaranty	16.9	SF/MF
Total	$2,470.8	

Earlier this fall Standard & Poor's downgraded the short-term ratings of Commerzbank, one of our biggest providers, from A-1 to A-2. The result has been that our Commerzbank-backed bonds have had to be remarketed at higher rates than other bonds backed by financial institutions with A-1 or A-1+ ratings from S&P. While Commerzbank continues to have acceptable short-term ratings from Moody's, we are now planning to eliminate almost all of our investors' exposure to Commerzbank through a variety of means, including converting $218 million of Commerzbank-backed taxable bonds to indexed mode (and selling them to the FHLB) and, for tax-exempt bonds, restructuring most of them as auction rate securities.

State of California

MEMORANDUM

To: **CalHFA Board of Directors** **Date:** January 9, 2003

From: **Dominick Maio, Chief Information Officer**
CALIFORNIA HOUSING FINANCE AGENCY

Subject: 2002 Information Technology Report

As Chief Information Officer, it is my pleasure to submit the following report on noteworthy CalHFA Information Technology (IT) accomplishments for 2002 and highlights of our plans for the new year.

<u>Accomplishments for 2002</u>

Agency-wide Network Upgrade

The speed of the CalHFA computer network was increased from ten million bits per second to the state-of-the-art speed of one billion bits per second. This means that the documents, data files, and email notes used in the daily conduct of Agency business now move from place to place significantly faster than before the upgrade. The result has been a commensurate improvement in productivity for any computer related processing.

Document Management and Imaging System

The Agency has purchased a document management software solution called "iManage." This software provides the Agency with a powerful tool for storing, indexing, managing and retrieving documents in the CalHFA computer network. We have also implemented an "imaging" solution that provides the ability to scan and store documents, drawings, photos, and other images. These images can also be filed into the iManage storage and retrieval system along with the other documents we create. This technology was first implemented with great success as a pilot project in the Office of the General Counsel. During 2003, we will move forward with full Agency-wide implementation.

Desktop Computers and Monitors Upgraded

In 2002, the IT Unit completed the project of upgrading all desktop computers to new, more powerful PCs. This project also included replacing computer monitors. The old monitors were, on average, ten years old. New 17 inch flat panel monitors have taken their place, and the old monitors have been donated to a charity. CalHFA staff are very happy with the new equipment provided to help them do their jobs.

1017

Multifamily System Project

The Agency has been working diligently on a multi-phase project to upgrade and improve the technology, systems, and procedures used in support of Multifamily Programs, Asset Management, and Accounting operations. In 2002, the old in-house developed system used for Multifamily Loan Servicing was replaced by a commercial off-the-shelf (COTS) software product called "Strategy", from McCracken Financial Services. With "Strategy", the Multifamily Accounting Unit now has a system that can service the complete loan portfolio, including loans with special terms and conditions that could not be processed by the old system.

<u>Plans for Calendar Year 2003</u>

Virtual Private Network (VPN)

Many CalHFA staff, and the senior managers in particular, need to access the Agency's computer system remotely while away from the office. They need to check email and calendar appointments, and also access documents and other information. Currently, the only way to do this is using a computer modem and a slow dial-up connection. In 2003, we are establishing "Virtual Private Network" service, also known as VPN. With this service in place, staff will be able to connect to the CalHFA network over a high-speed Internet connection. For high-speed access from home, Digital Subscriber Link (DSL) service or "Cable Modem" service can be used. When traveling, staff could also use the high-speed connections that are now available in many hotels.

Agency-wide Implementation of Document Management and Imaging Technology

As mentioned above, the iManage document management and imaging technology pilot project was very successful. In 2003, we are moving forward with full Agency-wide implementation. Once completed, all documents, files and images used by the Agency will be easily sharable and retrievable by all staff that need them. Implementation will be completed by the end of summer.

Multifamily System Project Continues

During 2003, the Project Team will focus on the technology needs of Asset Management and Multifamily Programs. Recently, a commercially available software product was selected that will provide Asset Management with the technology they need to improve their ability to monitor and manage projects in CalHFA's portfolio. This software comes from a company called Housing and Development Software (HDS). On January 15th, we will begin by implementing the HDS software designed for Section 8 management and reporting to HUD. If this works out well, we may proceed with other HDS Asset Management modules.

In 2003, the project team will also begin a concentrated effort to select and implement a full-featured, highly functional Multifamily Loan Origination System. Several viable options are available, and we will be taking a very close look at these and others.

Finally, in 2003, the project team will develop a central database repository of multifamily related data. A popular phrase to describe this kind of database is the term "Data Warehouse." It is envisioned that this data warehouse will be used extensively as the central point for reporting and information retrieval.

Conclusion

This concludes the report. Thank you.

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