STANDARD & POOR'S

PUBLIC FINANCE

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RatingsDirect
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California Housing Finance Agency

Credit Profile

AFFIRMED

California Hsg FIn Agy Issuer Credit Rating	AA-
$50.000 mil. California Hsg Fin Agy hsg prog bnds ser 2004 A due 08/01/2036	AA-/A-1+
$70.660 mil. California Hsg Fin Agy multi fam hsg rev III ser 1997 A dtd 02/01/1997 due 02/01/2017 2028 2038 08/01/2017 2027 2028 2038	AAA/AA-(SPUR)
$31.960 mil. California Hsg Fin Agy multi fam hsg rev bnds III (AMBAC)	AAA/AA-(SPUR)
$26.410 mil. California Hsg Fin Agy multi fam hsg rev bnds III ser 2001A and B due 02/01/2033	AA-/A-1+
$91.225 mil. California Hsg Fin Agy multi fam hsg rev bnds III ser 2005D due 08/01/2038	AA-/A-1+
$44.540 mil. California Hsg Fin Agy multifam hsg rev bnds	AA-
$152.415 mil. California Hsg Fin Agy multifam hsg rev bnds III (FSA)	AAA/AA-(SPUR)
$64.015 mil. California Hsg Fin Agy multifam hsg rev bnds III (Select Auction Var Rate Secs (Amt)) ser 2003A dtd 06/04/2003 due 02/01/2038	AAA/AA-(SPUR)
$15.595 mil. California Hsg Fin Agy multifam hsg rev bnds III (Variable Rate) ser 2001H dtd Date of Delivery due 02/01/2033	AA-/A-1+
$84.065 mil. California Hsg Fin Agy multifam hsg rev bnds III ser 2002 D&E due 08/01/2037	AA-/A-1+
$69.725 mil. California Hsg Fin Agy multifam hsg rev bnds III ser 2003B due 08/01/2038	AAA/AA-(SPUR)
$97.295 mil. California Hsg Fin Agy multifam hsg rev bnds III ser 2003C due 08/01/2038	AAA/AA-(SPUR)
$123.010 mil. California Hsg Fin Agy multifam hsg rev bnds III ser 2004A&B (FSA)	AAA/AA-(SPUR)
$93.015 mil. California Hsg Fin Agy multifam hsg rev bnds III var rate bnds ser 2001F&G dtd 11/15/2001 due 02/01/2025 2032 08/01/2036	AA-/A-1+
$82.830 mil. California Hsg Fin Agy multifam hsg var rate rev bnds III ser 2000 C D dtd 11/16/2000 due 02/01/2031 2033	AA-/A-1+
$100.200 mil. California Hsg Fin Agy multifam hsg var rate rev bnds III ser 2000A&B dtd 07/12/2000 due 02/01/2031 08/01/2037	AA-/A-1+
$23.590 mil. California Hsg Fin Agy multifam hsg var rate rev bnds III ser 2001C dtd 02/22/2001 due 02/01/2041	AA-/A-1+
$84.805 mil. California Hsg Fin Agy multifam hsg var rate rev bnds III ser 2001D,E dtd 06/28/2001 due 08/01/2022 02/01/2036	AA-/A-1+
$22.000 mil. California Hsg Fin Agy sin fam mtg bnds II (Class III) ser 1999A-2 D-2	AA-
$3.410 mil. California Hsg Fin Agy sin fam mtg bnds II class III ser 1997 B-1 dtd 09/01/1997 due 08/01/2011	AAA/AA-(SPUR)

$9.734 mil. California Hsg Fin Agy sin fam mtg bnds II class III ser 1997 C-1 dtd 04/03/1997 due 08/01/2011 AAA/AA-(SPUR)
$8.485 mil. California Hsg Fin Agy sin fam mtg bnds II ser A-1 class III ser 1997 A dtd 03/01/1/997 due 08/01/2011 AAA/AA-(SPUR)
$8.685 mil. California Hsg Fin Agy sin fam mtg bnds II, class III ser 1997B3, 1998A dtd 03/01/1998 due 08/01/2012 AAA/AA-(SPUR)
$2.480 mil. California Hsg Fin Agy var rt multifam hsg rev bnds III ser 2005A (AMBAC) AAA/A-1+/AA-(SPUR)
OUTLOOK: STABLE

Rationale

The affirmed 'AA-' issuer credit rating (ICR) on the California Housing Finance Agency (CalHFA) reflects:

- High asset quality and a stabilizing loan portfolio;
- Stable financial performance and reserves;
- Prudent debt management policies;
- Very positive relationship with state government;
- Strong management; and
- A diverse and broad-based California economy.

CalHFA has continued to increase its equity, and its loan portfolio grew for the first time in fiscal 2005 after two consecutive years of declines. The increase in loans was a result of a gradual slowdown in prepayments on single-family loans. The agency's positive relationship with state government is demonstrated through the state's contract with CalHFA for the administration of several housing programs. Most recently the state partnered with the agency to administer several programs funded by Proposition 46, the Housing and Emergency Shelter Trust Fund Act of 2002. These programs will provide an additional source of capital to the agency for several programs including a key down payment assistance program.

Offsetting these positive trends, the agency's net income declined to $20 million in fiscal 2005, its lowest level since 1992. This low level of income, combined with a stable asset base, reduced the agency's return on assets to less than half of the previous year. Compared with agencies with the same rating, CalHFA has similar profitability ratios but weaker leverage ratios. The agency has been able to navigate through difficult economic and interest rate environments, and must operate within the high-cost California real estate market and competitive mortgage industry. The agency's ability to do so illustrates the effectiveness of management in achieving its mission, which is a component of the rating.

Outlook

The stable outlook reflects CalHFA's continued strong financial performance and future plans for growth in addressing the housing needs of the state. The high quality of CalHFA's assets, which is reflected in low delinquency figures, combined with the strong performance of the agency's interest-rate management techniques on debt and a recovering loan portfolio, indicate the agency's ability to perform under difficult circumstances. The outlook further reflects the agency's strong relationship with state government, which supports a continuation of the stability that the agency has exhibited from a management and strategic standpoint.

Asset Quality

CalHFA's assets consist mostly of mortgage loans and investments. Most mortgages are single-family with FHA insurance. Non-performing assets fell to 1.36% in 2005 from a manageable 2.46% of loans in 2004.

CalHFA regularly evaluates real estate risk and reserves for potential loan losses. The agency's loan loss reserve is about 1.07% of total loans, most allocated to second mortgages and the multifamily portfolio.

The agency has made an effort to remain competitive in the California lending market through offering new loan products. As a result, the loan portfolio continues to evolve, potentially exposing the agency to greater risk. The growth in equity offsets any additional loss exposure with additional assets if they are needed. Due to high housing prices in California, new single-family loan originations have trended toward those with insurance from the California Housing Loan Insurance Fund and away from the FHA. Furthermore, about 75% of the Home Mortgage Revenue Bond (HMRB) program's new production includes second mortgages for down payment assistance, and in 2005, the agency began to finance interest-only loans. These trends and products will result in greater reserve requirements, but equity growth has outpaced the additional reserve requirements of the current loan portfolio composition. These developments do not pose any significant risk at this time as the agency intends to monitor its portfolio with the desire to maintain adequate reserves.

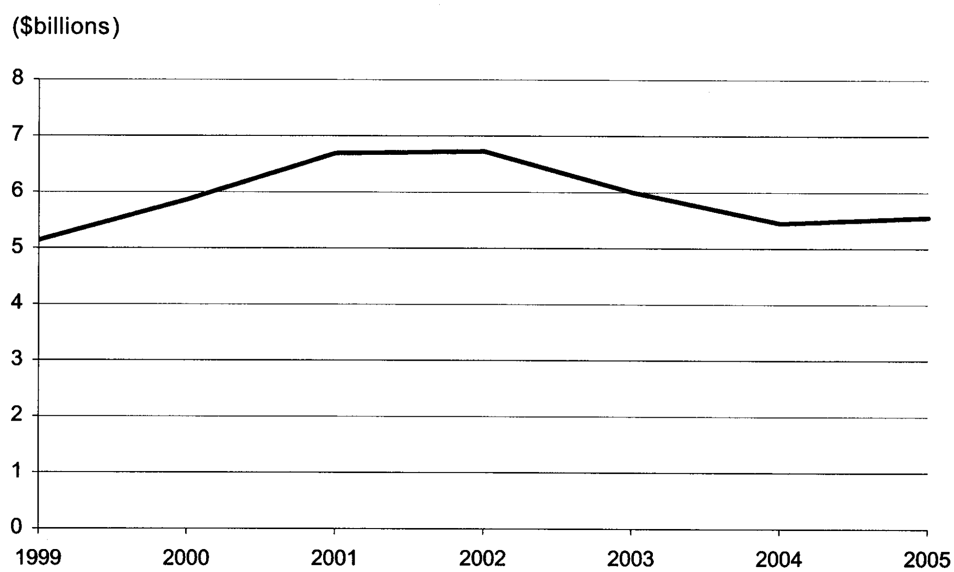
Reversing a trend from 2002 through 2004, CalHFA's single-family loans have stabilized after a strong surge of prepayments eroded its mortgage base. For CalHFA's major single-family indenture, the HMRB program, prepayments peaked in 2003 at $2 billion. In 2004, the level dropped to $1.45 billion, or $120 million per month. For 2005, monthly prepayments averaged under $100 million and in December 2005 amounted to only $65 million. The mortgage balance has held relatively steady, starting at $4.8 billion in January 2003, dropping to $4.2 billion in January 2004, and currently holding at $3.9 billion.

While 40% of the agency's assets are single-family loans, multifamily loans represent 14% of the asset base, most financed through the agency's Multifamily III indenture. The agency maintains reserves to cover numerous risks related to rental housing developments such as occupancy, construction, or subsidy of the properties. Standard & Poor's Ratings Services evaluates the loan loss reserve for all loans as part of the capital adequacy process.

CalHFA holds investments for bond resolutions in guaranteed investment contracts (GICs) with highly rated providers. The agency also invests slightly less than $1 billion in the surplus money investment fund (SMIF), a short-term investment vehicle managed by the state treasurer that serves as a hedge against interest rate risk for some of the agency's unhedged variable-rate debt. This amount decreased by $833 million in 2005 from 2004 as a result of bond redemptions and refundings.

Chart 2

California Housing Finance Agency
Loans



Earnings Quality And Financial Strength

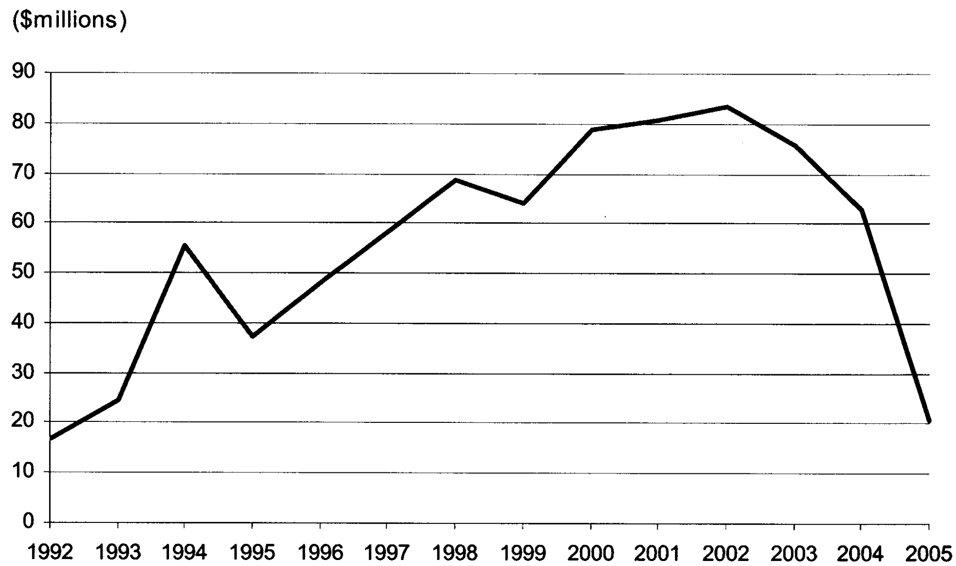
Despite declines in net income and return on average assets, CalHFA's profitability ratios remain consistent with other HFAs rated 'AA-'. Net income declined for the second consecutive year in fiscal 2005 to $20 million, the lowest level since 1992. Return on assets also declined for the fourth consecutive year to 0.21%. This was the result of lower returns from single-family loans, caused by a smaller loan portfolio and lower weighted average loan rate.

Equity rose in 2005, as it has on a dollar basis every year since at least 1990, and as it has on a percentage basis every year since 2002. The increase in equity was just 4.8%, the smallest since 1990 as a result of the low net income. The agency did have its second consecutive year in which total assets declined, something it hasn't experienced since before 1992. The growth in equity was the result of net income of $20 million and the transfer from the state of California of nearly $50 million related to the Housing and Emergency Shelter Trust Fund Act of 2002. CalHFA is a contract administrator for the act, which finances one of the agency's down payment assistance programs. The agency expects to realize additional transfers-in from the emergency shelter act. This rise in equity resulted in the agency's equity-to-asset ratio increasing to 12.61% in 2005 from 11.66% in 2004 and 10.36% in 2003. Prior to the last two fiscal years, equity ratios rose slowly if at all.

If the slowdown in prepayments continues, CalHFA's equity position could stabilize, leaving the agency at levels below other 'AA-' HFAs. This is not a concern because adjustments to CalHFA's equity for capital adequacy indicate that the agency is well positioned for potential risks. The agency's unrestricted equity after adjusting for risks is in excess of 4% of debt outstanding, with liquid assets above 2% of loans.

Chart 1

California Housing Finance Agency
Net Income



Debt

CalHFA's debt decreased to $7.5 million in 2005, its lowest level since 2000. About 98% of debt issued in 2005 was variable rate. Agency-wide, 87% of CalHFA's debt is variable rate and 63% of all debt is variable rate swapped to fixed rate. About 12% of the agency's debt is variable rate not swapped to fixed rate nor hedged through a variable rate asset.

The heavy use of interest rate swaps exposes the agency to a number of risks, including basis risk, which has been prevalent in many of the agency's older swaps. In 2004, the agency entered into 13 basis swaps on an aggregate notional amount of $691 million to address the basis risk on the older swaps, mitigating the disadvantageous floating rate receipt caused by a compression of taxable and tax-exempt interest rates in a low interest rate environment. This is an example of the strong hands-on style that CalHFA utilizes in managing its extensive swap strategy.

Following a review of CalHFA's 130 swaps, Standard & Poor's has assigned a debt derivative profile (DDP) of '2' on a five-point scale, where '1' represents the lowest risk.

The overall score of '2' reflects:

- Highly rated swap counterparties that are all required to post collateral before a credit event occurs;
- Low basis risk and minimal termination risk; and
- Excellent management oversight.

The agency has high diversification of counterparties, with 11 entities, none of which accounts for more than 24% of the aggregate swapped notional amount. All counterparties are rated at least 'AA-', well above the 'BBB' requirement for swap dependent issuers, and 63% of the notional amount is swapped through 'AAA' rated counterparties.

There is negligible involuntary termination risk under the swaps due to a very broad ratings trigger spread.

CalHFA has $1.5 billion in GO debt, about the same as in 2004. Almost all of this debt is associated with the agency's Multifamily III indenture. The GO debt represents 20% of CalHFA's total debt, an increase from 17% in 2004 and 10% in 2000. This figure will likely increase as the Multifamily III program grows. While this represents significant growth in the percentage of GO debt, these bonds are backed by multifamily loans that have paid debt service when due. Standard & Poor's has analyzed the quality of the loans backing the bonds and cash flow projections, and is comfortable that the adjustments made to the loan value under a capital adequacy review appropriately accounts for the risk to the agency to pay debt service on the bonds from its fund balance. This risk is minimal.

CalHFA operates in the multifamily area as a direct lender. CalHFA has made $1.8 billion in multifamily loans, financing 443 projects with a total of 35,081 units. In fiscal 2005 the agency funded 31 projects that, if completed, will generate nearly 2,400 units. The agency was effective in reaching households at the lower end of the income spectrum, as two-thirds of the units have rents restricted to 50% of area median income or less.

Management

CalHFA operates under a five-year business plan that it updates annually. The 2005-2006 plan anticipates $10.9 billion of activity during the relevant five years. Single-family activity will account for $6.2 billion, multifamily activity will represent $2.3 billion, and mortgage insurance is proposed to total $2.4 billion. The agency's senior management team is highly skilled and very effective in evaluating and designing new and unique products, as well as managing complex financing structures. Furthermore, in order to provide the resources to remain competitive in California's high cost market, CalHFA has issued more variable-rate debt than any other HFA in the country, both in terms of volume and percentage.

Operating under a mandate to provide affordable housing in many very expensive housing markets, the agency must employ a team of program managers with a high level of expertise. Over the past few years, the effectiveness of management and staff has helped steer the agency through difficult economic times and an extremely competitive lending market in California. As of the date of this report, the agency is in the process of filling several key management positions that have become vacant through retirement or departure for the private sector. The agency recruits nationally to locate the most highly qualified individuals to replace key members of the top management team but faces a compensation gap from the private sector that affects the ability of the agency to fill positions and retain staff. An aging workforce within the agency, particularly as it leads to retirement of senior staff in the future, might exacerbate this personnel situation.

Economy

California has a large and diverse economy with a growing population. The state has recently experienced employment performance similar to the nation, although state personal income growth has lagged. The state's economic growth, increasing population, lagging personal income, and high housing costs all contribute to the demand for the products that CalHFA offers.

California's huge economy remains very broad-based. The state estimates that its population reached 36.6 million in 2004 (the U.S. Census Bureau has estimated slightly lower figures), and continues to grow faster than the nation's population. State population grew 9.5% from 1999-2004. According to 2004 state figures, manufacturing accounts for just 11.3% of state nonagricultural employment. Trade, transportation, and utilities accounted for a combined 18.9% of employment, followed by government (16.4%), professional services (14.4%), and education and health services (10.7%).

The federal government estimates that California's per capita income was 106% of the nation in 2004, down slightly from 109% in 2000, while median household effective buying income was 113% of the nation in 2003.

State total personal income growth has shown more volatility, however, partly as the result of a downturn in capital gains and stock option income—partially attributed to weakness in Silicon Valley. After growing 10.5% in 2000, state personal income increased an estimated 2.8% in 2001, 1.3% in 2002, 3.1% in 2003, and 6.1% in 2004.

California's economy shows particular strength in the southern part of the state, which had suffered the worst in the last recession, and Southern California defense industries may receive a boost from a new defense buildup. Conversely, the northern Silicon Valley economy softened considerably during the most recent recession, although residential real estate prices remain relatively strong despite the lag in personal income growth and rising commercial vacancies. Recent reports indicate that high technology is seeing a turnaround, which would aid northern California's economy. While a pickup in Asian trade will benefit the state, high home prices could also create impediments. In January 2005, the median single-family home price in the state was $485,700, up 20.1% from a year earlier.

The fiscal 2006 budget projects calendar 2005 personal income growth of 5.7%, with 5.8% growth for 2006. This compares reasonably with most private forecasters, although it remains somewhat higher.

Table 1

California Housing Finance Agency Financial Ratio Analysis 2001-2005

	2001	2002	2003	2004	2005	5-year average
Profitability (%)						
Return on average assets	0.95	0.90	0.78	0.65	0.21	0.70
Return on assets before loan loss provision and extraordinary item	1.01	0.94	0.84	0.68	0.29	0.75
Net interest margin	1.49	1.44	1.34	1.31	0.98	1.31
Asset Quality (%)						
Non-performing assets/total loans and real estate owned	2.67	2.28	2.58	2.46	1.36	2.27
Loan loss reserves/total loans	0.57	0.66	0.84	0.97	1.07	0.82
Loan loss reserves/non-performing assets	21.16	28.86	32.69	39.29	78.80	40.16
Leverage (%)						
Total equity/total assets	9.29	9.76	10.36	11.66	12.61	10.74
Total equity and reserves/total loans	13.12	14.55	17.68	21.66	22.39	17.88
Liquidity (%)						
Total loans/total assets	74.00	70.29	61.55	56.34	59.16	64.27

Table 2

Five-Year Average Financial Ratios (2000-2004)

	CalHFA	All 'AA-' HFAs	All 'A+' HFAs	All 'AA' HFAs	All HFAs
Profitability (%)					
Return on average assets	0.87	0.71	0.53	1.08	0.85
Return on assets before loan loss provision and extraordinary item	0.91	0.81	0.58	1.18	0.94
Net interest margin	1.42	1.31	0.78	1.70	1.37
Asset Quality (%)					
Non-performing assets/total loans and real estate owned	2.44	1.89	2.90	2.36	2.13
Loan loss reserves/total loans	0.70	1.18	0.84	2.43	1.53
Loan loss reserves/non-performing assets	28.56	82.04	23.97	103.10	193.52
Leverage (%)					
Total equity/total assets	10.10	13.78	9.21	19.01	14.84
Total equity and reserves/total loans	16.02	23.39	14.56	30.21	23.87
Liquidity (%)					
Total loans/total assets	67.40	64.84	68.85	69.70	67.75

Table 3

California Housing Finance Agency Trend Analysis (2001-2005)

	2001	2002	2003	2004	2005
Total assets ($000s)	9,044,585	9,585,353	9,763,598	9,691,738	9,388,557
% change	15.52	5.98	1.86	(0.74)	(3.13)
Total debt ($000s)	7,688,313	8,148,211	8,136,870	7,873,007	7,500,766
% change	16.54	5.98	(0.14)	(3.24)	(4.73)
Total equity ($000s)	840,501	935,914	1,011,635	1,129,611	1,183,777
% change	13.61	11.35	8.09	11.66	4.80
Revenues ($000s)	645,735	652,010	618,492	557,569	509,336
% change	11.99	0.97	(5.14)	(9.85)	(8.65)
Net income ($000s)	80,535	83,403	75,721	63,002	20,477
% change	2.11	3.56	(9.21)	(16.80)	(67.50)
Total loans ($000s)	6,693,108	6,737,368	6,009,317	5,459,868	5,553,940
% change	14.28	0.66	(10.81)	(9.14)	1.72
Non-performing assets ($000s)	179,099	154,082	154,750	134,605	75,749
% change	36.74	(13.97)	0.43	(13.02)	(43.72)
Loan loss reserves ($000s)	37,905	44,469	50,583	52,886	59,688

Table 3

California Housing Finance Agency Trend Analysis (2001-2005) (cont.'d)					
	2001	**2002**	**2003**	**2004**	**2005**
% change	39.00	17.32	13.75	4.55	12.86

Fiscal Year 2006-07 to 2010-11 Five Year Business Plan Concept Proposal

CalHFA[SM]

Affordable Housing is our Business

- Overview of Housing Assistance Trust Funds for Program Initiatives
- Production Goals for Homeownership
- Production Goals for Mortgage Insurance
- Production Goals for Multifamily Rental
- Production Goals for Other Lending Programs
- Sale of Asset Management/REO Properties
- Other Considerations

CALHFA BUSINESS PLAN 2006/2007
SPECIAL PROGRAMS LOAN INITIATIVES
PRODUCTION LEVELS

	PROGRAM BUDGET	HAT BUDGET	HAT EXPECTED UTILIZATION
Single Family Programs:			
Down Payment Assistance	$35,000,000	$35,000,000	$35,000,000
SHBAP	2,500,000	2,500,000	1,000,000
Multifamily Programs:			
AHP Substitute	10,000,000	10,000,000	6,000,000
Habitat for Humanity	5,000,000	5,000,000	5,000,000
Locality Programs (HELP / RDLP) *	30,000,000	15,000,000	15,000,000
Small Business Development	1,000,000	1,000,000	1,000,000
Homeless / Special Needs **	(10,000,000)	(10,000,000)	(4,000,000)
Asset Management:			
Portfolio Assistance	4,000,000	4,000,000	2,000,000
Total	$87,500,000	$72,500,000	$65,000,000

* To be funded from two sources in 2006/2007; $15 million from HAT for the HELP Program and $15 million from Proposition 46 (RDLP)

** Carry forward amount from 2005/2006 Business Plan – Financial Institutions (CDFI)

Affordable Housing is our Business

Homeownership Production Goals/Initiatives

- $1.5 billion level of 1st Mortgage Production
- Continue implementation of *interest only* PLUS™ to all CalHFA Lenders
- Implement 40-year fixed rate product
- Evaluate new loan products to meet market changes and customer demand (Fannie Mae/HFA Branded Product)
- Implement Marketing and IT enhancements to stimulate production

Mortgage Insurance Production Goals/Initiatives

- Consolidate Mortgage Insurance capacity to focus on CalHFA conventional loans
- Business plan targets are $840 million for new insurance
- Continue expansion of HomeOpeners® mortgage protection programs with CalHFA Conventional Loans

Multifamily Production Goals/Initiatives

- Production Goals:
  - Construction — $170m
  - Permanent — $ 70m
  - BAHP — $ 75m*
  - Preservation — $ 5m
- Discussion of New Lending Terms
  - 30 year loan / 15 year payoff
  - Architectural Review
- New “AHP Substitute” Program
- Homeless Phase I / Homeless Phase II

***Total BAHP spending will reach $120m by end of FY 06/07**

Special Lending Production Lending Goals/Initiatives

- Continuation of the HELP Program @ $15 million
- Continued implementation of New Loan Purchasing Program in conjunction with Habitat for Humanity and intermediary lenders
- Implement New Residential Development Loan Program (Prop 46 Funds) through partnerships with Localities for creation of homeownership stock.

Assets Management Goals/Initiatives

- Workouts to preserve affordability for tenants and rehabilitate physical structures
- Status Report on sale of REO properties

Other Considerations

- New Building Initiative
- Major IT Initiatives
  - Enhanced Debt Management System
- Product Profitability/Public Benefit Models (including operating overhead)
- Investment Management Strategies
- Recruitment – Revised production goals

Financing Reports

- Recent Bond Sales and Swaps
  - Single Family Bonds
- Variable Rate Bonds and Swaps

Recent Bond Issues

Date of Sale	Bond Series	$ Amount
1/20/06	Home Mortgage Revenue Bonds 2006 Series A (partnership with SCHFA)	$35,000,000

New Single Family Bonds

- $35 M HMRB 2006 A
- Proceeds for purchase of 130 new loans
- All Interest Only Plus (IOP) loans
- $35 M tax-exempt refunding of SCHFA
  - fund loans within SCHFA's jurisdiction
  - VRDO; swapped

Report on Variable Rate Bonds and Swaps

Variable Rate Debt as of Feb. 2, 2006

($ in Millions)

	Tied Directly to Variable Rate Assets	Swapped to Fixed Rate	Not Swapped or Tied to Variable Rate Loans	Total Variable Rate Debt
HMRB	$ 3	$ 3,727	$ 516	$ 4,246
MHRB	207	842	148	1,197
HPB	0	35	15	50
DDB	919	0	0	919
TOTALS	$1,129	$ 4,604	$ 679	$ 6,412

Types of Variable Rate Debt

($ in Millions)

	Auction Rate & Similar Securities	Indexed Rate Bonds	Variable Rate Demand Obligations	Total Variable Rate Bonds
HMRB	$ 165	$ 1,133	$ 2,948	$ 4,246
MHRB	484	0	713	1,197
HPB	0	0	50	50
DDB	0	919	0	919
TOTALS	$ 649	$ 2,052	$ 3,711	$ 6,412

Fixed Payer Interest Rate Swaps

($ in Millions)

	Tax-Exempt	Taxable	Totals
HMRB	$2,896	$927	$3,823
MHRB	842	0	842
HPB	35	0	35
TOTALS	$3,773	$927	$4,700

BAHP Purchase Agreement Log

	Property Address	RC Area	House Type	Contract?	Reason Contract Not Executed?
1	2856 San Juan Blvd., Belmont, CA	GGRC	SRH-3	No	9
2	38142 Martha Ave., Fremont, CA	RCEB	962	No	9
3	4737 Darlene Ct., Fremont, CA	RCEB	962	No	9
4	38800 Blacow Rd, Union City, CA	RCEB	SRH-3	No	9
5	4876 Alex Drive, San Jose	SARC	SRH-4	No	9
6	500 S. Sunset Ave, San Jose	SARC	SRH-3	No	9
7	2951 Driftwood, San Jose	SARC	FTH	No	9
8	790 Cornell Dr, San Jose	SARC	FTH	No	9
9	1466 Pompey Dr, San Jose	SARC	FTH	No	9
10	1332 Isengard Ct. San Jose 95123	SARC	962	No	8 (c)
11	413 Chesterson, Belmont	WBHC	SRH-3	Yes	n/a
12	4296 Stanley Ave, Freemont 94538	RCEB	SRH-4	Pending	5
13	38715 Blacow Rd, Freemont 94536	RCEB	SRH-4	Pending	8 (c)
14	4756 Jeranium Place, Oakland 94619	RCEB	SRH-4	Pending	8 (a)
15	36418 Laredo, Fremont CA, 94536	RCEB	SRH-4	Pending (counter)	1
16	14853 Conway Avenue, San Jose, CA	SARC	962	Yes	n/a
17	1636 Edsel Drive, Milpitas 95035	SARC	962	Pending	n/a
18	10919 Lochard Street, Oakland	RCEB	SRH-4	Pending (counter)	1
19	939 Rock Ave, Fremont 94536	RCEB	SRH -4	Pending (counter)	1 & 5
20					
21					
22					
23					
24					
25					

Footnotes:

(1) Escrow Period was rejected by Seller
(2) Steering Committee Rejected Expedited Request
(3) Seller Rejected Offer - no specification
(4) Seller Rejected Purchase Price
(5) Outside Offer Came in First
(6) Property would not meet BAHP needs after performing basic due diligence
(7) Steering Committee Rejected Initial Proposal
(8) Key Issues with Site Selection Criteria for the Property
  (a) Heavy Slope to Property
  (b) Neighborhood Characteristics
  (c) Square Footage Constraints
(9) Inability to make offer due to financing delays
(10) Other

Bay Area Housing Plan
CalHFA Term Sheet

Loan Purchase

As part of Loan Purchase Agreement with a syndicate of lenders of which Bank of America is the administrator ("B of A"), CalHFA makes conditional commitment to B of A to purchase 71 permanent mortgages upon satisfaction of certain conditions. The amount of the mortgage loan for each site will be equal to the total amount of B of A's credit facility loan that is attributable that site, including all increases in cost and the debt service reserve, provided that the lease payments are re-sized to properly cover the required debt service which is to be paid from lease payments. CalHFA also agrees with B of A that CalHFA will "purchase" each individual loan from B of A within 180 days of stabilization.

TEFRA

CalHFA will take official action prior to acquisition of the property and will conduct TEFRA hearing prior to bond issuance. Tax-exempt bond financing will be dependent on the NPO and the Service Provider lessee having a 501(c) (3) and receipt of a cost certification and Form 8038 status acceptable to CalHFA's bond counsel at stabilization.

Bonds

CalHFA will issue either tax-exempt or taxable bonds pursuant to its own timeline for permanent loans to be purchased from B of A as Administrative Agent for a syndicate of Lenders (B of A). Expected minimum total bond sale amount is $20 million per issuance. Bonds will have final maturity and amortize over 15 years.

Bonds will be issued as fixed rate obligations and the mortgage rate will be established so that the mortgage yield will be equal to 150 basis points above the bond yield.

Borrower

A single asset entity formed by each NPO to hold its BAHP properties. The entity shall either be a 501 (c) (3) corporation of an LLC with a 501(c) (3) corporation as its sole member.

Permanent Loans

CalHFA will purchase individual loans from B of A, which loans will have 15 year maturities. The loan amount will be 100% of permitted acquisition and development costs for the property exclusive of CalHFA loan fee. Loans will be made from taxable funds, unless tax-exempt requirements of CalHFA have been met. Borrower will have the right of prepayment after the 10th year. The mortgage rate will be established by CalHFA approximately 15 days prior to bond sale. Loan purchase will occur approximately 30 days after bond sale. Loans will be recourse loans.

Direct Payment

The residential portion of the Lease Payments is to be made from the Regional Centers directly to CalHFA.

Security

Lease	Loan will be secured by lease payments on property.
Mortgages	First mortgage lien with cross default provisions on all properties owned by each NPO.
Lease Assurance	CalHFA will require the lease be re-sized to cover increased debt service due to increased loan costs. There will be a Lease Assurance Agreement from the Regional Centers in favor of CalHFA.

Other Agreements

CalHFA will enter into an MOU with DDS, MOU with Regional Centers, and Security Agreements with the NPOs and with the Regional Centers. Various other agreements with DDS, the Regional Centers, the NPOs and with B of A as required as part of the construction and or permanent financing.

Debt Service Reserve

Debt Service Reserve equal to one year's principal and interest payments on the first mortgage loan held by the Bond Trustee on pooled basis. Principal and interest released to NPO (or Regional Center at the NPO's direction) at loan pay-off. All earnings paid to NPO net of any IRS liabilities and CalHFA service fees (or Regional Center at the NPO's direction) at maturity or from time to time by CalHFA after IRS yield calculations have been performed on the loans. Funds to be held in "Surplus Money Investment Fund" accounts with the Treasurer's Office or other permitted investment instruments at CalHFA's discretion. The reserves can be used as outlined in the Regulatory Agreement and or lease agreement. CalHFA will charge a service fee of 1.00%.

Cash Collateral

Five percent of loan amount in cash to be funded from borrower cash collateral held by B of A and a portion transferred by B of A as B of A loan is sold to CalHFA, with a minimum amount of $5,000,000 transferred by the time of the last loan sale of the maturity of the B of A Credit Facility, which ever is first. The principal and interest will be released to the Regional Centers when the aggregate loan amount on all loans has been reduced to 100% of the appraised, as completed, value at the time of the time of release.

Funds will be held by CalHFA in "Surplus Money Investment Fund" accounts at the treasurer's office or other permitted investment instruments at CalHFA's discretion. CalHFA will charge a service fee of 1.00%. The funds can be used as per the Security Agreement.

Replacement Reserve

A minimum of $2,400 per property per year to be held by the NPO, and monitored by the Regional Center, based on a reserve analysis completed at stabilization as defined in the Lender Loan Agreement. The minimum reserves may be increased (a) 10% every 5 years by CalHFA, or (b) more frequently with the approval of the Regional Centers. CalHFA reserves the right to impound the Replacement Reserve in the event that reserves are not maintained properly or in the event of a default. CalHFA will require a Deposit Account Control Agreement for the reserve funds.

Impounds

CalHFA will not collect impounds but will retain the right to collect impounds in the event that either taxes are not paid in a timely manner and or insurance coverage lapses. Taxes will be collected and paid by the NPOs. Insurance will be collected and paid by the Service Providers with CalHFA as an additional insured. CalHFA will require a tax service contract.

Commitment Fee

Regional Centers will pay CalHFA a commitment fee equal to 1% of the loan amount 24 hours in advance of the Board meeting at which the final commitment is reviewed. $225,000 was paid at Board on the first $45,000,000 final commitment; the balance of $225,000 is due at the construction loan facility closing. Commitment fees are not permitted costs and can not be financed.

Third Party Fees

CalHFA will be responsible for bond issuance costs. Borrower will be responsible for payment of all CalHFA legal expenses and tax service contract costs, which costs can be financed in the loans. CalHFA and B of A will engage the same inspector who will be paid from construction loan draws.

This term sheet does not constitute a commitment to make or purchase loans on the terms set forth herein or on any other terms or an agreement by CalHFA to negotiate the terms of an agreement to make or purchase loans. This term sheet is non-binding and merely sets forth certain of the terms and conditions on the basis of which CalHFA is considering entering into the transaction described herein. CalHFA shall not be obligated to close the transactions described herein until CalHFA has received all necessary and appropriate internal approvals and the transaction is evidenced by definitive agreements acceptable to CalHFA setting forth all of the terms and conditions of the transaction.

BAY AREA HOUSING PLAN
PERMANENT LOAN – CLOSING CHECKLIST

BAHP Residence # _______ CALHFA #: ______

CALHFA Loan: $_________ Debt Service Interest Rate_____%

Loan Int. Rate: ________% Tax-Exempt_________Taxable_________

BANK OF AMERICA ("BANK") AND CALHFA DOCUMENTATION

____ General & Interoffice Correspondence File
____ CALHFA Fees Collected ____ Fee Report ____ All fees collected _____

CREDIT FACILITIES CLOSING

1. ____ Final Commitment (if applicable)
2. ____ Board Resolution #__________
3. ____ Payment of CalHFA Legal Fees
4. ____Payment of CalHFA Commitment Fees
5. ____ Permanent Financing Agreement (3 NPO's)
   BAHC (NPO) _________WBHC (NPO)______
   HCED (NPO)_________
6. ____ CalHFA Lease Assurance Agreement (Regional Centers)
7. _____Loan Purchase Agreement (Administrative Agent for Lenders)
8. ____ DDS Memorandum of Understanding (DDS)
9. ____ Regional Center Memorandum of Understanding (Regional Centers)
10. ____ CHHS Consent letter (CHHS and DDS)
11. ____ Non-Profit Organization Security Agreement (NPO's)
    BAHC (NPO) _________WBHC (NPO)______
    HCED (NPO)_________
12. ____NPOs 501 (c)(3) approval of 3 NPO's
    BAHC (NPO) _________WBHC (NPO)______
    HCED (NPO)_________
13. ____Regional Centers 501 (c) (3) approval
    RCEB________ Golden Gate __________San Andreas_______
14. ____ SARC Security Agreement
15. ____ Design Guidelines and Master Scope of Work (1st acquisition) (Master Developer)
16. ____DDS 504 Letter (DDS)
17. ____Work Order with Inspector (Administrative Agent for Lenders & Inspector)
18. ____Legal Opinions
    Master Developer______BAHP Regional Centers______
    BAHC (NPO) ______________WBHC (NPO)________
    HCED (NPO) ______________
    DDS ______________

19. _____Article 34 Opinion (included in NPO opinion letters)
20. _____Single Asset Entity (either LLC with 501 (c)(3) member, or new 501(c) (3) corporation)
    BAHC (NPO) _____________WBHC (NPO) ________
    HCED (NPO) _____________
21. ______Agreement Modification to increase maximum loan purchase amount in LLA.
    Agreement Modification_____________Commitment Fee________
    Legal Fees_________

BOND FINANCING ITEMS:
21. ____ Declaration of Intent Date_________
22. ____ Letter to Borrower re Intent
23. ____Acquisition Date_______
24. ____Good Cost Date___________
25. ____ TEFRA Hearing __________ Approval date_____________
26. ____ Mortgage Loan Rates
    Assumed Mortgage Loan Rate (Acquisition)____________
    Debt Service Reserve Interest Rate (Stabaliztion)________
    Permanent Mortgage Loan Rate (Bond Sale) ___________

BANK ACQUISITION CLOSING (4.2):
27. ____ Pro-Forma Title Policy (including endorsements: 100, 103.1, 103.7, 110.1 110.9, 111.5, 116) including underlying documents
28. ____Final Proposal from Master Developer
29. ____Maximum Principal Amount of Loan from Developer
    M.D. Budget___________
    Description of Improvements to be Constructed____________
30. ____Receipt of complete approval package from bank
    _____Environmental Questionnaire _________Zoned for intended use________
    _____Due Diligence Reports_______________Bank Budget________________
    _____Initial Inspection Report______________Seller Disclosures____________
    _____As Is Appraisal ______________________Lead-Based Paint ____________
    _____Asbestos Containing Materials_________Other _____________________
    (Due Diligence Reports include Master Developers property report__, roof report__, structural report__, mechanical report__, dryrot and termite report and sewer camera scope reports___ for rehabs only)
31. ____NPO Board Resolution electing either: Tax exempt bond __________________Taxable bond ________________
32. ____Service Provider 501(c)(3) Documents if tax-exempt bond elected
33. ____Service Provider bylaws and articles of organization
34. ____Regional Center Approved Final Proposal
35. ____Lease Executed and initial estimate of final payments
36. ____Bank's Acceptance of above Due Diligence items and Bank Approved Budget
37. ____Senior Staff Resolution or Executive Director/Designee (accepting the Property)
38. ____CalHFA Notice of Conditional Property Acceptance to Bank and Hallmark with estimated taxable perm loan rate to Bank ___________%

39. ____Evidence of H&S Code 51335(a) Compliance – Letter sent by CalHFA to each Locality

ITEMS EXPECTED AT FIRST BANK FIRST DRAW:

40. ____ Bank and CalHFA approval of Plans and Specs or Scope of Work
41. ____ Revised Construction Loan Budget from Bank
42. ____ 2nd construction inspection report
43. ____Certification that all applicable permits will be obtained
44. ____ CalHFA acceptance of Plans and Specs or Scope of work to Bank and Hallmark

STABILIZATION ITEMS:

45. ____ Service Provider License Applications
46. ____ Appraisal As-Completed
47. ____ Bank loan modification documents recorded if loan amount increased
48. ____ Construction Close Out Report

    Permit Sign-offs__________Recorded Notice of Completion_______
    Certificate of Occupancy____Construction completed to plans_______
    No reported new problems__________Reserves adequate __________
    Fire Marshall sign off ______________Accepted by Agency___________

49. ____ Lease and Lease Updates/Amendments/modification of Lease amount/Rent commences
50. ____ Regional Center's Certificate of Acceptance and execution of Schedule 3 by RC's and Service Provider
51. ____ Final Costs for the Loan itemized by uses (from Bank)
52. _____Proposed Loan amount at loan purchase (from Bank)
53. _____Developer's Certificate that construction was in accordance with Plans/Scope of Work and Certification that all of the Costs are Permitted Costs and for the appropriate property.
54. ____ NPO's Certificate of Acceptance
55. ____ Certificate of Environmental Consultant re: Completion of Environmental Remediation (if applicable)
56. ____ Operation and Maintenance Plan for lead based paint or asbestos (if applicable)
57. ____ If tax-exempt, Service Provider 501 (c) (3) documents approved by Bond Counsel
58. ____CalHFA provides notice of stabilization to Bank and Hallmark including interest rate for Debt Service Reserve.

LOAN PURCHASE CLOSING REQUIREMENTS:

59. ____ Assignment of Loans and Loan Documents (Bank)
60. ____ UCC-Financing Statement
61. ____ Allonge (Bank)
62. ____ Assignment of Deed of Trust (Bank)
63. ____Original Purchased Loan Documents (Bank)

    __________Promissory Note (or Replacement Note)

_________Deed of Trust (Amended Deed of Trust if loan amount changed)
__________Assignment of Plans and Construction Documents
__________Environmental Indemnity Agreement

64. ____ Loan Assumption Agreement (Master Developer & NPO, consent by RC's)
65. ____Long Form (and Short Form) Modification Agreement (Master Dev & NPO, consent of RCs, if applicable)
66. ____ Loan Assumption Agreement(Master Dev & NPO, consent of RCs)
67. ____ Regulatory Agreement (NPO & Service Provider, consent of RCs)
68. ____ Estoppel Certificate (Service Provider)
69. ____ Subordination Agreement (Lease Agreement) (Service Provider)
70. ____ Subordination Agreement (BAHP Restrictions) (Regional Centers)
71. ____ Release Agreement (Master Developer)
72. ____Opinion of Counsel (NPO) & Certificate of Good Standing/FTB Exempt Letter of Good Standing
73. ____Opinion of Counsel re 501(c)(3) status (Service Provider), if applicable, & Certificate of Good Standing/FTB Exempt Letter of Good Standing
74. ____ Request for Funds, Date sent to Accounting: ____________
75. ____ Escrow Instructions with a copy of all documents sent to escrow
76. ____ Wiring instructions from the Title Company
77. ____ Transfer of Collateral (SARC Pledged Funds)
78. ____Transfer of Debt Service Reserve
79. ____CalHFA Title Policy with endorsements
80. ____Evidence of Insurance pre Regulatory Agreement and Lease
81. ____Certified Final Itemized Cost Breakdown by Use of Funds from Bank of America
82. ____Settlement statement
83. ____Escrow Instructions with a copy of all documents sent to escrow
84. ____ Wiring instructions from the Title Company
85. ____ Tax Service Contract "B" form
86. ____ Deposit Account Control Agreement (NPO and their bank, for replacement reserve)

<u>Financial Reporting Requirements:</u>

87. Federal Tax I.D. number (W-9) for NPO's
    RC of the East Bay _________Golden Gate RC______
    San Andreas RC _________
88. ____ Federal Tax I.D. number (W-9) for NPO's
    BAHC (NPO) _________WBHC (NPO)______
    HCED (NPO)_________
89. ____ Form 8038 Questionnaire (for tax-exempt deals only) (forms to be developed for this deal)
90. ____ Project Good Cost/Bad Cost Certification (for tax-exempt deals only) (forms to be developed for this deal

For CalHFA Use Only – Entity Documents Required at Closing

<u>SINGLE ASSET ENTITY – DOCS IF LLC:</u>

91. _____Articles and Bylaws
92. _____Secretary of State Certificate of Good Standing/FTB Exempt letter of Good Standing
93. _____Authorizing Resolution

NON-PROFIT ORGANIZATIONS:
94. ____ Articles and Bylaws
95. ____Secretary of State Certificate of Good Standing/FTB Exempt letter of Good Standing
96. ____ Authorizing Resolution
97. ____ 501(c)3 tax-exempt letter
98. ____ 501(c)3 IRS application
99. ____ 501(c)3 IRS approval letter
100. ____ Opinion of Counsel

SERVICE PROVIDERS:
101. ____ Articles and Bylaws
102. ____ Secretary of State Certificate of Good Standing/FTB Exempt letter of Good standing
103. ____ 501(c)3 tax-exempt letter – if using tax-exempt bonds
104. ____ 501(c)3 IRS application – if using tax-exempt bonds
105. ____ 501(c)3 IRS approval letter-if using tax-exempt bonds
106. ____ Opinion of Counsel

For CALHFA Use Only
___ CASH $________________________ for: Debt Service Reserves
CASH $ for: Cash Collateral

For CALHFA use Only – Cash at Closing
107. ____Cash
$______________________________for: Cash Collateral
108. _____Cash $______________________________for: Debt Service Reserve

PROJECT SUMMARY

PROJECT NUMBER: 04-017-C/N

Final Commitment

Project:	**Seven Directions**			
Location:	2946 International Blvd.	***Developer:***	**EBALDC**	
City:	Oakland	***Partner:***	NAHC	
County:	Alameda	***Investor:***	Yet to be determined	
Zip Code:	94601			
		No. of Buildings:	1	
Project Type:	New Construction	*No. of Stories:*	5	
Occupancy:	Family	*Residential Space*	44,411	sq. ft.
Total Units:	36	*Parking Garage*	14,560	sq. ft.
Style Units:	Flats	*Commercial Space*	20,531	sq. ft.
Elevators:	Yes	*Gross Area*	79,502	sq. ft.
Total Parking	31	*Land Area*	26,136	sq. ft.
Covered	31	*Units per acre*	60	

CalHFA Construction Financing	Amount	Rate	Term (Mths)
CalHFA Construction Financing	$8,750,000	6.00%	18

Permanent Sources of Funds	Amount	Rate	Years
CalHFA First Mortgage	**$1,600,000**	**5.25%**	**10**
CalHFA Bridge Loan	**$0**	**0.00%**	**0**
CalHFA Second Mortgage	**$0**	**0.00%**	**0**
HCD/MHP	$2,606,331	3.00%	55
HCD/MHP/NSSS	$250,399	3.00%	55
Oakland RDA	$3,289,000	3.00%	55
FHLB/AHP	$227,368	0.00%	55
City of Oakland	$93,972	0.00%	55
City of Oakland	$1,216,600	3.00%	55
Source 8	$0	0.00%	0
Source 9	$0	0.00%	0
Source 10	$0	0.00%	0
Source 11	$0	0.00%	0
Source 12	$0	0.00%	0
Income from Operations	$0		
Developer Contribution	$0		
Deferred Dev. Fee	$147,333		
Tax Credit Equity	$5,631,035		

Construction Valuation		Appraisal		Value Upon Completion	
Investment Value	$12,930,000	**Appraisal Date:**	02/22/06	**Restricted Value**	$4,230,000
Loan / Cost	61%	**Cap Rate:**	5.50%	**Perm. Loan / Cost**	11%
Loan / Value	68%			**Perm. Loan / Value**	38%

CalHFA Fees and Reserve Requirements

CalHFA Loan Fees	**Amount**	**Required Reserves**	**Amount**
CalHFA Construction Loan Fee	$65,625	Other Reserve	$0
CalHFA Permanent Loan Fees	$8,000	Replacement Resv. Initial Deposit	$0
Other Fee	$0	Repl. Reserve - Per Unit/ Per Yr	$600
Construction Loan - Guarantees and Fees		CalHFA Operating Expense Reserve	$46,706
Completion Guarantee Fee	$0	Rent Up Reserve	$0
Contractors Payment Bond	$9,454,038	Section 8 Transitional Reserve	$61,800
Contractors Performance Bond	$9,454,038		

Date: 3/8/06 **Senior Staff Date:** 2/14/06