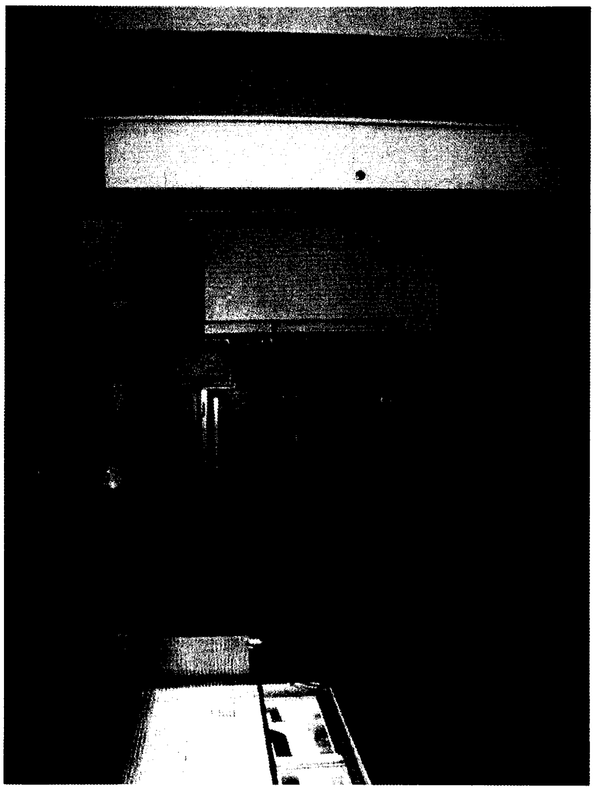
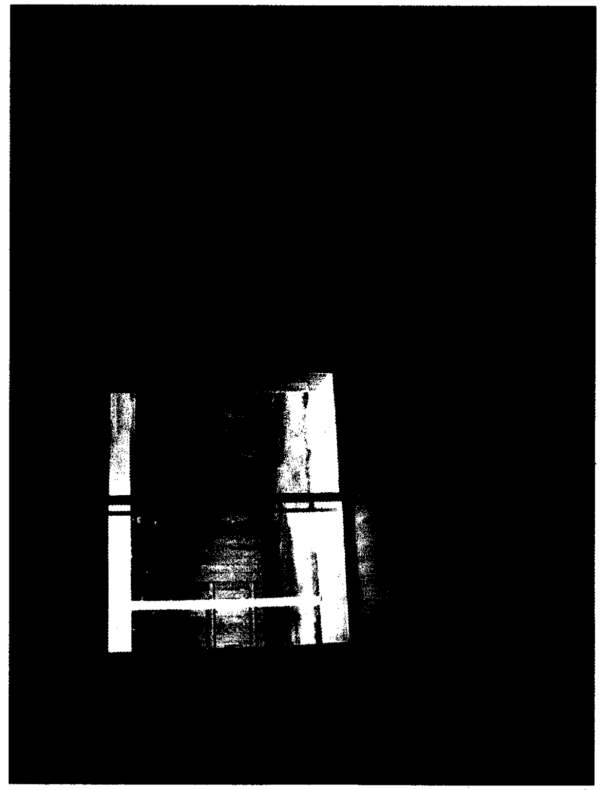
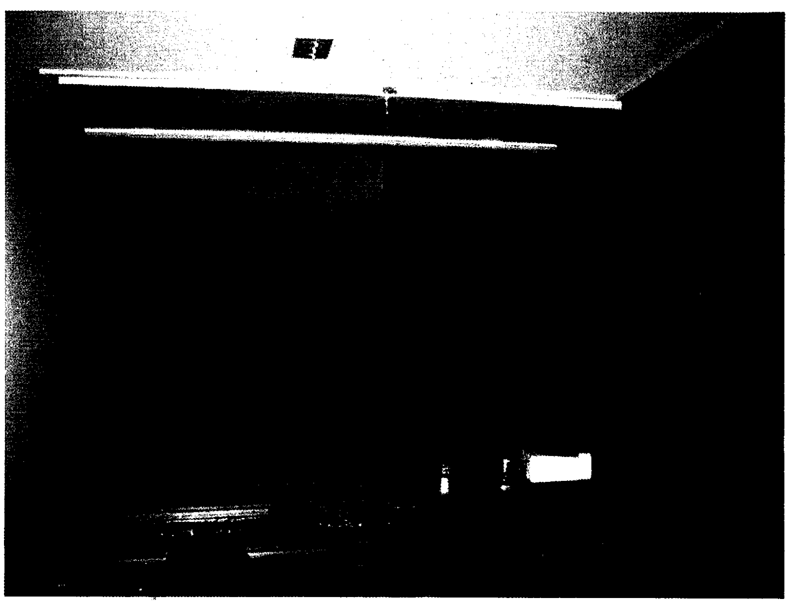
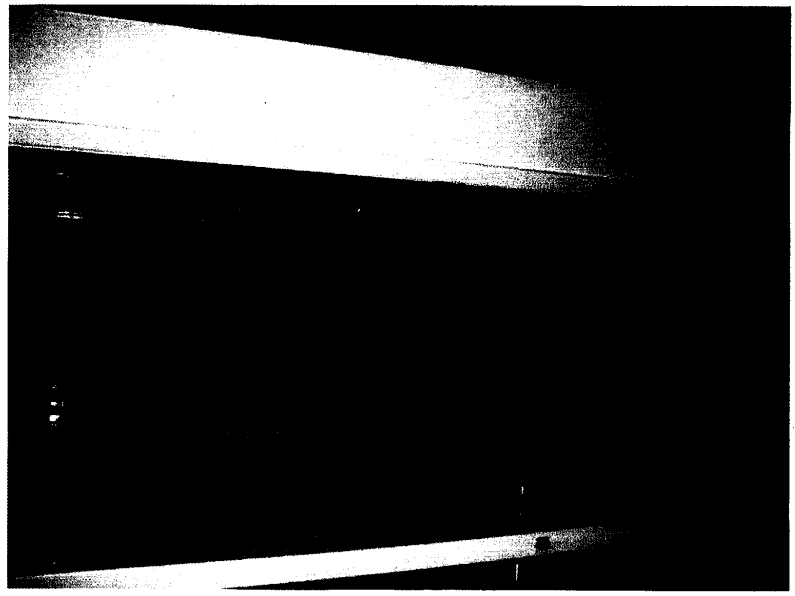
1527-1529 Eden Ave., San Jose 95117

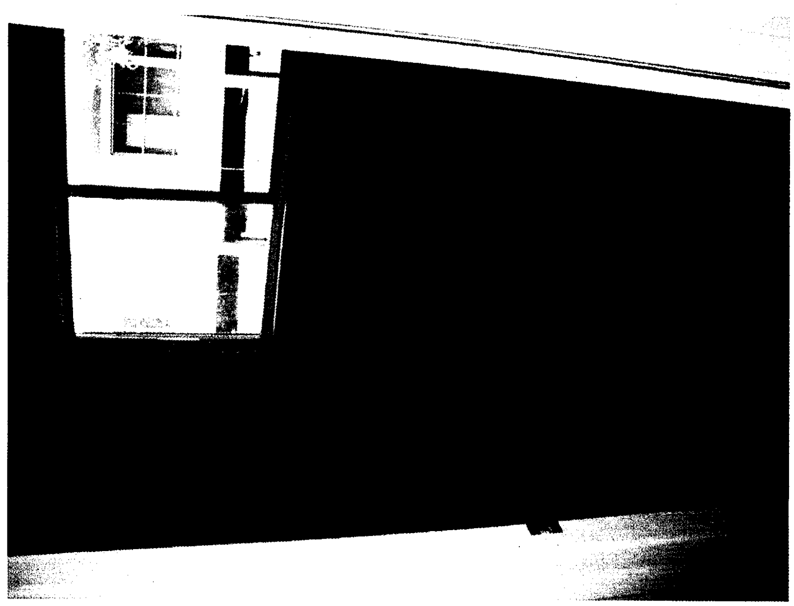
- 3/2 and 3/2
- 2,198 Sq. Ft.
- 6,098 Sq. Ft. Lot











New Loan Questionnaire - Bank of America

Property Information: ☐ 962 ☐ SRH ☒ FTM

Address: 1527-1529 Eden Ave.

City: San Jose Zip Code: 95117

County: Santa Clara Year Built: 1956

Number of Units: 2 Lot Size: 6098 House Sqft: 2198

Rehab or New: Rehab

NPO Contact: (This person would meet the property appraiser at the home)

Agency: BAHC

Contact: Tracey Chew Cell Phone Number: (408) 438-7393

Office Address: 101 Church Street, Suite 4

City: Los Gatos Zip Code: 95030

Service Provider: California Community Opportunitie

Contact Name: Amy Peeler Phone Number: 408-306-3964

Office Address: 20823 Steven's Creek Blvd., Suite 100

City: Cupertino Zip Code: 95014

Anticipated Costs:

Purchase Price: $875,000 Construction Costs: (1) $348,628

Footnote:
(1) All other costs associated with the property outside of the house and land cost. An estimate is fine for now

Information for Purchase of Existing Property
(Form EP1)

Contact Information: WBHC ☐ HCEB ☐ BAHC ☒

Contact Name: Tracey Chew

Telephone Number: (408) 438-7393 E-mail: tchew@earthlink.net

Fax: (408) 351-7997 Date of Initial Proposal: ______

Broker Information:

Contact Name: Pam Allison

Company: Forbes Group

Telephone Number: 408-399-5252 E-mail: pamallison@verizon.net

Fax: 408-399-5255

Property Information:

Address: 1527-1529 Eden Ave.

City: San Jose Zip Code: 95117

County: Santa Clara

Current Zoning: R-M Multiple-Residence (max - 25 dwelling units/acre), Res Care permitted

Home Type: FTM ☒ 962 ☐ SRH ☐

Total # units 2 Total # of Bedrooms: 6 Total # of bathrooms: 4

Total Sqft: 2,198 Age of Property: 40 Lot Square Ft: 6,098

Photos Attached? YES ☒ NO ☐

Condition: Good ☒ Fair ☐ Other ☐ renovated kitchen in 1529 (explain)

Amenities: Fireplace ☒ Pool ☐ Other ☐ ______ (explain)

Occupancy: Vacant ☐ Tenants ☒ Rental Lease Term: ☐ Monthly
Other: 1529 is vacant, 1527 has tenants

Price Comparisons of 3 properties in area attached? YES ☒ NO ☐

Integration with Non-Disability Housing:

None — How many state supported persons with developmental disabilities live within a mile radius?

7,373 — Estimated total population within one mile of property? **CENSUS TRACT POP**

Zero — What is the estimated % of total population within a one mile radius who are persons with developmental disabilities?

Neighborhood Description: Mark all that apply within a 5 mile radius:

Hospital/medical facility [X] [X] Police [X] Fire Dept. [X] Grocery Shopping

Daycare Facility (adults) [X] [X] Churches [X] Schools [X] Childcare facility

Park/recreation facility [X] [X] Downtown area

Other: ____________________

Income Level of the Neighborhood: Low [ ] Fair [X] Upper [ ]

Other: ____________________

Other Comments Relative to the Suitability of the Property:
Property located in high density apartment complex neighborhood

Price and Terms:

Asking Price: $875,000 Offer Price: $875,000

Days on the market: 34 days Close of escrow date: 6/24/2006

Amount requested for deposit and inspections: $26,250 deposit plus $3,600 for inspections

How soon do you need a decision in order to secure this property? [X] 48 hours [ ] 72 Hours

Other: ____________________

Needs of Seller: ____________________

Unique conditions of the transaction:

Recommendations for securing this property:

Other terms?

Comments:

Tracey Chew

(Signed)

5/1/2006

(Date)

Room Design Criteria Checklist - FTM Model
(Form FTM)

Regional Center Contact Information:

Person completing Document: Suzanne Cagle

Telephone Number: 408-341-3595 E-mail: sasuzann@sarc.org

Fax: 408-376-0586 Date Completed: 2/7/2006

Resident Information:

# of beds: 3 # of residents utilizing wheelchairs: 1

Average age of Resident: 18 +

Identified Service Provider: CCO

Contact Name: Amy Peeler

Telephone Number: 408-306-3964 E-mail: amypeeler@ca-cco.org

Fax: 408-683-0452

NPO Contact Information: ☐ WBHC ☐ HCEB ☒ BAHC

Contact Name: Tracey Chew

Telephone Number: 408-438-7393 E-mail: tchew@earthlink.net

Fax: 408-351-7997

Property Information:

Address: 1527 and 1529 Eden Ave.

City: San Jose Zip Code: 95117

County: Santa Clara

FTH Model

The Family Teaching Home Model is designed to accommodate residents who will receive services under the Family Teaching Model. These residents will have a range of disabilities and may also be in wheelchairs, or have high behaviors and safety issues. The items marked with an "R" are required elements that must be incorporated into the FTH Model Home in order to qualify for the BAHP. All other items are options that may be incorporated into the homes based on individual need as assessed by the Regional Center.

Bathrooms:

- **R-** Door openings shall be a minimum of 36" wide
- **R-** **GFCI Receptacle**
- **R-** Accessible cleanouts for water shut-off

- [x] Dedicated & accessible water supply spigot for cleaning of bathroom & equipment
- [x] Roll-in shower
- [x] All bars including towel bars must be installed to withstand heavy use
- [x] Shower curtain and reinforced tracking
- [x] Utility shelves on walls for towels
- [x] Scald prevention
- [x] Floor drains, anti-skid tile floors and tile on walls
- [x] Quiet fans and second source of heat
- [x] Commercial-grade fixtures (home-like look will continue to be a goal)
- [x] Operable window
- [x] Wall-hung toilets with in-wall tanks and durable control mechanism
- [x] Paddle handle faucets
- [ ] Lockable storage for aerosol cans and cleaning supplies (ie. Bathroom drawer or cupboard
- [x] Toggle switch or lights
- [x] Plywood sub-sheeting for walls
- [ ] Fiberglass units must be foam insulated to prevent sound transmission
- [ ] Tubs with toe space as an alternate to roll-in showers
- [x] Tile floors (anti-skid) and tile half way up the walls
- [ ] Pocket doors

Kitchens:

- **R-** Self-defrosting/cleaning, energy efficient appliances
- **R-** Hardwired smoke detector and BC fire extinguisher
- **R-** Rounded corners
- **R-** Adequate space for movement and turning of largest conveyance equipment

---

- [ ] Locked medicine cabinet (central location required by licensing)
- [ ] Visual access to other living areas
- [x] Bright with a lot of natural and artificial light, not just fluorescent
- [x] Plywood or solid wood cabinets, ball bearing full extension glides, heavy duty hinge
- [x] Counter tops - one at standard height for staff and one lowered for wheelchair access
- [x] Lockable storage for kitchen knives (ie drawer with lock)
- [x] Keyed garbage disposal

Utility Rooms:

- **R-** Commercial grade washer and dryer
- **R-** Anchored or strapped water heater as required by CalHFA

- [ ] Locked storage space adequate for janitorial equipment and with shelves for cleaning supplies

- [X] Adequate room for storing, sorting, and handling laundry
- [ ] Well-lit, well ventilated with soundproofing
- [ ] Washer pan or floor drain
- [ ] Second set of commercial grade washer and dryer located inside the home
- [ ] Maximum storage for medical supplies
- [X] Shelves for storage of sanitary and cleaning supplies

Living Areas

R- Adequate room for movement and turning of largest piece of equipment
R- Pergo or commercial-grade carpet, tile, cork, linoleum, or wood floors should be used

- [ ] Extra electrical outlets
- [X] Abundant natural light and more than one source of electric light
- [ ] Two separate communal room spaces
- [ ] Create space saving storage areas
- [X] Built-in entertainment center
- [ ] Soundproof walls
- [X] Use natural wood trims

Bedrooms:

R- Large enough to address the specific needs of the individual

- [ ] Climate control and individualized heating and cooling system for each bedroom
- [X] Commercial quality floor covering or hospital grade carpet
- [X] Closets with maximum storage space
- [X] Cable in each bedroom
- [ ] Soundproof walls
- [X] Build in dresser, desk and or closet
- [X] Additional room for storage or display of personal belongings

Hallway and Doors:

R- Hallway Width 42" minimum (gurneys can be 40" wide)
R- 36 inch door openings, minimum, with lever locks or large handles

- [X] Minimized the use of hallways in planning (new construction only)
- [ ] Reinforce walls with protective material - (ie. Wainscot, wall panel, etc…)
- [ ] Plywood reinforcing of walls
- [X] Level locks or large handles
- [ ] Fiberglass doors and metal frames resist damage from impact and cannot be slammed

Storage

R- Lockable storage must be provided for medicines, medical supplies, knives, cleaning products and private records (in kitchen utility room, bathroom, office)

- [x] Storage (in bedroom and utility room) for equipment such as lifts, gurneys, hampers scales positioners etc, Note: Wheelchairs will need space for battery charging/cleaning

- [x] Organized, accessible storage systems
- [ ] Maximum storage for medical and cleaning supplies (e.g. Depends, laundry, soap, toilet paper and paper towels)

Trash

- [ ] Provision for recycling
- [ ] Trash is protected, easily accessed in all rooms

Walkways, Fencing and Yards

R- Fencing to address privacy and security needs
R- Landscape is attractive & low maintenance, containing no poisonous or dangerous plants

- [x] All transitions must be level and at grade or protected by a handrail or a curb, avoid steps
- [x] Install ramps with access to egress and recreational activity ways 42 inches minimum with curb

Work Area

R- Space for two 4 drawer locked storage file cabinets for client records/files

- [x] Shelves for document storage
- [x] Space for desk or writing table
- [x] Document posting area

Special Features of FTM Homes

R- Asbestos abatement (as applicable for properties build prior to 1981)
R- Lead Paint abatement (as applicable for properties built prior to 1978)
R- Presence of Anchor bolts

- [x] Central heating and cooling system
- [ ] Back-up Power supply (ie. Generator)
- [ ] Central air filter system (heppa filter)
- [x] Security camera system
- [ ] Security Systems (including delayed egress doors or a door that sounds an alarm when activated
- [ ] Specialized window treatment - protective film to help prevent breakage or tempered glass
- [ ] Tempered windows, mirrors and tamper proof fixtures
- [ ] Quite room with soft walls

Form SS1

Contact Information: WBHC ☐ HCEB ☐ BAHC ☒

Contact Name: Tracey Chew

Telephone Number: (408) 438-7393 E-mail: tchew@earthlink.net

Fax: (408) 351-7997 Date Initial Proposal: 5/1/2006

Property Information:

Address: 1527-1529 Eden Ave.

City: San Jose Zip Code: 95117

County: Santa Clara

Current Zoning/Use: R-M Multiple-Residence (max - 25 dwelling units/acre), Res Care permitted

Licensing Requirement: Applies to 962 and SRH homes only

Based upon review of existing licenses and applications on file, Community care Licensing has verified that there are no issues of over-concentration with licensed facilities

Date Licensed facilities verified: N/A

Date Pending Applications verified: N/A

Neighborhood Characteristics (7 points)

Each question is worth 1 point. Indicate YES or NO on the line adjacent to the question. A NO answer is worth 1 point. A YES answer is worth 0 points. A minimum of 5 points are required to qualify.

No	Is the neighborhood surrounding the site primarily non-residential?
No	Is the neighborhood mixed with commercial and/or industrial uses?
No	Are the surrounding neighborhood dwellings in need of repair and maintenance?
No	There is not adequate garage and driveway space for the number of vehicles anticipated to be used by residents and staff?
No	Are there nearby safety hazards, such as a freeway or heavily traveled arterial street?
No	Are there environmental hazards within one mile; such as chemical plants, manufacturing plants, dumps, or rail yards?
No	Is it located near rivers or waterways, steep drop-offs, bus stations, trucking yards, or other attractive nuisances?

7 Total Points

Perception of Neighborhood Safety:

Indicate **YES** or **NO** in the line adjacent to the question

Yes	Would you feel safe at night taking a walk or walking to your car?
Yes	Is the street on which the site is located well lighted?

If either of the answers are **NO,** please explain:

Medical and Emergency Services:

Indicate distance (in miles) to the listed services on the line adjacent to the questions

2.6	Distance to routine medical and dental services ***(11 mi. to Agnews)***
2.6	Distance to an available trauma center/emergency room
1.9	Distance to closest fire station
0.4	Distance to closest available pharmacy

Community Integration:

To satisfy the requirements of State law (as codified in the Welfare & Institutions Code §4688.5), the property must be located in such a neighborhood as to insure it is "integrated with housing for people without disabilities. Indicate in miles or **Yes/NO** on line the adjacent to the question.

0.5+	Distance to places where people naturally meet such as park, corner store, church, or community center?
0.7	Distance to stores that sell basic grocery items?
N/A	In the case of an apartment complex, are less than 20% of the total number of apartment units occupied by regional center clients?

Transportation:

Indicate distance (in miles) or **Yes/No** to services on the line adjacent to the question.

0.15	Distance from home to bus stop or mass transit?
Yes	Are buses available for persons using wheelchairs?
Unknown	Are other community-based transportation options (church bus, ride share, work shuttle) available?
Yes	Is service frequent enough to provide reliable transportation to staff or residents?

If any of the answers above are **No** please explain:

Bus route 82 runs on Hamilton Ave. half a block from the property.

Pedestrian Friendliness:

Indicate **Yes/No** on the line adjacent to the question

Yes	Are sidewalks safe (minimum of 42" wide), and in good repair?
Yes	Are there curb cuts and gentle gradients?
Yes	Can the street be crossed conveniently without having to travel several blocks?

see below Are crosswalks equipped to accommodate residents with visual impairments?

Yes Can streets be crossed conveniently without having to travel several blocks?

If any of the above answers are **No,** please explain:

Eden is in a high density apartment neighborhood but is 0.15 miles from Hamilton Ave. which does have cross walks equipped for the visually impaired.

Allowable Land Use and Lot Characteristics:

Indicate **Yes or No** on the line adjacent to the question

Yes Will local regulations, i.e. General Plan, zoning, building codes and/or CC&Rs permit the home in this location?

maybe Any special permits requiring a hearing with the City Planning or Building Department?

yes Will the lot size accommodate the desired building and on and off-street parking?

Yes Do the setbacks in the neighborhood provide privacy and separation from the neighbors?

If any of the above answers are **No,** please explain:

It may be necessary to get a conditional use permit to modify this property to make it work for the FTH model.

Public Services/Infrastructure:

Indicate **Yes or No** on the line adjacent to the question

Yes Are the streets maintained and easily accessible to emergency services?

Yes Are utility services like phone, water, gas and electricity available nearby?

If any of the above answers are No, please explain:

Tracey Chew
(Signed)

5/1/2006
(Date)

BAHP Pro Forma

PR-1

FTH Remodel

Note: Enable Circular References Before Use

[redacted]

Home Type: [redacted]

Project Location :	
SARC	[redacted]
RCEB	[redacted]
GGRC	[redacted]

HCS Term: [1]	[redacted]
BofA Cushion: [2]	3 months
BofA Term	11 months
Bldg SF	2,198
Site SF	6,098
Color Key:	[redacted]
	Tan = BofA Cushion
	Clear = Locked

Reserve Calculations

Construction Interest Reserve Assumptions

Current Daily LIBOR Rate [3]	[redacted]
Bank of America Spread	2.30%
HCS Construction Rate Cushion	1.00%
HCS Construction Interest Rate Assumption [4]	**8.20%**
Bank of America Spread	2.30%
Bank of America Interest Reserve Cushion	1.50%
Bank of America Interest Rate Assumption [5]	**8.70%**

CalHFA Permanent Debt Service Reserve Assumptions

Taxable Base Rate (For-Profit Service Provider)	[redacted]
CalHFA Spread	1.50%
Estimated Permanent Taxable Interest Rate	**7.50%**
Tax-Exempt Base Rate (Nonprofit Service Provider)	[redacted]
CalHFA Spread	1.50%
Estimated Permanent Tax-Exempt Rate	**7.00%**
Amortization Period	**15 years**

Project Cost & Finance Summary

			Pro Forma Budget	Initial Proposal (IP)	Final Proposal (FP)	BofA Cushion (BofA)	Variance (BofA - FP)
Site Acquisition							
1	Home purchase price for new construction (land)		$ -	[redacted]		$ -	$ -
2	Home purchase price for new construction (land + improvements to be demolished)		$ -			$ -	$ -
3	Home purchase price for remodel (land + improvements)		$ 900,000			$ -	$ -
	Subtotal Site Acquisition		$ 900,000	$ 875,000	$ -	$ -	$ -
Due Diligence							
1	Cost Estimator		$ 600	[redacted]		$ -	$ -
2	Water Pressure Test (for sprinkled homes)		$ -			$ -	$ -
3	Termite & Dry Rot Inspection		$ 250			$ -	$ -
6	Roof Inspection (if required)		$ 250			$ -	$ -
7	Property Condition/Mechanical Report		$ 750			$ -	$ -
8	Lead Inspection (if built prior to 1978)		$ 500			$ -	$ -
9	Asbestos Inspection (if property built prior to 1981)		$ 500			$ -	$ -
10	Mold & Mildew Inspection		$ 250			$ -	$ -
11	Sewer Cam Inspection		$ 500			$ -	$ -
	Subtotal Due Diligence		$ 3,600	$ 3,600	$ -	$ -	$ -
Construction Hard Costs							
1	Abatement of Haz Mat		$ 6,675	[redacted]		$ -	$ -
2	General Conditions	7%	$ 18,620	$ 20,090	$ -	$ -	$ -
	Sitework		$ 3,000	[redacted]		$ -	$ -
	Renovation Costs of Construction		$ 263,000			$ -	$ -
	Subtotal Const./Renovation Costs		$ 284,620	$ 307,090	$ -	$ -	$ -
3	Construction Contingency (10% of const cost)	10%	$ 32,366	$ 34,863	$ -	$ -	$ -
	Subtotal Construction Hard Costs		$ 323,661	$ 348,628	$ -	$ -	$ -

#	Item			Col 1	Col 2	Col 3	Col 4		Col 5
Soft Costs									
1	Building Permits & Fees			$ 6,000	[redacted]		$ -		$ -
2	Property Tax [6]	Tax Rate	[redacted]	$ 7,500	[redacted]		$ -	a	$ -
3	Escrow & Title			$ 5,200	$ 5,200	$ 5,200	$ 5,200		$ -
4	Architecture & Engineering			$ 10,000	[redacted]		$ -		$ -
5	Appraisal			$ 500	$ 500	$ 500	$ 500		$ -
6	Consulting			$ 3,250	$ 3,250	$ 3,250	$ 3,250		$ -
7	Lenders Construction Inspector			$ 1,000	$ 1,000	$ 1,000	$ 1,000		$ -
8	Fire Pre Inspection (pre-occupancy)			$ 100	[redacted]		$ -		$ -
9	Insurance			$ 2,117	$ 2,117	$ 2,117	$ 2,117		$ -
10	Construction Interest Reserve [7]	HCS Rate 8.20%	BofA Rate 8.70%	$ 73,750	$ 73,379	$ 1,586	$ 3,085	b	$ 1,499
11	Construction Loan Fee			$ 13,204	$ 13,204	$ 13,204	$ 16,741	c	$ 3,537
12	Legal & Accounting Fees			$ 7,042	$ 7,042	$ 7,042	$ 8,929	d	$ 1,886
13	Other Costs:			$ -	[redacted]		$ -		$ -
16	Soft Cost Contingency (10% of soft cost)		10%	$ 14,407	$ 14,343	$ 3,767	$ 3,767		$ -
	Subtotal Soft Costs			$ 144,070	$ 143,427	$ 37,666	$ 44,588		$ 6,922
	Overhead & General Requirements		5%	$ 63,582	$ 63,566	$ 507	$ 507		$ -
	Developer Fee		5%	$ 63,582	$ 63,566	$ 507	$ 507		$ -
	Subtotal Overhead and Fees			$ 127,164	$ 127,133	$ 1,013	$ 1,013		$ -
Total Acquisition and Development Cost				$ 1,498,495	$ 1,497,787	$ 38,680	$ 45,602		$ 6,922
Summary									
1	Site Acquisition			$ 900,000	$ 875,000	$ -	$ -		$ -
2	Due Diligence			$ 3,600	$ 3,600	$ -	$ -		$ -
3	Construction Hard Costs			$ 323,661	$ 348,628	$ -	$ -		$ -
4	Soft Costs			$ 271,234	$ 270,560	$ 38,680	$ 45,602		$ 6,922
	Summary Total Costs			$ 1,498,495	$ 1,497,787	$ 38,680	$ 45,602		$ 6,922
Permanent Debt Service On Project									
1	Total Acquisition and Construction Loan			$ 1,498,495	$ 1,497,787	$ 38,680	$ 45,602		$ 6,922
2	One Year Debt Service Reserve	Input Taxable or Tax-Exempt	[redacted]	$ 166,695	$ 166,616	$ 4,303	$ 5,708	e	$ 1,405
	Subtotal Permanent Debt on Project			$ 1,665,189	$ 1,664,403	$ 42,982	$ 51,310		$ 8,327
Base Rent									
1	Monthly Debt Service/Base Rent			$ 15,437	$ 15,429	$ 398	$ 476	f	$ 77
2	Annual Debt Service/Base Rent			$185,238	$185,151	$4,781	$ 5,708	g	$ 926
Operations Costs (monthly)									
1	Property Management Fee	5.0%	of base rent	$ 772	$ 771	$ 20	$ 20		$ -
2	PG&E	by tenant		$ 900	[redacted]		$ -		$ -
4	Water & Sewer	by tenant		$ -			$ -		$ -
4	Trash	by tenant		$ -			$ -		$ -
5	Landscape Maintenance	by tenant		$ 100			$ -		$ -
6	Maintenance & Repairs	by tenant		$ 100			$ -		$ -
7	Property Taxes [8]	by tenant		$ 913			$ -		$ -
8	Property Insurance	by tenant		$ 583			$ -		$ -
9	Replacement/Repair Reserves [9]	by owner		$ 200			$ 200		$ 200
	Total Monthly Operating Expenses			$ 3,568	$ 3,567	$ 20	$ 220		$ 200
	Total Annual Operating Expenses			$ 42,814	$ 42,810	$ 239	$ 2,639		$ 2,400
Monthly Debt Service and Operating Total Rent				$ 19,004	$ 18,997	$ 418	$ 696		$ 277
Annual Debt Service and Operating Total Rent				$ 228,052	$ 227,960	$ 5,020	$ 8,347		$ 3,326

Sources of Funds				
Predevelopment Loan Fund	$ 30,600	$ 29,850	$ -	$ -
Acquisition & Construction Financing	$ 1,498,495	$ 1,497,787	$ 38,680	$ 45,602
Permanent Financing	$ 1,665,189	$ 1,664,403	$ 42,982	$ 51,310
Area/Cost Summary				
Gross Square Footage (GSF)	2198	2198	2198	2198
Beds Per Building	3	3	3	3
Lease Per GSF	$ 103.75	$ 103.71	$ 2.28	$ 3.80
Lease Cost Per Bed	$ 76,017	$ 75,987	$ 1,673	$ 2,782

Notes:

(1) Equal to the number of months from Acquisition to Schedule 3 Acceptance by the Steering Committtee.
(2) Bank of America is requiring a 3 month cushion to the projected HCS term.
(3) Rate provided to HCS by Bank of America.
(4) HCS is using a 1% interest rate cushion to account for increases in LIBOR.
(5) Bank of America is requiring a 1.5% interest rate cushion in the event of unexpected increases in LIBOR.
(6) Tax rate is to be customized to the location of each property.
(7) HCS Construction Interest Reserve Calculation:

(**HCS Monthly Rate** X (**80%** X **Total A&D**) X **HCS Term**) + (**HCS Monthly Rate** X (**20%** X **Total A&D**) X (**HCS Term - 2 months**)

Bank of America Construction Interest Reserve Calculation:

(**BofA Monthly Rate** X (**80%** X **Total A&D**) X **BofA Term**) + (**BofA Monthly Rate** X (**20%** X **Total A&D**) X (**BofA Term - 2 months**)

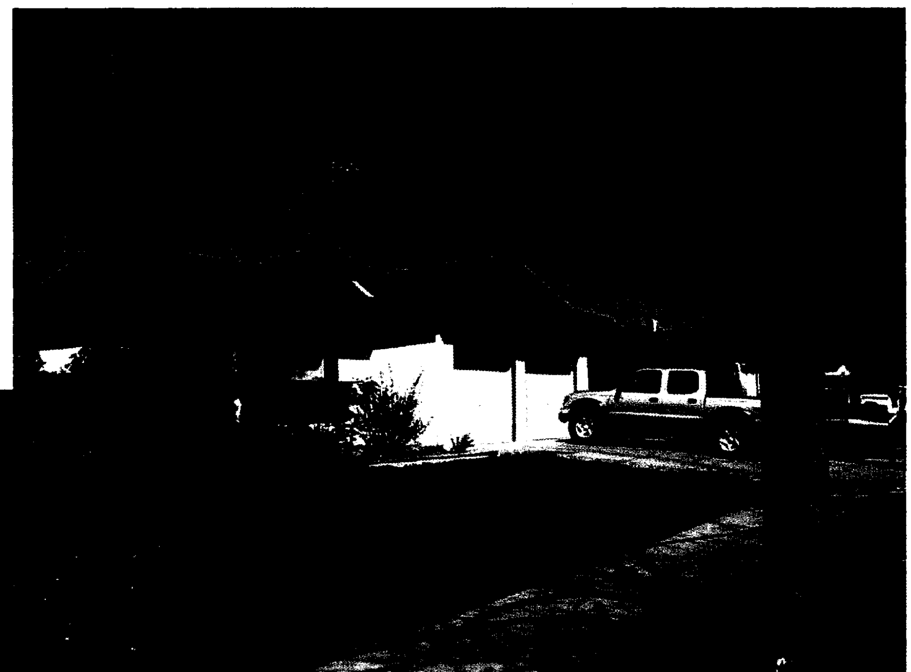
(8) For nonprofit service providers who qualify for property tax exemption, use zero.
(9) CalHFA Construction Consultant to complete a Replacement Reserve Analysis based on Scope of Work and Useful Life analysis.

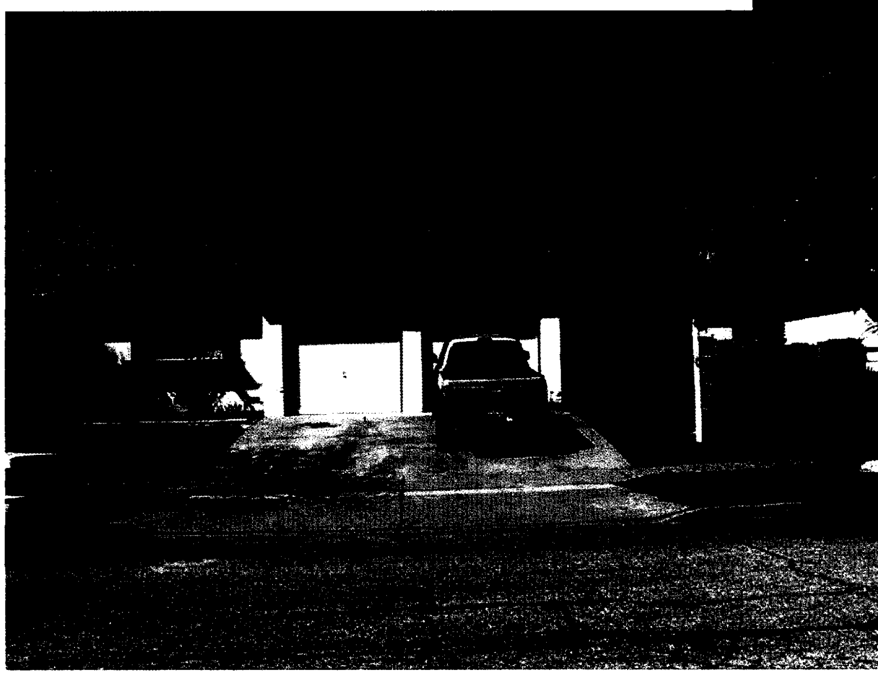
Bank of America Cushion Notes:

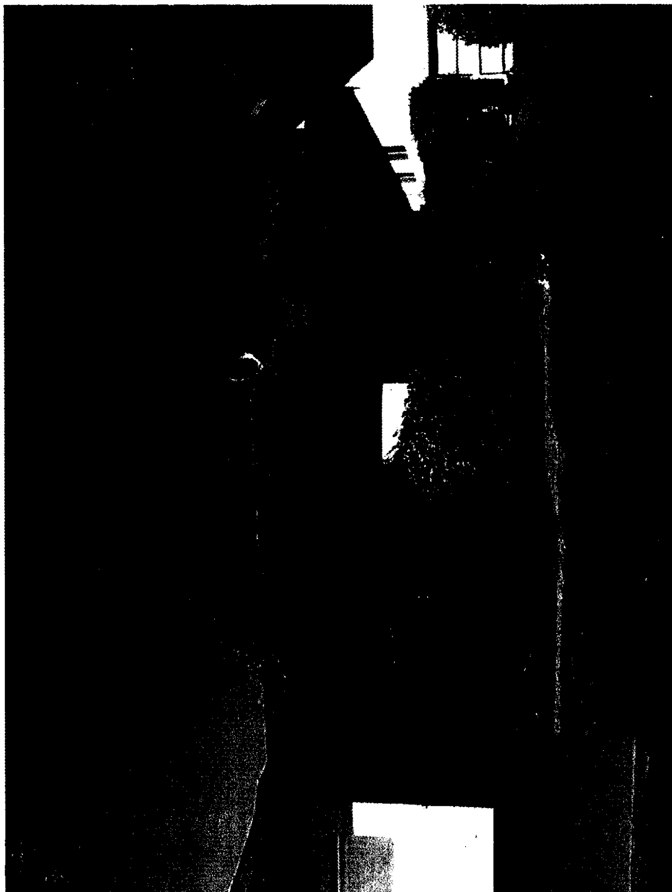
a Increased allowance for property tax due to 3 month cushion required by Bank of America
b Increased allowance for interest reserve due to 3 month cushion and 1.5% rate cushion required by Bank of America
c Increase represents the difference between allocating the fee across 56 homes rather than 71 homes.
d Increase represents the difference between allocating the fee across 56 homes rather than 71 homes.
e Bank of America requires that the projection be done conservatively using taxable rates on their cushioned assumptions.
f Base Rent required by B of A to be used in the Long Term Residency Lease at acquisition. Rate will be reduced at permanent financing.
g Base Rent required by B of A to be used in the Long Term Residency Lease at acquisition. Rate will be reduced at permanent financing.

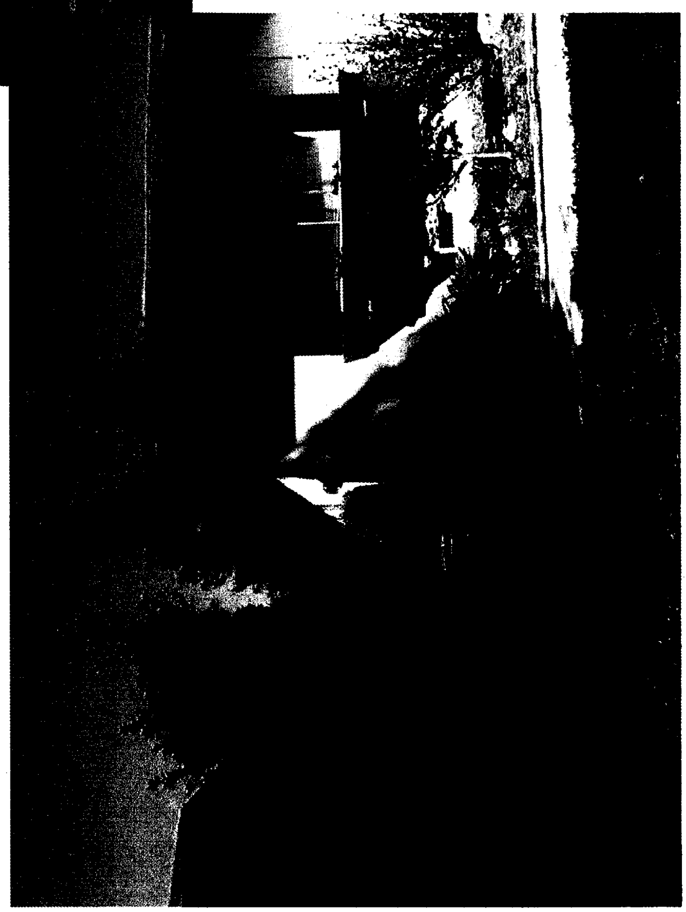
629-631 Vasona Ave., Los Gatos 95032

- 3/2 and 3/1.5
- 2,397 Sq. Ft.
- 6,969 Sq. Ft. Lot









Information for Purchase of Existing Property
(Form EP1)

Contact Information: WBHC ☐ HCEB ☐ BAHC ☒

Contact Name: Tracey Chew

Telephone Number: (408) 438-7393 E-mail: tchew@earthlink.net

Fax: (408) 351-7997 Date of Initial Proposal: ______

Broker Information:

Contact Name: Pam Allison

Company: Forbes Group

Telephone Number: 408-399-5252 E-mail: pamallison@verizon.net

Fax: 408-399-5255

Property Information:

Address: 629-631 Vasona Ave.

City: Los Gatos Zip Code: 95032

County: Santa Clara

Current Zoning: R-D Duplex Residential; Residential Care Permitted

Home Type: FTM ☒ 962 ☐ SRH ☐

Total # units 2 Total # of Bedrooms: 6 Total # of bathrooms: 3.5

Total Sqft: 2,397 Age of Property: 41 Lot Square Ft: 6,969

Photos Attached? YES ☒ NO ☐

Condition: Good ☐ Fair ☒ Other ☐ ______ (explain)

Amenities: Fireplace ☐ Pool ☐ Other ☐ ______ (explain)

Occupancy: Vacant ☐ Tenants ☒ Rental Lease Term: ☐ Monthly

Other: ______

Price Comparisons of 3 properties in area attached? YES ☒ NO ☐

Integration with Non-Disability Housing:

none — How many state supported persons with developmental disabilities live within a mile radius?

3,455 — Estimated total population within one mile of property? ***(Census Tract Pop.; 4,700/sq mi)***

zero — What is the estimated % of total population within a one mile radius who are persons with developmental disabilities?

Neighborhood Description: Mark all that apply within a 5 mile radius:

Hospital/medical facility [X] [X] Police [X] Fire Dept. [X] Grocery Shopping

Daycare Facility (adults) [X] [X] Churches [X] Schools [X] Childcare facility

Park/recreation facility [X] [X] Downtown area

Other: ____________________

Income Level of the Neighborhood: Low [ ] Fair [ ] Upper [ ]

Other: Census Tract Median Household Inc $74,231

Other Comments Relative to the Suitability of the Property:
It is rare to find duplexes with 3 bedrooms both sides and these are in good condition.

Price and Terms:

Asking Price: $895,000 Offer Price: $860,000

Days on the market: 11 days Close of escrow date: 6/26/2006

Amount requested for deposit and inspections: $25,500 deposit plus $3,600 for inspections

How soon do you need a decision in order to secure this property? [X] 48 hours [ ] 72 Hours

Other: ____________________

Needs of Seller: ____________________

Unique conditions of the transaction: ____________________

Recommendations for securing this property: ____________________

Other terms?

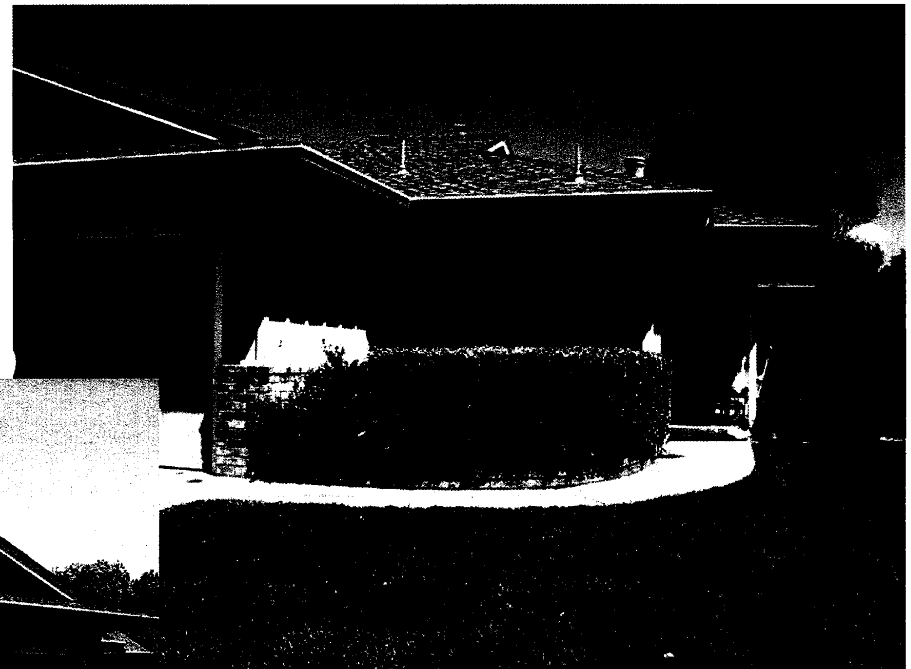
Comments:

Tracey Chew
(Signed)

5/1/2006
(Date)

Duplex – 506 Northlake Dr., San Jose

- 3/2 and 2/1
- 2,239 Sq. Ft.
- 7,371 Sq. Ft. Lot



Information for Purchase of Existing Property
(Form EP1)

Contact Information: WBHC ☐ HCEB ☐ BAHC ☒

Contact Name: Tracey Chew

Telephone Number: (408) 438-7393 E-mail: tchew@earthlink.net

Fax: (408) 3351-7997 Date of Initial Proposal:

Broker Information:

Contact Name: Pam Allison

Company: Forbes Group

Telephone Number: 408-399-5252 E-mail: pamallison@verizon.net

Fax: 408-399-5255

Property Information:

Address: 506-508 Northlake Dr.

City: San Jose Zip Code: 95117

County: Santa Clara

Current Zoning: R-2 Two-family Residence District; Residential Care (6 or less) Permitted

Home Type: FTM ☒ 962 ☐ SRH ☐

Total # units 2 Total # of Bedrooms: 5 Total # of bathrooms: 3

Total Sqft: 2,239 Age of Property: 44 Lot Square Ft: 7,371

Photos Attached? YES ☒ NO ☐

Condition: Good ☐ Fair ☒ Other ☐ Need to upgrade kitchen, baths, floors (explain)

Amenities: Fireplace ☐ Pool ☐ Other ☐ (explain)

Occupancy: Vacant ☐ Tenants ☒ Rental Lease Term: ☐ Monthly
Other:

Price Comparisons of 3 properties in area attached? YES ☐ NO ☐

Integration with Non-Disability Housing:

30	How many state supported persons with developmental disabilities live within a mile radius?
5,176	Estimated total population within one mile of property? ***(Census Tract - 5,176; 9-13k/sq mi)***
0	What is the estimated % of total population within a one mile radius who are persons with developmental disabilities? **Census Tract 5,176/30 = .000019**

Neighborhood Description: Mark all that apply within a 5 mile radius:

Hospital/medical facility [X] [X] Police [X] Fire Dept. [X] Grocery Shopping

Daycare Facility (adults) [X] [X] Churches [X] Schools [X] Childcare facility

Park/recreation facility [X] [X] Downtown area

Other: ______________________

Income Level of the Neighborhood: Low [ ] Fair [X] Upper [ ]

Other: Census Tract Median Income $56,584

Other Comments Relative to the Suitability of the Property:

____

Price and Terms:

Asking Price: $825,000 Offer Price: $820,000

Days on the market: 20 days Close of escrow date: 24-Jun-06

Amount requested for deposit and inspections: $24,600 + $3,600 for inspections

How soon do you need a decision in order to secure this property? [X] 48 hours [ ] 72 Hours

Other: ______________________

Needs of Seller: ______________________

Unique conditions of the transaction:

____

Recommendations for securing this property:

____

Other terms?

Comments:

Tenant in the 2 bedroom side, 506, is upset about moving and requests at least 60 days notice.

Tracey Chew
(Signed)

5/1/2006
(Date)

Information for Purchase of Existing Property
(Form EP1)

<u>Contact Information:</u> WBHC ☐ HCEB ☐ BAHC ☒

Contact Name: Tracey Chew

Telephone Number: 408-438-7393 E-mail: tchew@earthlink.net

Fax: 408-351-7997 Date of Initial Proposal: ____________

<u>Broker Information:</u>

Contact Name: Pam Allison

Company: Forbes Group

Telephone Number: 408-399-5252 E-mail: pamallison@verizon.net

Fax: 408-399-5255

<u>Property Information:</u>

Address: 1636 Edsel Drive

City: Milpitas Zip Code: 95035

County: Santa Clara

Current Zoning: ____________

<u>Home Type:</u> FTM ☐ 962 ☒ SRH ☐

Total # units 1 Total # of Bedrooms: 5 Total # of bathrooms: 3

Total Sqft: 2,032 Age of Property: 40 Lot Square Ft: 6,000

Photos Attached? YES ☒ NO ☐

Condition: Good ☒ Fair ☐ Other ☐ Recently renovated to serve DD adults
(explain)

Amenities: Fireplace ☐ Pool ☐ Other ☒ jacuzzi tub, ramping, roll in shower
(explain)

Occupancy: Vacant ☒ Tenants ☐ Rental Lease Term: ☐ Monthly
Other: ____________

Price Comparisons of 3 properties in area attached? YES ☒ NO ☐

Integration with Non-Disability Housing:

info attached — How many state supported persons with developmental disabilities live within a mile radius?

info attached — Estimated total population within one mile of property?

info attached — What is the estimated % of total population within a one mile radius who are persons with developmental disabilities?

Neighborhood Description: Mark all that apply within a 5 mile radius:

Hospital/medical facility [x] [x] Police [x] Fire Dept. [x] Grocery Shopping

Daycare Facility (adults) [x] [x] Churches [x] Schools [x] Childcare facility

Park/recreation facility [x] [x] Downtown area

Other: trauma center, 3 elementary schools

Income Level of the Neighborhood: Low [ ] Fair [x] Upper [ ]
Other: ______

Other Comments Relative to the Suitability of the Property:
Property was modified with intention of serving persons with developmental disabilities.
Rehab would consist of adding egress doors from each bedroom and widening the hallwa
Kitchen, interior and exterior paint, floor and cabinets are in good condition.

Price and Terms:

Asking Price: $937,300 Offer Price: $937,300

Days on the market: not on market Close of escrow date: 27-Jun-06

Amount requested for deposit and inspections: $27,300 for deposit and $3,000 for inspections

How soon do you need a decision in oerder to secure this property? [X] 48 hours [ ] 72 Hours
Other: ______

Needs of Seller: To recoup all of their expenses since date of purchase.

Unique conditions of the transaction: Seller does not have an agent. Kris McCann w/ Forbes Group will represent both the seller and buyer in the transaction.

Recommendations for securing this property: ______

Other terms? ______________________________

____

Comments: ______________________________

____

____

____

Tracey Chew
(Signed)

5/1/2006
(Date)

Integration with Non-Disability Housing:

Info Attached:

How many state supported persons with developmental disabilities live within a mile radius?
There is no known source to determine the exact total population of developmentally disabled persons within a one mile radius of the property. We have checked the CCLD website for known licensed facilities in the 95035 zipcode area and found only 4 licensed group homes and 3 of them are located within 1 mile of the Edsel Drive property. Only two of the group homes serve persons with developmental disabilities. Anel Group Home at 275 Rodrigues Ave. has 4 beds and is located less than a half mile from the Edsel Dr. property. Anel Group Home II at 145 N. Gadsden Dr. has 6 beds and is located 0.8 miles from the Edsel Dr. property. The other 2 group homes serve non-developmentally disabled persons. Of these 2 facilities, Kennedy House located within 0.39 miles of the site is scheduled to close and Park Brook Group Home located within 1.18 miles of the Edsel Dr. property has 6

Unavailable Information:

Estimated total population within one mile of property?
We were unable to get this level of population density information. The city of Milpitas has approximately 63,081 persons, and there are 1,997 of them living in the census track 2 block group where the Edsel Drive property is located.

Estimation:

What is the estimated % of total population within a one mile radius who are persons with developmental disabilities? We estimate that 10 persons with developmental disabilities live within 1 mile of the site.
This number is half of one percent of the total census tract population for the neighborhood where the Edsel Dr. property is located.

State of California

M E M O R A N D U M

To Board of Directors **Date:** May 5, 2006

Bruce D. Gilbertson, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: REPORT OF BOND SALE AND INTEREST RATE SWAP AGREEMENTS HOME MORTGAGE REVENUE BONDS 2006 SERIES B AND SERIES C

On April 19, 2006, the Agency delivered $200,000,000 of Bonds under the Home Mortgage Revenue Bond Indenture (HMRB) to Bear Stearns. The bonds were issued as both tax exempt fixed rate bonds and tax exempt variable rate demand obligations, with liquidity provided by Calyon (a new liquidity provider for the Agency). The bonds were issued in two series, HMRB 2006 Series B and HMRB 2006 Series C. Additional details of the bonds are outlined in the attached summary.

The HMRB 2006 Series B and Series C Bonds were issued to provide financing for eligible mortgage loans under the Agency's Home Mortgage Purchase Program. The Agency expects that $169.5 million of the loans purchased with the HMRB 2006 Series B and Series C proceeds will be Interest Only Plus (IOP) loans with interest rates ranging from 5.75% to 5.875%. It is expected that $24.7 million of the proceeds will be used to make zeros that will be used in conjunction with the Agency's recycling program. The Agency expects to be able to provide homes for approximately 750 families, with the proceeds.

The Agency entered into two interest rate swap agreements to provide a fixed rate cost of funds for the 2006 Series C Bonds. The swaps are structured with declining notional amounts that match the expected amortization of the corresponding variable rate bonds. For both of the swaps the Agency receives a variable rate of interest based on a percentage of one month LIBOR. Continuing the practice established earlier this year, AIG was awarded one of the swaps ($89 million notional) through a competitive bidding process. By competitively bidding swaps on a selective basis the Agency is achieving greater diversification of swap counterparty exposure and better pricing. We estimate the savings in this instance to be approximately $224,000. Additional details of the Swaps are outlined in the attached summary.

SUMMARY OF THE BONDS

BOND SERIES	B	C
Par Amount	$25,000,000.	$175,000,000.
Type of Bonds (Tax-exempt)	FIXED (serial bonds)	VRDO
Tax Treatment	NON-AMT	AMT
Maturities $25,000,000, on $89,005,000, on $85,995,000, on	2/1/2007-8/1/2013	2/1/2037 8/1/2037
Credit Rating Moody's S&P	Aa2 AA-	Aa2/VMIG-1 AA-/A-1+
Initial Interest Rate	3.40%-4.00%	3.67%
Liquidity Provider	N/A	Calyon
Insurance Provider	NA	NA
Remarketing Agent	N/A	Bear Stearns

SUMMARY OF THE SWAPS

SERIES	B	C
Notional Amounts Swap #1 Swap #2	N/A	$89,005,000. $85,995,000.
Counterparties Swap #1 Swap #2	N/A	AIG FPC Bear Stearns
Effective Dates Swap #1 Swap #2	N/A	4/19/06 4/19/06
Fixed Payor Rates Swap #1 Swap #2	N/A	4.059% 4.018%
Floating Rate Basis Swap #1 Swap #2	N/A	62% of Libor + 25bps 62% of Libor + 25bps
Reset Frequency Swap #1 Swap #2	N/A	Daily Daily
Average Life (yrs) Swap #1 Swap #2	N/A	25.09 12.89
Maturities Swap #1 Swap #2	N/A	2/1/2037 8/1/2030

April 24, 2006

CalHFA Consulting and Professional Services 2006/07

DIVISION CONTRACTS	Proposed 06/07	Remarks
ADMINISTRATION		
State Personnel Board	7,500	Exam processing
Cooperative Personnel Services	15,000	Classification consultant
State Controller's Office	3,000	Leave accounting
Department of Personnel Administration	15,000	State legal counsel for employee action
Administration Total:	**40,500**	
FINANCING		
DBC Software	30,000	Cash flow projection software
Bloomberg	20,000	Financial services used to monitor interest rate swap markets and fixed income markets
Financing Total:	**50,000**	
FISCAL SERVICES		
Audits		
Deloitte & Touche	120,000	Housing Finance Fund financial audit
To Be Determined (TBD)	45,000	Housing Loan Insurance Fund financial audit
Loan Servicing		
Fidelity Information Services	190,000	Single Family Loan Servicing ASP - ongoing
Check Printers, Inc.	25,000	Loan payment coupons, tax forms, etc
Check Processors, Inc.	15,000	Lock Box Service
Enable Us	120,000	Multifamily Loan Servicing ASP - ongoing
Other		
State Controller's Office	25,000	Expedited Claims
Bond Logistix	50,000	Tax Compliance Calculations
Omnicap	50,000	Tax Compliance Calculations
Bloomberg	30,000	Financial services for bonds
Egbok	9,000	Local delivery service
Miscellaneous	21,000	
Fiscal Services Total:	**700,000**	
LEGAL		
Litigation Related		
O'Melveny and Myers	100,000	Appeal of HC judgment
Felderstein, Fitzgerald	100,000	HC (Bankruptcy)
Bingham, McCutchen	150,000	Ridgeway Litigation
Reserve	300,000	Other litigation matters
Non-litigation related		
Bingham, McCutchen	350,000	M/F Project Legal Work
McDonough, Holland & Allen	300,000	M/F Project Legal Work
HUD Counsel (Nixon Peabody)	50,000	Washington DC counsel for federal HUD matters
M/F REO Sales (Firm pending)	150,000	Sale of REO Properties
Reserve	150,000	Reserve for contingencies
Legal Total:	**1,650,000**	
MARKETING		
Winter Advertising	15,000	Consultant for annual report
Annual Report Photography	15,000	Photographer for annual report
Annual Report Printing	20,000	Printing for Annual Report
Thomas/Ferrous	20,000	Web Enhancements
KP Corporation	30,000	Mailing company for flyers
Alcone	363,000	Agency promotion and printing
In Other Words (Translation)	5,000	Spanish translation of business literature
Marketing Total:	**468,000**	

DIVISION CONTRACTS	Proposed 06/07	Remarks
I.T.		
Gartner	304,000	Fiscal Services Phase 1
Eclipse	65,120	Business Resumption Plan
Analytic Solutions	68,000	Multifamily Consulting
Contract Programmers	130,000	Project Management
Infiniti Consulting	350,000	iManage/SoftFile Document Management & Imaging
Fiscal Services	300,000	Phase 2
Homeownership	1,000,000	Phase 2
Financing	150,000	Debt Management
I.T. Total:	**2,367,120**	
HOMEOWNERSHIP		
Production		
Doc Edge	3,500	Title service
National Tax	20,000	Used for quality assurance
Lending Logics	30,000	Loan Origination Project
Seisint, Inc. (SSA Verification)	4,000	Search service used to locate borrowers
Boliard, Tahasugi	28,800	Annual examination of the Loan Servicing operation required by HUD
C&S Marketing (QC&REO)	2,000	Property valuation service
Credit Bureau	5,000	Follow up credit checks for quality assurance
Brooks Systems	5,000	Used to determine APR , as necessary
Vernazza Wolfe Associates	35,000	Used to evaluate sales price limits
Merscorp	2,000	Electronic registry service
Homeownership Total:	**135,300**	
MULTIFAMILY		
Tina Ilvonen	130,000	Contract Underwriting
Ken Tamizato	100,000	Proforma Models (Acq. Rehab & Construction Lending)
Judy Jensen	100,000	Disbursement Administrator
Dun & Bradstreet	2,650	Construction related reports
Advanced Computer Sciences (ACS)	30,000	Prolink Consultant
Multifamily Total:	**362,650**	
MIS		
Standard and Poor's	95,000	Credit rating service
Data Quick	10,000	Property valuation service
Experian	10,000	Credit Reporting
Milliman USA	150,000	Insurance and reinsurance performance metrics and reporting and capital adequacy modeling
MIS Total:	**265,000**	
ASSET MANAGEMENT		
Bayview Properties	13,200	REAC inspections for Section 8 properties per HUD
South Pacific Inspections	10,000	REAC inspections for Section 8 properties per HUD
Asset Management Total:	**23,200**	
CalHFA	5,796,770	
MIS	265,000	
Sum:	6,061,770	
TOTALS, EXPENDITURES	**6,061,770**	

What's in the Housing Bond going to the November Ballot???

SB 1689 would authorize a general obligation bond be placed before the voters that includes a continued source of funding for the following housing programs:

- $1.5 billion for the Affordable Housing Account, which would include:
  - $345 million to the Housing Rehabilitation Loan Fund for the Multifamily Housing Program (MHP), administered by HCD. MHP funds new construction, rehabilitation and preservation of permanent and transitional rental homes for lower income households through loans to local governments, non-profit developers and for-profit developers.
  - $50 million to the MHP Homeless Youth Housing Program, administered by HCD. This program funds transitional and permanent housing for homeless and emancipated foster youths tied to supportive services that assist the youths in stabilizing their lives and developing the skills and resources they need to make a successful transition to independent, self-sufficient adulthood.
  - $195 million to the Housing Rehabilitation Loan Fund for MHP Supportive Housing (administered by HCD). This program helps fund rental homes with support services for persons who have a disability and are homeless or at imminent risk of becoming homeless, through loans to local governments, non-profit developers and for-profit developers.
  - $135 million to the Joe Serna Jr. Farmworker Housing Grant Fund, administered by HCD, which provides grants to local public agencies, nonprofit organizations, and federally recognized Indian Tribes to provide housing to agricultural workers. These grants can be used for the rehabilitation or construction of both owner-occupied housing and rental units.
  - $290 million to the Self Help Housing Fund for the CalHOME Program administered by HCD. The CalHOME Program provides grants to local agencies to make loans to low-and very low-income first-time homebuyers for downpayment assistance, home acquisition or rehabilitation, self-help technical assistance, mortgage assistance programs and shared housing homeownership. This program also provides loans to assist multiunit homeownership projects in the form of property acquisition, site development, predevelopment, construction and permanent financing for mutual housing or cooperative developments.

- $10 million to the Self Help Housing Fund for the Self Help Program administered by HCD for construction management assistance.

- $200 million to the Self-Help Housing Fund for the California Homebuyer's Downpayment Assistance Program (CHDAP), administered by CalHFA, which provides 3% downpayment assistance (5% in certain areas) in the form of a junior mortgage loan that can be combined with virtually any first mortgage loan (either from CalHFA, VA or another conventional loan product) to help low-and moderate-income residents purchase their first home.

  - $100 million of this allocation could be used for the Residential Development Loan Program (RDLP), administered by CalHFA. The RDLP is a short-term loan program intended to be used for land acquisition, construction and development of affordable for-sale residential structures within infill, redevelopment and other urban areas.

- $100 million to the Affordable Housing Innovation Fund (AHIF), which is created by this bill. The AHIF will provide grants or loans for sponsoring entities that develop, own, lend or invest in affordable housing through pilot programs that demonstrate innovative, cost-saving approaches. Specific criteria establishing eligibility for those funds is predicated on the enactment of additional legislation, the enactment of which will require a 2/3 vote of the Legislature. Any funds in the AHIF not encumbered within 30 months shall revert to the CalHOME Program.

- $125 million to the Building Equity and Growth in Neighborhoods (BEGIN) Program, administered by HCD. The BEGIN Program provides grants to local governments for the provision of down payment assistance loans to low- or moderate- income homebuyers who purchase a home in a new development that has received one or more local government development incentives.

- $50 million to the Emergency Housing Assistance Fund (EHAF) administered by HCD. This fund is used to provide grants to counties and nonprofit entities to finance emergency shelters for the homeless. These funds can be used for the rehabilitation, renovation or expansion of existing facilities; site acquisition; equipment; vouchers and operating costs and would be required to be administered in a manner consistent with the restrictions and authorizations contained in the Budget Act of 2000.

- $850 million to the Regional Planning, Housing, and Infill Incentive Account, which would be created by this bill. The Regional Planning, Housing and Infill Incentive Account would provide funding for the cleanup of brownfields in infill areas identified by regional growth plans and infill incentive grants to local governments. These funds would be subject to Legislative appropriation and may require additional legislation to establish specific criteria and eligibility requirements.

- $300 million for the Transit-Oriented Development Implementation Program, administered by HCD, which is created by this bill. This program will provide grants to cities, counties and transit agencies for the provision of infrastructure necessary for the development of higher density uses within close proximity to a transit station and loans for the development of affordable housing within one-quarter mile of a transit station.

- $200 million to the Housing Urban-Suburban-and-Rural Parks Program, which is created by this bill. This program will fund the development of housing-related parks in urban, suburban and rural areas. The program will be subject to Legislative appropriation and may require additional legislation to establish specific criteria and eligibility requirements.

TABLE II - PLAN SUMMARY
(In millions)

	2006/07	2007/08	2008/09	2009/10	2010/11	5 Yr Total
HOMEOWNERSHIP PROGRAMS [(a)]						
Homeownership First Mortgages	$1,500.0	$1,500.0	$1,500.0	$1,500.0	$1,500.0	$7,500.0
Agency Funded Down Payment Assistance						
CalHFA Housing Assistance Program (CHAP) [(b)]	6.5	6.5	6.5	6.5	6.5	32.5
High Cost Area Home Purch. Assist. Prog. (HiCAP) [(b)]	28.5	28.5	28.5	28.5	28.5	142.5
Self-Help Builder Assistance (SHBAP) [(b)]	2.5	2.5	2.5	2.5	2.5	12.5
Prop. 46 Down Payment Assistance						
CA Homebuyer's Downpmt Assist. Prog.(CHDAP)[©]	34.5	34.5	34.5	34.5	34.5	172.5
Homeownership In Revital. Areas Prog. (HIRAP)	2.4	1.6	0.0	0.0	0.0	4.0
Extra Credit Teacher Home Purchase Prog. (ECTP)	6.6	6.6	0.8	0.0	0.0	14.0
School Facility Fee Down Pay. Assist. Prog. (SFF)	4.3	4.5	4.8	5.0	5.3	23.9
Total Homeownership Programs	$1,585.3	$1,584.7	$1,577.6	$1,577.0	$1,577.3	$7,901.9
INSURANCE SERVICES						
CalHFA	$840.0	$840.0	$840.0	$840.0	$840.0	$4,200.0
Non-CalHFA	1.0	1.0	1.0	1.0	1.0	5.0
Total Insurance Programs	$841.0	$841.0	$841.0	$841.0	$841.0	$4,205.0
MULTIFAMILY PROGRAMS [(d)]						
Permanent Loans	$70.0	$85.0	$100.0	$100.0	$100.0	$455.0
Construction Loans	170.0	200.0	225.0	250.0	250.0	1,095.0
Bay Area Housing Plan	75.0	0.0	0.0	0.0	0.0	75.0
Preservation Acquisition & Preservation Opportunity [(e)]	5.0	7.0	1.0	1.0	1.0	15.0
Homeless/Special Needs Program [(b)]	10.0	0.0	0.0	0.0	0.0	10.0
AHP Gap Substitute [(b)]	10.0	10.0	5.0	5.0	5.0	35.0
Asset Management Portfolio Assistance [(b)]	4.0	4.0	4.0	4.0	4.0	20.0
Total Multifamily Programs	$344.0	$306.0	$335.0	$360.0	$360.0	$1,705.0
SPECIAL LENDING PROGRAMS [(d)]						
Locality Programs						
Housing Enabled through Local Partnerships (HELP) [(b)]	15.0	15.0	15.0	15.0	15.0	75.0
Residential Develop. Lending Prog. for Local. (RDLP) [(f)]	20.0	20.0	25.0	0.0	0.0	65.0
Small Business / Predevelopment Loans [(b)]	1.0	1.0	1.0	1.0	1.0	5.0
Habitat for Humanity Loan Purchase Program [(b)]	5.0	5.0	5.0	5.0	5.0	25.0
Total Special Lending Programs	$41.0	$41.0	$46.0	$21.0	$21.0	$170.0
TOTAL CalHFA PROGRAMS	$2,811.3	$2,772.7	$2,799.6	$2,799.0	$2,799.3	$13,981.9

(a) Production total represent anticipated Homeownership loans purchased.
(b) Funded from Agency's Housing Assistance Trust.
(c) CHDAP - assumes funds will be available from recycling, or new sources of funding.
(d) Production totals represent anticipated Multifamily and Special Lending Programs final commitments.
(e) 30% of these commitments are funded from Prop. 46 funds.
(f) Funded from Prop. 46 funds.

State of California

M E M O R A N D U M

To: CalHFA Board of Directors **Date:** June 5, 2006

From: Steve Spears, Special Advisor
CALIFORNIA HOUSING FINANCE AGENCY
P. O. Box 4034
Sacramento, CA 95812-4034

Subject: Five-Year Business Plan 2006/2007 to 2010/2011

Enclosed for your information is a current copy of the California Housing Finance Agency's Five-Year Business Plan for Fiscal Years 2006/2007 to 2010/2011, which includes the revisions approved by the Board at their May 11th meeting.

If you have any questions, please feel free to contact me or Terri Parker at 916.324.4638.

Enclosure

CALIFORNIA HOUSING FINANCE AGENCY

FIVE-YEAR BUSINESS PLAN
FISCAL YEARS
2006/2007 TO 2010/2011

Cal HFA[SM]

Affordable Housing is our Business

TABLE OF CONTENTS

I. EXECUTIVE SUMMARY

2006/07 Business Plan Overview:

CalHFA's 2006/07 Business Plan proposes total activity of $14 billion during the five-year period. Homeownership, multifamily and special lending programs are estimated to be $9.8 billion with loan insurance activity contributing an additional $4.2 billion. The previous five-year plan proposed a total of $10.9 billion.

Homeownership. Estimated levels of first mortgage lending for homeownership are planned to be $1.5 billion for 2006/07 and remain constant during the remainder of the five-year plan. With continued funding from Prop. 46, the total commitment for down payment assistance programs is planned to be $85 million for 2006/07. Down payment assistance levels for future periods are dependant on successful recycling of principal prepayments and new sources of funding. The new five-year target for homeownership is $7.9 billion, which includes a program for self-help builders' assistance. Sufficient tax-exempt issuance authority is available for issuance of bonds to attain the $1.5 billion goal in the coming fiscal year. Continued use of variable rate bonds and interest rate swaps should result in attractive interest rates for the varied first mortgage loan programs. Over the life of the five-year plan, however, additional annual MRB allocation for our first mortgage program will be required.

Mortgage Insurance. Total mortgage insurance activity is proposed at $841 million for the 2006/07 fiscal year and $4.2 billion for the five-year period. This compares to the 2005/06 goal of $485 million and projected activity of $2.4 billion. The change in activity is a direct result of borrowers' increased use of conventionally insured first mortgage loan products on agency homeownership loans due, in part, to rising home prices in California and FHA loan limits. CalHFA's homeownership loan portfolio has historically been predominately FHA insured, however the mix of mortgage insurance has changed significantly over the past few years. CalHFA first mortgages with FHA insurance were 84% of total originations in calendar year 2003, 65% in calendar year 2004 and 27% in calendar year 2005. This shift has created new opportunities for the Agency's insurance fund to collaborate with the homeownership division when non-agency mortgage insurance activity has slowed tremendously.

Multifamily. The 2006/07 goal for multifamily lending is $344 million, with a total target of $1.7 billion for the five-year period. Projected permanent loan activity and construction lending is expected to increase from $240 million to $350 million by the end of the business plan period. Lending activity in support of the Bay Area Housing Plan will continue during the 2006/07 fiscal year with $75 million in new activity expected. Meantime, preservation lending programs and housing for the homeless and other special needs populations is anticipated to produce $15 million of loan activity in 2006/07. With an aging portfolio of multifamily properties, increased emphasis will be placed on programs that offer assistance to address deferred maintenance and capital improvements.

Special Lending Programs. The 2006/07 goal for special lending is $41 million, with a total target of $170 million for the five-year period. This plan proposes to continue partnering with localities by committing $15 million in each year of the plan to the HELP program. In addition, the Residential Development Loan Program is expected to produce $65 million of lending activity over the five-year plan and $5 million of activity is anticipated annually under the Habitat for Humanity program.

New construction activity financed under the five-year plan is estimated to be over $1.9 billion in Homeownership financing and $1.3 billion in new affordable multifamily rental units. This will support the creation of approximately 75,000 jobs*. Additionally, there will be a significant economic impact resulting from CalHFA's financing of resale homes and multifamily acquisition/rehabilitation projects, as well as from the Agency's mortgage insurance activities.

*Source for multiplier: Construction Industry Research Board

II. INTRODUCTION

Plan Purpose:

The purpose of this document is to provide the Board of Directors of the California Housing Finance Agency (CalHFA) with a proposed business plan for the next five fiscal years. This plan is intended to enhance the Board's ability to address some of the important affordable housing needs of California by instituting a comprehensive framework for Board decision-making, by providing guidance to staff, and by setting forth benchmarks against which to measure the success of programs and the effective use of operating resources. As such, the particular housing finance and loan insurance programs recommended in the plan were formulated in an effort to increase homeownership opportunities and the multifamily affordable housing stock, maximize CalHFA's restricted resources, and stimulate the housing-related economy of California.

Background:

The Agency was created in 1975 as the state's affordable housing bank. The federal and state tax exemption available on state-issued debt enables housing finance capital to be provided at below-market interest rates. CalHFA is empowered to issue debt obligations for a wide variety of housing-related programs, and it is also authorized through its insurance program to provide mortgage insurance.

CalHFA's primary purpose and its mission, according to state law, is to meet the housing needs of persons and families of low- to moderate-income.

CalHFA's programs consist of four major areas: homeownership loan programs, mortgage insurance, multifamily loan programs (for rental properties) and special lending programs.

Assumptions Underlying Plan Goals:

It must be recognized that the levels of activity projected for each program are based on assumptions regarding key factors over which CalHFA does not, in many cases, exercise control. The following are some of the key assumptions on which the projections are based:

- Receipt of sufficient state allocation of private activity bond issuance authority.
- No repeal of the Federal Ten Year Rule.
- Continued investor demand for CalHFA bonds.
- Over 56% of loans purchased by Homeownership continue to be conventional loans requiring CalHFA mortgage insurance.
- Timely and successful new partnerships and programs.
- Obtain adequate salary levels to recruit and retain qualified individuals to perform at the level necessary to maintain our bond ratings.
- Ongoing demand from first-time homebuyers and rental housing sponsors.
- Borrower interest in newly created or redesigned single family loan products that may reduce the use of CalHFA Housing Assistance Program (CHAP) and High Cost Area Home Purchase Assistance Program (HiCAP) subordinate loans.
- A reasonably stable interest rate market.

- State and local agency financial participation.
- Offer Housing Assistance Trust (HAT) funds within available resources.
- Continued commitment of Government Sponsored Enterprise's (GSE) to first-time homebuyers and affordable housing.

The Agency's programs and its organization are flexible enough to allow CalHFA to respond to changing circumstances in revenue projections, programs, and economic conditions, and to accommodate any unanticipated adjustment of priorities.

2005/06 Business Plan - Progress to Date as of March 2006:

The table below shows an estimate of actual production for CalHFA lending and insurance programs in comparison with fiscal 2005/06 goals.

	2005/2006 GOAL	ESTIMATED ACTUAL	PERCENTAGE OF GOAL
	(Millions of dollars)		
Homeownership Programs	$1,294	$1,375	106%
Insurance Programs	$ 485	$ 736	152%
Multifamily Programs	$ 353	$ 240	68%
Special Lending Programs	$ 159	$ 39	25%
Total	$2,291	$2,390	

Homeownership lending volume is projected to be almost $1.4 billion and to exceed the fiscal year's goal of $1.2 billion in first mortgage lending activity.

Insurance activity is projected at $736 million in fiscal 2005/06. This is 148% of the $496 million achieved in 2004/05 and is due to the increase in homeownership conventional loan volume.

Multifamily lending commitments are projected to total $240 million for fiscal year 2005/06 compared to 2004/05's production of $366 million.

Special Lending volume is expected to be $39 million in fiscal year 2005/06, which is $1 million higher than the prior year's actual activity.

2006/07 Business Plan Overview:

CalHFA's 2006/07 Business Plan proposes total activity of $14 billion during the five-year period. Homeownership, multifamily and special lending programs are estimated to be $9.8 billion with loan insurance activity contributing an additional $4.2 billion. The previous five-year plan proposed a total of $10.9 billion.

Homeownership. Estimated levels of first mortgage lending for homeownership are planned to be $1.5 billion for 2006/07 and remain constant during the remainder of the five-year plan. With continued funding from Prop. 46, the total commitment for down payment assistance programs is planned to be $85 million for 2006/07. Down payment assistance levels for future periods are dependant on successful recycling of principal prepayments and new sources of funding. The new five-year target for homeownership is $7.9 billion, which includes a program for self-help builders' assistance. Sufficient tax-exempt issuance authority is available for issuance of bonds to attain the $1.5 billion goal in the coming fiscal year. Continued use of variable rate bonds and interest rate swaps should result in attractive interest rates for the varied first mortgage loan programs. Over the life of the five-year plan, however, additional annual MRB allocation for our first mortgage program will be required.

Mortgage Insurance. Total mortgage insurance activity is proposed at $841 million for the 2006/07 fiscal year and $4.2 billion for the five-year period. This compares to the 2005/06 goal of $485 million and projected activity of $2.4 billion. The change in activity is a direct result of borrowers' increased use of conventionally insured first mortgage loan products on agency homeownership loans due, in part, to rising home prices in California and FHA loan limits. CalHFA's homeownership loan portfolio has historically been predominately FHA insured, however the mix of mortgage insurance has changed significantly over the past few years. CalHFA first mortgages with FHA insurance were 84% of total originations in calendar year 2003, 65% in calendar year 2004 and 27% in calendar year 2005. This shift has created new opportunities for the Agency's insurance fund to collaborate with the homeownership division when non-agency mortgage insurance activity has slowed tremendously.

Multifamily. The 2006/07 goal for multifamily lending is $344 million, with a total target of $1.7 billion for the five-year period. Projected permanent loan activity and construction lending is expected to increase from $240 million to $350 million by the end of the business plan period. Lending activity in support of the Bay Area Housing Plan will continue during the 2006/07 fiscal year with $75 million in new activity expected. Meantime, preservation lending programs and housing for the homeless and other special needs populations is anticipated to produce $15 million of loan activity in 2006/07. With an aging portfolio of multifamily properties, increased emphasis will be placed on programs that offer assistance to address deferred maintenance and capital improvements.

Special Lending Programs. The 2006/07 goal for special lending is $41 million, with a total target of $170 million for the five-year period. This plan proposes to continue partnering with localities by committing $15 million in each year of the plan to the HELP program. In addition, the Residential Development Loan Program is expected to produce $65 million of lending activity over the five-year plan and $5 million of activity is anticipated annually under the Habitat for Humanity program.

CalHFA's 2006/07 Business Plan proposes a total of $9.8 billion for loan programs and $4.2 billion in insurance activity for a total of $14 billion for the 2006/07 to 2010/11 five-year period. This is a 28% increase when compared to the $10.9 billion proposed in the previous five-year plan.

Organization of Plan:

This introduction is followed by the sections described below:

- Table I - Planned and Actual Summary displays the goals and actual results for fiscal 2004/05 and the goals and current projections for fiscal 2005/06.
- Table II - Plan Summary shows goals by program for each of the years in the plan period 2006/07 to 2010/11.

- Divisional Summaries include lists of accomplishments and descriptions of how the plan will be carried out by the CalHFA divisions. These are followed by short descriptions of how each of the support divisions of CalHFA will assist the programs divisions in meeting the objectives of the plan.
- Financial Summary discusses in detail the Agency's equity position as of September 30, 2005, the many restrictions on the Agency's reserves, management of the Agency's financial risks, and the projected fiscal effect of the plan over the five-year plan period.

TABLE I - PLANNED AND ACTUAL SUMMARY
(In millions)

	FY 2004/05	
	Planned	Actual
HOMEOWNERSHIP PROGRAMS[a]		
Homeownership 1st Loans	$1,250.0	$1,308.0
Homeownership Down Pmt. Assist. (CHAP)	27.0	35.2
High Cost Area 2nd Loans (HiCAP)	32.5	48.0
Self-Help Builder Assistance (SHBAP)	2.5	1.0
Silent Second Mortgages[b]	5.0	0.5
Prop. 46 Down Payment Assistance		
Homebuyers Down Pmt. Assist. (CHDAP)	19.5	32.2
Homeownership In Revital Areas (HIRAP)	0.3	4.0
Extra Credit Teacher Program (ECTP)	6.6	4.6
School Facility Fee (SFF)	7.4	2.4
Total Homeownership Programs	$1,350.8	$1,435.9
INSURANCE SERVICES		
CalHFA	$180.0	$473.9
CalPERS	5.0	0.7
CalSTRS	35.0	6.2
Lease Purchase	10.0	6.2
Community Affordable Housing	30.0	8.6
Total Insurance Programs	$260.0	$495.6
MULTIFAMILY PROGRAMS[c]		
Permanent Loans	$160.0	$73.4
Construction Loans (CalHFA & LTL)	100.0	192.1
Preservation Acquisition	35.0	100.6
Preservation Opportunity Program (Prop. 46)	15.0	6.0
Section 8 Portfolio Rehab Loans	3.0	
Subtotal - Multifamily	$313.0	$372.1
SPECIAL LENDING PROGRAMS:		
Multifamily HAT Funds	5.0	6.0
HELP Program	20.0	21.0
Small Loan Program	3.0	0.0
Locality Initiatives Program	10.0	0.0
Subtotal - Special Lending Programs	38.0	27.0
Total Multifamily Programs	$351.0	$399.1
TOTAL CalHFA PROGRAMS	$1,961.8	$2,330.6

	FY 2005/06		
	Planned	Actual to 3/31	Projected
HOMEOWNERSHIP PROGRAMS[a]			
Homeownership 1st Loans	$1,200.0	$1,020.0	$1,300.0
CalHFA Housing Assistance Program (CHAP)	13.3	5.4	6.7
High Cost Area Home Purchase Assist. Prog. (HiCAP	32.4	22.5	28.6
Self-Help Builder Assistance Program (SHBAP)	2.5	0.7	0.7
Prop. 46 Down Payment Assistance			
CA Homebuyer's Down Pmt. Assist. Prog. (CHDAP)	31.7	23.0	29.3
Homeownership In Revital Areas (HIRAP)	2.8	1.9	2.3
Extra Credit Teacher Home Purchase Prog. (ECTP)	6.6	2.8	3.5
School Facility Fee Down Pay. Assist. Prog. (SFF)	4.7	2.4	4.1
Total Homeownership Programs	$1,294.0	$1,078.7	$1,375.2
INSURANCE SERVICES			
CalHFA	$460.0	$553.6	$735.0
CalPERS	1.0	0.0	0.0
CalSTRS	14.0	0.2	0.2
Lease Purchase	4.0	0.5	0.5
Community Affordable Housing	6.0	0.2	0.5
Total Insurance Programs	$485.0	$554.5	$736.2
MULTIFAMILY PROGRAMS[c]			
Permanent Loans	$110.0	$60.8	$66.0
Construction Loans	170.0	90.0	119.6
Preservation Acquisition & Preservation Opportunity	23.0	9.2	9.2
Bay Area Housing Plan	50.0	45.0	45.0
Subtotal - Multifamily	$353.0	$205.0	$239.8
SPECIAL LENDING PROGRAMS:			
HAT - Special Needs, Rehabilitation	5.0	5.5	5.7
HELP Program	20.0	10.0	20.0
Small Business / Predevelopment Loans	4.0	0.3	0.6
Community Development Initiative			
Financial Institutions (CDFI)	10.0	0.0	0.0
Habitat for Humanity	5.0	3.0	3.0
Tax Increment Financing	10.0	0.0	0.0
Residential Development Loan Program	65.0	0.0	10.0
Residential Development Construction Loans	30.0	0.0	0.0
Residential Development Second Loans (Prop. 46)	10.0	0.0	0.0
Subtotal - Special Lending Programs	159.0	18.8	39.3
Total Multifamily Programs	$512.0	$223.8	$279.1
TOTAL CalHFA PROGRAMS	$2,291.0	$1,857.0	$2,390.5

(a) Homeownership loans purchased.
(b) In support of Agency Insurance Programs.
(c) Multifamily loans committed.

TABLE II - PLAN SUMMARY
(In millions)

	2006/07	2007/08	2008/09	2009/10	2010/11	5 Yr Total
HOMEOWNERSHIP PROGRAMS [a]						
Homeownership First Mortgages	$1,500.0	$1,500.0	$1,500.0	$1,500.0	$1,500.0	$7,500.0
Agency Funded Down Payment Assistance						
CalHFA Housing Assistance Program (CHAP) [b]	6.5	6.5	6.5	6.5	6.5	32.5
High Cost Area Home Purch. Assist. Prog. (HiCAP) [b]	28.5	28.5	28.5	28.5	28.5	142.5
Self-Help Builder Assistance (SHBAP) [b]	2.5	2.5	2.5	2.5	2.5	12.5
Prop. 46 Down Payment Assistance						
CA Homebuyer's Downpmt Assist. Prog.(CHDAP) [c]	34.5	34.5	34.5	34.5	34.5	172.5
Homeownership In Revital. Areas Prog. (HIRAP)	2.4	1.6	0.0	0.0	0.0	4.0
Extra Credit Teacher Home Purchase Prog. (ECTP)	6.6	6.6	0.8	0.0	0.0	14.0
School Facility Fee Down Pay. Assist. Prog. (SFF)	4.3	4.5	4.8	5.0	5.3	23.9
Total Homeownership Programs	$1,585.3	$1,584.7	$1,577.6	$1,577.0	$1,577.3	$7,901.9
INSURANCE SERVICES						
CalHFA	$840.0	$840.0	$840.0	$840.0	$840.0	$4,200.0
Non-CalHFA	1.0	1.0	1.0	1.0	1.0	5.0
Total Insurance Programs	$841.0	$841.0	$841.0	$841.0	$841.0	$4,205.0
MULTIFAMILY PROGRAMS [d]						
Permanent Loans	$70.0	$85.0	$100.0	$100.0	$100.0	$455.0
Construction Loans	170.0	200.0	225.0	250.0	250.0	1,095.0
Bay Area Housing Plan	75.0	0.0	0.0	0.0	0.0	75.0
Preservation Acquisition & Preservation Opportunity [e]	5.0	7.0	1.0	1.0	1.0	15.0
Homeless/Special Needs Program [b]	10.0	0.0	0.0	0.0	0.0	10.0
Residual Gap Loan Program [b]	10.0	10.0	5.0	5.0	5.0	35.0
Asset Management Portfolio Assistance [b]	4.0	4.0	4.0	4.0	4.0	20.0
Total Multifamily Programs	$344.0	$306.0	$335.0	$360.0	$360.0	$1,705.0
SPECIAL LENDING PROGRAMS [d]						
Locality Programs						
Housing Enabled through Local Partnerships (HELP) [b]	15.0	15.0	15.0	15.0	15.0	75.0
Residential Develop. Lending Prog. for Local. (RDLP) [f]	20.0	20.0	25.0	0.0	0.0	65.0
Small Business / Predevelopment Loans [b]	1.0	1.0	1.0	1.0	1.0	5.0
Habitat for Humanity Loan Purchase Program [b]	5.0	5.0	5.0	5.0	5.0	25.0
Total Special Lending Programs	$41.0	$41.0	$46.0	$21.0	$21.0	$170.0
TOTAL CalHFA PROGRAMS	$2,811.3	$2,772.7	$2,799.6	$2,799.0	$2,799.3	$13,981.9

(a) Production total represent anticipated Homeownership loans purchased.
(b) Funded from Agency's Housing Assistance Trust.
(c) CHDAP - assumes funds will be available from recycling, or new sources of funding.
(d) Production totals represent anticipated Multifamily and Special Lending Programs final commitments.
(e) 30% of these commitments are funded from Prop. 46 funds.
(f) Funded from Prop. 46 funds.

III. ACCOMPLISHMENTS – FISCAL YEAR 2005/06

Homeownership Overall:

- Projected to reach and exceed our fiscal 2005/2006 goal of $1.2 billion in first mortgage loans while at the same time significantly reducing the dependency on the use of HAT resources to meet our goals.
- Continued to develop processes and procedures for streamlining homeownership loan processing.
- CHAP second mortgage loans are projected to decline to $6.7 million due to exclusively being used behind FHA insured first mortgages.
- As of March 31, 2006 1,315 HiCAP second loans have been purchased totaling $22.5 million representing 69% of the fiscal year 2005/06 goal.
- Maintained the annual production goal for the mutual Self-Help Builder Assistance Program (SHBAP) development loans. As of March 31, 2006, the Agency purchased 18 SHBAP first mortgages totaling $2.7 million during the fiscal year 2005/06.
- Expanded to over 240 localities and nonprofits currently approved to partner with CalHFA in its Affordable Housing Partnership Program (AHPP).
- Continued to provide a significant amount of the Agency's loan assistance to low-income borrowers. Through March 31, 2006, 43% of all CalHFA first-time homebuyer loans were made to borrowers with incomes of 80% or less of the area median income.
- Sustained high levels of minority first-time homebuyers, with over 56% of all loans being made to minority borrowers as of March 31, 2006.

Homeownership Proposition 46 Funds:

- Continued the California Homebuyer's Downpayment Assistance Program (CHDAP). Purchased a total of 2,786 loans totaling $23 million as of March 31, 2006.
- As of March 31, 2006, purchased 105 loans totaling $1.9 million in the Homeownership In Revitalization Areas Program (HIRAP). Approved for participation in the program are eleven nonprofit agencies, which also provide homeownership counseling.
- Purchased 214 Extra Credit Teacher Program (ECTP) loans totaling $2.8 million as of March 31, 2006.
- Continued the School Facility Fee Down Payment Assistance Program (SFF). As of March 31, 2006, 690 disbursements had been made for a total of $2.4 million.

Mortgage Insurance

- New mortgage insurance written projected to exceed plan by $251 million.
- Reduced depth of coverage from 50% to 35% on Agency products requiring private mortgage insurance.
- Introduced HomeOpeners^{SM} *, a Mortgage Protection Program, designed to provide unemployment benefits to qualified borrowers.
- Worked with Homeownership to increase LTV from 97% to 100% on 30-year conventional loans.
- Worked with Homeownership to research, develop and introduce the *interest only* PLUS^{SM} program.

Multifamily:

- Projected to achieve 68% of the current fiscal year's core production goal by processing loan commitments equaling $240 million.
- Projected to close 40 multifamily loans for approximately $400 million, representing 3,600 units of housing. This dollar volume represents the highest ever total for Multifamily, exceeding last year's volume by 56% and matching the previous record in fiscal year 2004/05 for the number of projects closed.
- Continued to focus on the construction-lending program to complement our successful permanent loan program. There are currently twenty-four construction projects totaling $312 million under construction.
- Bay Area Housing Plan is approved for $45 million in special financing for housing for developmentally disabled.
- CalHFA funded three special needs projects this fiscal year, providing 119 units in permanent supportive housing. Total financing committed to these projects is $34.7 million.
- CalHFA joined with the Department of Housing and Community Development (HCD) and the Department of Mental Health (DMH) to implement the Governor's Homeless Initiative. Under this initiative, CalHFA provides construction financing for projects serving the chronically homeless with HCD providing permanent financing and the DMH providing funding for support services.
- Selected and began creation and implementation of a new Multifamily database and integrated underwriting system called ProLink. ProLink includes a document management system and is expected to be launched within the Agency in mid fiscal year 2006/07.

Special Lending:

- Continued the popular and successful Housing Enabled by Local Partnerships (HELP) program. The two allocation rounds for the current year were fully subscribed at the $20 million level, representing 21 commitments to an equal number of localities. The program has achieved notable success with allocations being awarded to 98 localities representing 150 active commitments. These commitments will produce over 17,800 units of affordable housing in both homeownership and multifamily developments.

- The Habitat for Humanity Loan Purchase Program was initiated his year. Commitments totaling just over $3 million have been issued to purchase 43 first mortgages from 7 Habitat affiliates.
- Parameters for the Residential Development Loan Program have been developed in conjunction with focus groups comprised of participants from local government housing, development and lending industries. The first round of funding is expected to be announced be the end of the current fiscal year.
- Issued 3 pre-development loan commitments under the Small Business Loan Program for an aggregate loan volume of $600,000.

***"HomeOpeners"** is a service mark of GE Mortgage Holdings, LLC.

IV. DIVISIONAL SUMMARIES

A. HOMEOWNERSHIP PROGRAMS

The role of Homeownership Programs is to increase homeownership opportunities to Californians by making financing available to low and moderate-income first-time homebuyers.

Objectives:

In fiscal year 2006/07, CalHFA will continue to pursue activities designed to further the following mission objectives:

> Providing first-time homebuyers with below market rate mortgage financing; focusing on low-income homebuyers; assisting teachers, administrators, other eligible credentialed staff, and classified employees working in high priority schools to buy their first home; distributing loans equitably throughout the state; targeting loans to extremely high housing cost areas of the state; promoting loan products to expand the supply of affordable new construction housing; continuing a loan product to assist low-income disabled homebuyers, promoting efforts to identify affordable housing needs, exploring opportunities, developing solutions, assembling resources, and partnering to implement solutions.

Strategies:

The planned strategies to accomplish the objectives, and in particular to maximize the public benefit to low-income borrowers, are listed below:

- Providing long-term, fixed-rate first mortgages below conventional market interest rates.
- Providing the lowest rates for low-income borrowers.
- Supporting very-low and low-income homeownership through the provision of down payment assistance and reduced interest rates in the Affordable Housing Partnership Program (AHPP), the CalHFA Housing Assistance Program (CHAP), the California Homebuyer's Downpayment Assistance Program (CHDAP), the Homeownership In Revitalization Areas Program (HIRAP), the School Facility Fee Down Payment Assistance Program (SFF), and the Self-Help Builder Assistance Program (SHBAP).
- Targeting high cost urban areas in need of affordable financing by providing down payment assistance for low- and moderate-income homebuyers through the HiCAP.
- Providing down payment assistance for teachers, administrators, other eligible credentialed staff and classified employees through the Extra Credit Teacher Home Purchase Program (ECTP).
- Continuing the availability of the 100% LTV 35-year term loan with an initial 5 year interest only payment feature (*interest only* PLUS^{SM}).
- Continuing the HiCAP that assists homebuyers in extreme high cost areas of the state. Continuing to utilize a statewide network of lending institutions to provide consumer access to CalHFA loan products
- Implementing a 100% LTV 40-year term fully amortizing loan to provide more affordable financing.

- Implementing a Lead Generation Program with active loan officers to generate new loan volume.
- Developing a standard subordinated debt format to facilitate additional private and nonprofit funding sources.
- Encouraging additional CalHFA approved lenders to offer the *interest only* PLUS℠ loan and 40-year loans.
- Providing outreach, technical assistance, and training support to lenders and other industry organizations.
- Partnering with localities and nonprofit housing organizations to assist low-income borrowers.
- Updating sales price limits biannually consistent with federal law in order to assist the maximum number of first-time homebuyers.
- Utilizing marketing and media resources to generate awareness for our programs and participating in special events.
- Evaluating new loan products to meet market changes and customer demand (Fannie Mae/HFA Branded Product).

Program Performance and Strategy Implementation:

Following is a list of the major Homeownership programs, with the applicable fiscal year and five-year goals. A brief performance history against the current fiscal year goals for the listed programs is provided.

- First Mortgage Lending

2005/06 Plan Goal: Projected:	$1.2 billion $1.3 billion
2006/07 Plan Goal:	$1.5 billion
Five-Year Goal:	$7.5 billion

The current fiscal year's Business Plan includes a first mortgage purchase goal of $1.20 billion, which is projected to be met by year-end. As of March 31, 2006, the Agency has purchased loans totaling $1.02 billion in the current fiscal year, of which 77% were for resale homes and 23% for newly constructed homes.

The five-year goal was amended to increase the annual lending goal to $1.5 billion for the next five years starting with the 2006/07 fiscal year. The $1.5 billion annual goal should be attainable in the coming fiscal year subject to market interest rates remaining stable. Additional private activity bond allocation will be necessary to fully fund the five-year $7.5 billion goal.

First mortgage loan products currently offered include a standard 30-year fixed rate conventional and governmental loans from 97% to 100% LTV, a new 100% LTV 40-year fixed rate conventional loan, and an existing 100% LTV conventional loan with a five-year interest only period followed by a 30-year amortizing period, both at the same fixed interest rate known as *interest only* PLUS℠.

- CalHFA Housing Assistance Program (CHAP)

2005/06 Plan Goal: Projected:	$13.3 million $ 6.7 million
2006/07 Plan Goal:	$ 6.5 million
Five-Year Goal:	$32.5 million

A $13.3 million 2005/06 goal was included in the current Five-Year Business Plan for the highly successful CHAP. With CHAP, the financing for home purchases is comprised of an FHA insured 30-year fixed rate first mortgage, and a 3% CHAP deferred payment second mortgage. The deferred second mortgage reduces borrower down payment requirements without increasing monthly loan payments. This product is used statewide and has been instrumental in assisting with the Agency's equitable distribution of loan funds objectives.

Given the limited availability of HAT funds, the Agency proposes to further restrict the CHAP program in the fiscal year 2006/07 budget to $6.5 million in order to preserve resources. The recent addition of 100% LTV conventional loan products is anticipated to offset the impact the reduction in funding will have on the program and Homeownership loan volume.

As of March 31, 2006, there have been 760 CHAP second mortgages purchased in fiscal year 2005/06 for a total of $5.4 million.

- High Cost Area Home Purchase Assistance Program (HiCAP)

2005/06 Plan Goal: Projected:	$ 32.4 million $ 28.6 million
2006/07 Plan Goal:	$ 28.5 million
Five Year Goal:	$142.5 million

This program provides financing in the form of a deferred payment second mortgage for down payment assistance to create new opportunities for low- to moderate-income homebuyers to purchase housing in counties with extreme housing costs, very high job demand, affordability problem exists and where the Agency's Homeownership Program has underserved the county.

As of March 31, 2006, the Agency has purchased 1,315 second mortgages for a total of $22.5 million, with an additional $6.1 million anticipated during fiscal year 2005/06. CalHFA has also purchased 1,295 related first mortgage loans totaling $386.9 million.

As with the CHAP program, HiCAP was restructured within the available funding resource to keep the program viable into the future and to support the first mortgage-lending program. On May 12, 2005, the maximum loan amount was reduced from $25,000 to $15,000.

Continuing HiCAP's purpose, to help assist first-time homebuyers in the high cost area of California and keeping the program within HiCAP's budget, the program has incorporated the following changes. All eighteen CalHFA-defined high cost areas are now eligible for the HiCAP deferred payment second mortgage. Within these counties, except San Diego and Santa Clara, homeowners are eligible to receive up to $12,500. San Diego and Santa Clara counties have a limit up to $7,500. These two counties have been over-served, yet we remain committed to help provide additional assistance to these homebuyers. Furthermore, the Palmdale/Lancaster areas of Los Angeles County are not eligible, as traditionally they are not considered within the high cost definition. Further changes will be considered in order to best serve high-cost housing areas.

- Self-Help Builder Assistance Program (SHBAP)

2005/06 Plan Goal: Projected:	$ 2.5 million $ 0.7 million
2006/07 Plan Goal:	$ 2.5 million
Five-Year Goal:	$12.5 million

The Agency continues to commit $2.5 million of HAT funds annually to the SHBAP program which provides development loans to nonprofit self-help developers. This program provides loans for site acquisition, development and/or construction financing to nonprofit self-help housing sponsors, and permanent loans to borrowers. Due to the continuing increase in development costs and the need of the nonprofits for affordable financing, the maximum loan amount has been increased to $750,000 from $500,000 and may be increased up to $1 million for top tier nonprofits.

Families contribute their labor ("sweat equity") in lieu of a cash down payment under the mutual self-help approach.

Homeownership Proposition 46 Funds:

Approved by the California voters in November 2002, Prop. 46 provided $194.75 million for downpayment and/or closing cost assistance to four programs to be administered by CalHFA's Homeownership Division. The funds are financing the following programs and the original amounts are listed below:

California Homebuyer's Downpayment Assistance Program	$111.6 million
Homeownership In Revitalization Areas Program	$ 11.9 million
Extra Credit Teacher Home Purchase Program	$ 23.8 million
School Facility Fee Down Payment Assistance Program	$ 47.5 million

The descriptions of each of the Prop.46 programs are provided below:

- California Homebuyer's Downpayment Assistance Program (CHDAP)

2005/06 Plan Goal: -With CalHFA Firsts -With Non-CalHFA Firsts Projected:	$ 31.7 million $ 24.0 million $ 5.3 million $ 29.3 million
2006/07 Plan Goal: -With CalHFA Firsts -With Non-CalHFA Firsts	$ 34.5 million $ 28.3 million $ 6.2 million
Five-Year Goal: -With CalHFA Firsts -With Non-CalHFA Firsts	$172.5 million $141.5 million $ 31.0 million

The CHDAP program, funded by Prop. 46, provides a deferred payment, 3% simple interest, junior mortgage of up to 3% of the purchase price or appraised value, whichever is less. Used for down payment and closing cost assistance, it may be used in conjunction with a CalHFA or non-CalHFA first mortgage.

As of March 31, 2006, the Agency has purchased 2,786 CHDAP junior mortgages for a total of $23 million, with an additional $6.3 million anticipated during fiscal year 2005/06. CalHFA had also purchased 2,246 related first mortgage loans totaling $568.8 million.

A total of $111.6 million was made available for loans from Prop. 46 for CHDAP as of January 2003. A $34.5 million allocation is included in the Plan for fiscal year 2006/07.

- Homeownership In Revitalization Areas (HIRAP)

2005/06 Plan Goal:	$ 2.8 million
Projected:	$ 2.3 million
2006/07 Plan Goal:	$ 2.4 million
Five-Year Goal:	$ 4.0 million

As a set-aside of CHDAP within Prop. 46, $11.9 million was made available for HIRAP. This program is for down payment and closing cost assistance to lower-income first-time homebuyers. CalHFA-approved nonprofit organizations must document that the low- income homebuyers are purchasing a residence in a community revitalization area targeted by the nonprofit organization, and have received counseling from the nonprofit organization.

On January 1, 2005, pursuant to 2003 Legislation, CalHFA's Executive Director instructed all funds remaining in HIRAP be made available at an amount not to exceed 6% of the sales price until the reversion date of May 5, 2005, to CHDAP.

As of March 31, 2006, the Agency has purchased 105 loans for $1.9 million, with an additional $0.4 million anticipated during the remainder of fiscal year 2005/06. CalHFA also purchased related 73 first mortgage loans totaling $17.6 million as of March 31, 2006.

- Extra Credit Teacher Home Purchase Program (ECTP)

2005/06 Plan Goal:	$ 6.6 million
Projected:	$ 3.5 million
2006/07 Plan Goal:	$ 6.6 million
Five-Year Goal:	$14.0 million

The ECTP, funded by Prop. 46, is intended to help high priority schools recruit and retain credentialed teachers, administrators, staff and classified employees. This program offers a combination of a CalHFA first mortgage at a reduced interest rate, along with a junior loan for down payment assistance. The junior loan amount is limited to the greater of $7,500 or 3% of the sales price in CalHFA-defined statewide, non-high cost counties, or the greater of $15,000 or 3% of the sales price in CalHFA-defined high cost counties.

As of March 31, 2006, the Agency has purchased 214 ECTP junior mortgages for a total of $2.8 million, with an additional $0.7 million anticipated during fiscal year 2005/06.

- School Facility Fee Down Payment Assistance Program (SFF)

2005/06 Plan Goal:	$ 4.7 million
Projected:	$ 4.1 million
2006/07 Plan Goal:	$ 4.3 million
Five-Year Goal:	$23.9 million

The SFF, funded by Prop. 46, offers conditional grants that can be used for down payment assistance or closing costs by eligible homebuyers. The grants are based on the amount of the School Facility Fee paid by the developer for each particular new construction unit. A total of $47.5 million was made available for grants for down payment and closing cost assistance from Prop. 46. A remaining total of $23.9 million is included in the Five-Year Business Plan for grants, to be divided equally between the two SFF programs: 1) "Economically Distressed Area" and 2) "First-Time Homebuyer, Moderate Income Limits." As of March 31, 2006, 690 grants have been disbursed for a total of $2.4 million with an additional $1.7 million anticipated during fiscal year 2005/06.

B. MORTGAGE INSURANCE SERVICES

Objectives:

Provide below-market mortgage insurance coverage to allow originating lenders and the Agency to provide loans enabling first-time California homebuyers to purchase decent, safe and affordable housing by insuring new conventional CalHFA loans.

Strategies:

Improve business processes to increase production capacity:

- Streamline or augment internal business processes through use of technology and enhanced infrastructure and facility to ensure that production can be handled efficiently.
- Revise the divisional policy and procedures manual to ensure compatibility with changes in business processes.
- Increase outreach to customers to define needs and process improvements in operational areas.
- Upgrade customer access to the CalHFA portal via the website and computer technology.

Develop business opportunities for products to support production goals:

- Develop communication strategies to better inform customers and stakeholders of new business processes, new products, upgrades of business practices, and access to technology.
- Support Homeownership and Mortgage Insurance Services goals through increased participation in industry events, media outlets, and lender training to promote CalHFA loan products and HomeOpeners®[1] a Mortgage Protection Program.

Program Performance and Strategy Implementation:

- California Housing Finance Agency (CalHFA) Conventional Loans

2005/06 Plan Goal: Projected:	$ 460 million $ 735 million
2006/07 Goal:	$ 840 million
Five-Year Goal:	$4.200 billion

In 2005, changes in mortgage insurance coverage resulted in a lowering of mortgage insurance premiums to borrowers. At the same time, CalHFA allowed 100% LTV on its standard 30-year loan product. Additionally, the introduction of the *interest only* PLUS^{SM} program in the spring of 2005 proved to be a huge success and was instrumental in the Agency's mortgage insurance fund meeting its fiscal year 2005/06 production goal by

[1] HomeOpeners is a registered trademark of Genworth Mortgage Holding, LLC.

February 2006. The *interest only* PLUS℠ product represents about 40% of Agency conventional loan production. With the introduction of the 40-year fixed rate conventional loan in March 2006, the Agency will have three active conventional loan programs to offer during fiscal year 2006/07. This will allow the Agency to provide more options to first-time homebuyers while providing Mortgage Insurance Services increased business opportunities.

- Non-CalHFA Conventional Loans

2005/06 Plan Goal: Projected:	$25.0 million $ 1.2 million
2006/07 Goal:	$ 1.0 million
Five-Year Goal:	$ 5.0 million

These programs serve borrowers who normally do not qualify for CalHFA Homeownership loan programs due to MRB imposed requirements. For example, the Agency's Mortgage Insurance fund supports Fannie Mae's My Community Mortgage products as well as Freddie Mac's Affordable Gold products which are designed for low- to moderate-income borrowers and for underserved markets. While national competition for these products is aggressive, discussions will continue toward expanding products with Fannie Mae and Freddie Mac. The goal reflects existing product expectations.

C. MULTIFAMILY PROGRAMS

The role of Multifamily Programs is to finance rental housing, for very low-, low- and moderate-income households.

Objectives:

The Division's primary objective is to create and preserve affordable rental housing throughout the state through direct lending activities.

Strategies:

Multifamily Programs focus is primarily on lending to affordable housing sponsors for new construction, acquisition/rehabilitation, and rehabilitation projects. The strategies undertaken to reach the programs' goals include the following activities:

- Introduce a 30-year fully amortized permanent loan, with a prepayment option after year 15, to match the financial needs of Low Income Housing Tax Credit developments.
- Continue to provide highly competitive construction and bridge loans; the latter repaid through tax credit equity installments.
- Facilitate the preservation and rehabilitation of at-risk housing through interim financing to assist in the timely acquisition of assisted projects at risk of losing their long-term affordability.
- Collaborate with state and local housing, social service, and mental health agencies to construct affordable supportive housing for special needs populations, including the chronically homeless and those with mental disabilities. Maintain discounted interest rates to increase affordability for these populations.

Program Performance and Strategy Implementation:

Following is a list of the major Multifamily programs with the applicable fiscal year and five-year goals. Also provided is a brief performance history against the current fiscal year goals for the listed programs.

- Construction and Permanent Loans

2005/06 Plan Goal: Projected:	$ 280 million $ 186 million
2006/07 Plan Goal:	$ 240 million
Five-Year Goal:	$1,550 million

In fiscal year 2005/06, multifamily activity focused on closing $400 million in tax-exempt financing, matching the record-breaking activity in fiscal year 2004/05.

Multifamily lending will introduce a new permanent loan product next fiscal year. The new product presents a financing product for affordable housing developers that is unmatched in the conventional market.

In fiscal year 2006/07, the estimated breakdown between construction and permanent loans is $170 million and $70 million, respectively. The comparable figures for this fiscal year are $120 million and $66 million, respectively. Linked to CalHFA permanent loans, the construction loan program for tax-exempt bond projects provides low cost, variable rate funds to reduce construction period interest. In this fiscal year, most of the loans in this program also contain financing from the Department of Housing and Community Development's Multifamily Housing Program (MHP) and the Low Income Housing Tax Credit (4 percent program). CalHFA's construction loans are generally three or more times the amount of its permanent financing due to the limited debt payment capability of projects with deeply affordable rents.

- <u>Bay Area Housing Plan</u>

2005/06 Plan Goal: Projected:	$50 million $45 million
2006/07 Plan Goal:	$75 million
Five-Year Goal:	$75 million

The Bay Area Housing Plan provides funding for approximately 70 group homes in the San Francisco Bay area as replacement housing for the residents of the Agnews Facility for the severely developmentally disabled. The Agency will supply permanent financing for these homes based on guaranteed lease payments from the State of California to regional service providers. Bank of America is providing acquisition financing, including the necessary rehabilitation of the housing as required for the severely disabled residents. The project is distinguished by achieving an unprecedented collaboration among state and regional agencies, local nonprofit service providers, and private lenders.

- <u>Preservation Acquisition and Preservation Opportunity Program</u>

2005/06 Plan Goal: Projected:	$23.0 million $ 9.2 million
2006/07 Plan Goal:	$ 5.0 million
Five-Year Goal:	$ 15.0 million

Prop. 46 authorized the Preservation Opportunity Program, a revolving fund for the acquisition and preservation of affordable housing projects at risk of losing their affordability restrictions. These bond funds are intended to finance approximately 30% of the project's acquisition costs, with CalHFA lending the balance. Loans made from the two sources are intended to be repaid with permanent financing and be recycled for new acquisitions. Fiscal year 2005/06 saw limited activity in this program due to the low level of preservation financing in general and the limited availability of attractively priced financing.

Projected activity for the coming fiscal year is $3 million for CalHFA financing and $2 million for the Prop. 46 funds. The $5 million in Prop. 46 funds are available for this program until fiscal year 2008, when they revert back to HCD's Multifamily Housing Program.

- <u>Homeless and Special Needs Programs</u>

2006/07 Plan Goal	$10 million
Five-Year Goal	$10 million

Special Needs financing in fiscal year 2006/07 will be carried out primarily through loans to nonprofit intermediary lenders who finance predevelopment and acquisition costs for permanent supportive housing. CalHFA expects that a $10 million capital contribution will be made to one or more nonprofit intermediaries in fiscal year 2006/07. The program will be established as a revolving fund. The nonprofit intermediary lenders use CalHFA's low cost funds to re-lend funds to local nonprofit housing developers constructing supportive housing. The source of funds for this program is the Housing Assistance Trust.

The Special Needs component of multifamily direct lending also provides construction, bridge and permanent financing for projects with populations that are at-risk and in need of supportive services, including the chronic homeless and those with disabilities. The program utilizes Housing Assistance Trust funds to subsidize the interest rate to a level as low as 1%. Generally, the tenants have incomes at 35% of median income, necessitating the subsidized interest rate to make the projects economically viable. Because of the need for supportive services financing and the complexity of structuring the transactions, special needs housing projects have lengthy development time frames.

- Residual Gap Loan Program

2006/07 Plan Goal	$10 million
Five-Year Goal	$35 million

The Residual Gap Loan Program provides low-cost Agency funds to cover the financing gap associated with the high cost of constructing affordable rental projects. This program is for tax-credit projects that use both CalHFA construction and CalHFA permanent financing. The CalHFA permanent loan cannot exceed $2 million. The gap loan has a maximum loan amount of $5,000 per unit up to a maximum amount of $500,000, with a 3% deferred interest rate.

- Asset Management Portfolio Assistance

2005/06 Plan Goal: Projected:	$ 3 million $ 3 million
2006/07 Plan Goal:	$ 4 million
Five-Year Goal:	$20 million

Asset Management Portfolio Assistance, managed by CalHFA's Asset Management Division, will be used for rehabilitation of 80/20 (non-Section 8) properties in the Agency's portfolio. Funds are used on projects where Physical Needs Assessments indicate that existing repair and replacement reserves are not sufficient. The source of funding for this activity is CalHFA's Housing Assistance Trust.

D. SPECIAL LENDING PROGRAMS

Special Lending Programs is a component of the Multifamily Programs Division. The role of Special Lending Programs is to administer unique lending activities which benefit low- and moderate-income families.

Objectives:

Special Lending Programs objective is to develop innovative financing for affordable housing with housing sponsors in markets which are not addressed through conventional CalHFA financing.

Strategies:

Focus primarily on products that facilitate affordable housing through partnerships with other housing sponsors. Strategies include:

- Provide moderate term loans to local governments for their affordable housing efforts.
- Initiate short-term site acquisition and/or predevelopment loan programs and use local governments to facilitate affordable infill for-sale housing.
- Provide equity venture capital loans for very small for-profit and nonprofit developers to enable affordable developments that would not occur without the capital infusion.
- Provide capitalization to California affiliates of Habitat for Humanity for additional affordable housing developments by purchasing and servicing qualified loans.

Program Performance and Strategy Implementation:

Following is a list of the major Special Lending programs with the applicable fiscal year and five-year goals. Also provided is a brief performance history against the current fiscal year goals for the listed programs.

- Housing Enabled through Local Partnerships (HELP)

2005/06 Plan Goal: Projected:	$20 million $20 million
2006/07 Plan Goal:	$15 million
Five-Year Goal:	$75 million

Introduced eight years ago, the successful HELP Program provides loans to local government entities to carry out their affordable housing priorities. In previous years, loans were made at 3% interest for a 10-year term, with the maximum loan being $2 million. HELP represents both an investment in additional homeownership and rental housing throughout California as well as an investment in new and productive working relationships with local governments, housing authorities, and redevelopment agencies.

As of the end of this fiscal year, CaHFA will have committed $148 million to 98 different localities, assisting in the production of more than 17,800 affordable housing units. Ninety-one percent of the HELP loans have been invested nearly equally in the new construction and rehabilitation of affordable rental housing. The balance of funds have supported ownership housing.

For the 2006/07 fiscal year, the proposed HELP program funding level is $15 million, to be paired with the new ownership housing program for localities described below. HELP loans will carry a 3.5 percent interest rate beginning in the 2006/07 fiscal year and will be limited to a maximum of $1.5 million.

- Residential Development Lending Program for Localities

2005/06 Plan Goal: Projected:	$75 million $10 million
2006/07 Plan Goal:	$20 million
Five-Year Goal:	$65 million

With $75 million in Prop. 46 funds, the new Residential Development Lending Program (RDLP) provides funds to local government entities for the acquisition and related predevelopment costs of ownership housing in urban infill areas. The program, which will be launched this fiscal year, uses underutilized monies from Prop. 46, initially designated for mortgage insurance, and couples its assistance with CalHFA's down payment assistance programs. The funds will leverage local public funds and conventional private financing used in the construction of ownership housing by local housing developers. $10 million is anticipated to be announced by the end of 2005/06, with the balance of $65 million to be committed in 2006/07 through 2008/09.

Offered through a competitive process similar to HELP, RDLP loans will be made at a 3 percent interest rate for a maximum 4-year term. The maximum loan will be $4 million to assist primarily in the acquisition of land for ownership housing, a portion of which will be affordable to low- and moderate-income households.

- Small Business Loan Program

2005/06 Plan Goal: Projected:	$3.0 million $0.6 million
2006/07 Plan Goal:	$1.0 million
Five-Year Goal:	$5.0 million

The Small Business Loan Program lends funds to small developers for up to one-half of predevelopment expenses or $300,000, whichever is less. These funds help fill a critical gap in carrying out the necessary due diligence and preliminary architectural and engineering costs necessary to initiate projects. In previous years, loans were made at a 3.0% interest rate. Beginning in 2006/07, loans will carry a 3.5% interest rate. The loans are repaid no later than permanent financing. The source of funds for this program is the Housing Assistance Trust.

Two small developers of affordable housing received Small Business Development loans in this fiscal year. Funding for subsequent fiscal years, projected at $1 million, takes into account the resources of the new Residential Development Loan Program, which funds higher levels of acquisition and related predevelopment expenses for affordable ownership projects, through local government participation.

- Habitat for Humanity Loan Purchase Program

2005/06 Plan Goal: Projected:	$ 5.0 million $ 3.0 million
2006/07 Plan Goal:	$ 5.0 million
Five-Year Goal:	$25.0 million

CalHFA launched its Habitat for Humanity Loan Purchase Program in 2006, issuing commitments to spend $3.1 million of qualified loans previously originated by Habitat organizations. The funds are invested to yield an approximate 4% rate to CalHFA. Initial demand for the program was somewhat lower than anticipated, but a sustainable program demand of $5 million per year is expected. The program provides for CalHFA servicing and flexibility in re-purchase options. Its purpose is to infuse capital for the growth of Habitat housing production. The source of funds for this program is the Housing Assistance Trust.

D. SUPPORT DIVISIONS

INTRODUCTION

There are eight Support Divisions: Administration, Information Technology, Financing, Fiscal Services, Legislation, Marketing, Multifamily Asset Management, and the Office of General Counsel. These divisions' roles are to assist the operating divisions in achieving the goals outlined in CalHFA's Five-Year Business Plan. These divisions also provide the day-to-day support services for our operating divisions to conceive, facilitate and execute the strategies needed for meeting customer, stakeholder and employee objectives.

The following are the individual support divisions' objectives, strategies and implementation considerations for the 2006/07 Five-Year Business Plan:

1. ADMINISTRATION

Objectives:

- Continue to recruit new staff to fill open positions.
- Using best practices as a guide, continue updating internal procedural manuals and handbooks.
- Determine best option and location for consolidating the two Sacramento locations in one location.

Strategies:

- Work within state government to update and upgrade positions.
- Continue to advertise for, interview, and select quality hires.
- Assemble a team consisting of a development consultant and a broker to fully vet all options for the Agency's eventual move.

Implementation Considerations:

The Administrative Division supports the operational needs of the Agency through both human resources and business services and has spent a considerable amount of time working toward the completion of several long term projects. Much of our equipment and furniture has been systematically upgraded. With that accomplished and no further major tenant improvements anticipated, we can redirect our attention to updating our internal infrastructure.

2. INFORMATION TECHNOLOGY (IT)

Objectives:

- Continue to provide professional, responsive IT services to daily Agency operations and ensure the legacy application systems and infrastructure continue to adequately support the Agency business processes.

- Manage collaborative project efforts to define, develop and implement appropriate technological applications and infrastructure to enhance the business processes of Homeownership loan origination, Multifamily loan origination, Financing bond and investment tracking and Fiscal Services cash receipts and disbursements, mortgage reconciliation and general ledger accounting.
- Initiate and/or complete the implementation of various support systems, including data/document management, workload management, and change management.
- Extend the use, enhance the capabilities and expand the information offerings of the Agency's Internet and intranet web sites to improve communications and operations.

Strategies:

- Manage the Agency's IT Governance structure to ensure IT and business strategic alignment and effective IT priority setting and resource allocation.
- Maintain an IT hardware and software infrastructure that is responsive to current business operations and future IT initiatives.
- Research technologies available in the marketplace and those being used most effectively by the housing finance industry and make recommendations on their potential for the Agency.
- Ensure the IT Division has the necessary organizational infrastructure, including staff skill sets, support tools, policies and practices, disaster recovery strategies, and measurement and management tools to support current operations and respond to planned IT initiatives.
- Aggressively pursue the use of technologies – such as web-based applications – that support the Agency's strategic business initiatives.

Implementation Considerations:

The Division of Information Technology has had an outstanding record of maintaining the existing applications and technology infrastructure in support of the business operations of the Agency. However, many of the current applications and supporting infrastructure are at capacity and very dated and activities have been initiated to update them. By updating technology, the Agency has the opportunity to transform operations and improve responsiveness to changing business needs and business partner and consumer requirements.

Because of the dated technology and the complexity of the technical environment the IT Division is at a critical point in its development. As the Agency continues to grow and works to maintain its competitiveness within the housing finance industry, the IT Division has reached a point where a reactive approach to business is no longer sufficient to meet business needs. The Division has, with the support of Agency Senior Management, embraced a more mature, proactive approach to doing business and adopted a more strategic perspective and role within the Agency.

The Division has engaged in several activities to facilitate the shift to the more proactive approach. First, the Division is continuously reviewing organizational and technical infrastructures to identify opportunities to improve current support services and to prepare the Division to be responsive to current and future IT initiatives. Next, tools for better tracking, communication and accountability are being implemented. Finally, structures and processes to more effectively align the Agency's strategic business plans with IT strategic and tactical planning are being defined and employed. These initiatives will lay the foundation for the IT Division to position itself as a leader in innovation for the Agency, advocating technical solutions that advance Agency goals.

3. FINANCING DIVISION

Objectives:

- Arrange the issuance of bonds.
- Identify other sources of capital.
- Support over $9.8 billion of loan production for the Homeownership, Multifamily and Special Lending units.

Strategies:

- Lower the cost of the Agency's debt through the issuance of variable rate bonds.
- Monitor the fixed income markets and the relationships of tax-exempt rates to taxable rates for opportunities to issue fixed interest rate housing bonds.
- Utilize the swap market to synthetically fix or cap the rates to hedge our interest rate risk.
- Maximize the refunding of previous years' single family tax-exempt authority.
- Recycle prepayments from existing single family 30-year mortgages.
- Issue bonds as necessary.
- Finance $1.550 billion of bond-funded multifamily loans over the next five years.
- Pooling loans into large financings to obtain economies of scale.
- Pledging the Agency's general obligation
- Consider incorporate economic refundings of older multifamily bonds into future transactions.
- Partner with public agencies pension funds, and Government Sponsored Enterprises (GSEs) such as Fannie Mae, Freddie Mac, and the Federal Home Loan Banks, who support our financings by acting as investors or by providing services such as standby bond purchase agreements.

Implementation Considerations:

During fiscal year 2005/06 to date, CalHFA has already issued or contracted to issue $1.14 billion of bonds and plans to contract for another $100 million before the end of the fiscal year. Of the $1.14 billion of bonds issued, 89% were issued as variable rate, $604 million was swapped to fixed rates. As of March 31st, total variable rate debt is approximately $6.4 billion, some 87% of the Agency's total indebtedness of $7.3 billion. Bonds swapped to fixed rates total $4.6 billion.

At the end of the five-year planning period, it is possible that the Agency will have more than $12 billion of bonds outstanding, and as much as 90% may be variable rate, most of which will be swapped to a fixed rate.

4. Fiscal Services

Objectives:

- Provide superior financial management and reporting services to Agency management. Improvements are planned to integrate systems and improve the timeliness of financial reporting systems.
- Support the affordable housing mission of the Agency by servicing a wide variety of Agency loan products, including homeownership first trust deed loans, homeownership down payment assistance loans, HELP loans, loans secured by multifamily rental developments and many other specialty loan products.
- Recruit and train staff to achieve a high quality workforce.

Strategies:

- Embark on a large-scale automation project to upgrade both the hardware and software of the accounting system. The goal will be to have a more integrated system to produce more timely reports and be more responsive to today's business needs.
- Provide the highest level of customer service possible to borrowers whose loans are being serviced by the Agency.
- Search for, recruit the highest quality staff, and develop managers and supervisors to take the division to the next level.

Implementation Considerations:

The Fiscal Services Division will continue to support CalHFA activities through the receipt and disbursement of financial resources, the safeguarding of assets, the servicing of loans and by recording and reporting on financial matters of the Agency in accordance with professional standards in meeting all federal, state and indenture requirements. Additionally, the Division will continue to coordinate the annual financial audits of the Housing Finance Fund and the Housing Loan Insurance Fund. The Division is also prepared to assume additional loan servicing responsibilities as needed.

5. Legislation

Objectives:

- Advocate Agency programs and positions to Administration, California Legislative and Congressional members and appropriate stakeholder groups.

Strategies:

- Work with Agency Legal and Program staffs and interested stakeholder groups to identify needed statutory changes.
- Develop and advocate the Agency's policy position on state and federal legislation.
- Promote the Agency before Congress, the State Legislature and the Governor's Office.

Implementation Considerations:

The focus of the Legislative Division is to ensure that legislation which fosters CalHFA's primary purpose of providing financing to meet the housing needs of low and moderate-income families in California is monitored, analyzed and enacted into law. Additionally, the Agency continuously reviews existing statutes to determine what changes, if any, will be required to meet the Agency's long-term business plan objectives. This year, the Legislative Division will continue to work with Legislators and affected stakeholders to increase the amount of funding available to programs that increase the stock of housing available to low and moderate-income households, both on the rental and homeownership side of the equation.

6. Marketing Division

Objectives:

- Provide awareness of CalHFA as a primary source of below market interest rate funding for California's affordable housing market needs.
- Promote the usage of CalHFA programs to expand affordable housing opportunities for Californians throughout the state.

Strategies:

- Continue media driven outreach efforts to increase awareness for our Agency programs.
- Develop marketing initiatives that maximize the mortgage loan and insurance volume for Homeownership, and maximize loan volume for the new Multifamily and Special Lending Programs.
- Utilize the most efficient and effective means to reach business partner and stakeholder target audiences.
- Use product and revised program initiatives as the platform for marketing and outreach efforts.
- Focus Homeownership marketing efforts in localities that have the greatest affordable housing inventory (e.g., housing at or below our sales price limits).
- Provide outreach support for Prop. 46 programs and projects.

Implementation Considerations:

The marketing team will focus its efforts on increasing the awareness and understanding of the CalHFA brand and programs with its customers, business partners, stakeholders and employees concerned with the need for affordable housing in California. We will maintain our outreach activities to promote key CalHFA Homeownership, Mortgage Insurance, and

Multifamily programs. The 2006/07 Marketing plan will provide support to the Divisional program goals outlined in the Business Plan. Additionally, marketing support will be provided for key Prop. 46 programs to help ensure the timely use of the funds.

7. MULTIFAMILY ASSET MANAGEMENT

Objectives:

- Protect the Agency's loans through financial monitoring, physical inspections, and the use of technology to forecast financial performance and manage risk.
- Provide financial and management compliance monitoring on behalf of HUD.
- Protect CalHFA's rights, the owner/agent's rights and tenants' rights through the interpretation of the Regulatory Agreement, the HUD Manual 4350.3, other HUD directives and state laws.

Strategies:

- Negotiate for increased affordability in existing projects when opportunities arise to lower their loan rates.
- Assign staff to work closely with lower performing assets to develop and resolve financial and physical deficiencies to maintain long-term viability of asset.
- Complete sale of five REO (real estate owned) properties.
- Assess financial viability of recapitalizing existing Section 8 agency portfolio.

Implementation Considerations:

The Asset Management Division is committed to supporting the Agency's Business Plan to ensure the financial, physical and public purpose goals of the Agency throughout the loan term.

The agency's Section 8 portfolio is now over 25 years old. Most of the Section 8 loans are 30- or 40-year term with matching subsidy contracts terms. Years of flat rents with no HUD-approved rent increases has left many properties undercapitalized and in need of physical repairs. At-risk properties have been identified and the division is working closely with Section 8 borrowers to locate financial sources to correct the deficiencies. The agency has a good record of seeking and obtaining HUD approval to "give back" earned surplus funds generated by individual projects to correct deficiencies for the post-1980 projects where earned surplus generated is project specific. For the pre-1980 projects, where the agency has control of the earned surplus funds in a general pool, a low rate loan program has been implemented.

The agency is working to assess the feasibility of providing a preservation loan program for in-house Section 8 portfolio owners who wish to recapitalize their properties and remain in the affordable housing arena for a new loan term. The 30-year contracts begin expiring en-masse in 2013. All Section 8 owners have the right to sell or convert their properties to market rate once their 30- or 40-year commitment to HUD and CalHFA ends.

The division continues to seek ways to use technology to improve financial forecasting and trending techniques to better manage risk.

8. Office of General Counsel (OGC)

Objectives:

- To provide legal services to the Board, the Executive Director and the Agency equal in scope and quality to those available to private businesses.
- To fully utilize legal technology to provide state of the art support capability.
- To fully develop both in-house and outside legal resources to meet the complex business demands of the Agency.

Strategies:

- Assign attorneys to work closely with client divisions within the Agency, both to develop and maintain client relationships, and to obtain the specialized business knowledge needed to deal with each division's unique legal needs.
- Continue to utilize i-Manage document management software, PDF document conversion software, and document imaging technology. OGC is exploring web based document acquisition and editing to allow interested parties to work collaboratively in complex transactions. OGC has also developed, with the IT Division, software to manage file location and related database applications.
- Provide up-to-date legal resources by developing in-house legal talent and maintaining relationships with specialized outside counsel.

Implementation Considerations:

OGC recognizes the need to continuously examine and improve the delivery of legal services, to keep pace with the real estate finance industry and the state's delivery of affordable housing to Californians.

V. FINANCIAL SUMMARY

The purpose of the Financial Summary is threefold: to present the Agency's equity position as of September 30, 2005; to describe the projected effect on the Agency's equity of the assumptions made in the Agency's Five-Year Business Plan, and to provide a detailed description of the factors influencing restriction of the Agency's equity.

DISCUSSION OF EQUITY:

"Equity" is synonymous with "net assets". It is arrived at by applying the Agency's assets against its liabilities at any given point in time. As of September 30, 2005, the Agency had total assets of $9.1 billion, comprised primarily of mortgage loans receivable and total liabilities against those assets of $7.9 billion is comprised primarily of bond indebtedness. The residual restricted assets of $1.2 billion in the Housing Finance Fund and $59 million in the Housing Loan Insurance Fund represent the Agency's equity position at September 30, 2005.

Although the amount of the Agency's total equity is readily identifiable, its liquidity is not. The majority of the assets underlying the equity are in the form of mortgage loans receivable, and as the following discussion will illustrate, most of the Agency's equity is allocated, or restricted in the form of reserves, for various purposes.

Since the term "reserve" has different meanings in different financial settings, the term may be a misnomer as it relates to the Agency's funds if there is an assumption that the reserves are in excess of the Agency's needs. The Agency's restricted reserves <u>are not surplus moneys</u> as used in the context of state agency fund designations. The Agency's reserves are, instead, designations of restricted funds as required of any private financial institution. As described in the Agency's 2005/06 Annual Report, in the notes to the audited Financial Statements, all of the Agency's equity is restricted either by indenture or by statute, or invested in capital assets.

The categories "Restricted by Indenture" and "Restricted by Statute" reflect the Agency's restricted equity. Pursuant to state statutes, resolutions and indentures, specified amounts of cash, investments and equity must be restricted and reserved. The equity categorized as Restricted by Indenture represents the indenture restrictions of specific bonds, whereas the Restricted by Statute category represents equity that is further restricted to fund deficiencies in other bonds, programs or accounts. The Housing Finance Fund maintained all required balances in the loan and bond reserve accounts as of September 30, 2005.

Generally, there are indenture covenants requiring that equity be retained under the lien of each indenture until certain asset coverage tests, as well as cashflow tests, have been met. Other restricted reserves are pledged to meet the Agency's bond and insurance general obligations, continuing program maintenance and ongoing administrative costs.

ALLOCATION OF CALHFA EQUITY:

The Agency's equity balance is contained within a series of funds and accounts, including bond funds and other types of restricted funds and accounts. Within these funds and accounts, equity has been classified according to the purpose it is intended to serve. These purposes include providing security for current and future bond issues, providing for emergency needs, leveraging restricted reserves for non-bond housing assistance programs, and providing for future operating expenses and financing costs.

The Agency's equity is allocated into three main restricted reserve categories: Restricted by Indenture, and Restricted by Statute, and Invested in Capital Assets. They are described as follows:

Restricted by Indenture:

The amount classified as Restricted by Indenture ($723 million) includes amounts required to be retained in the various bond indenture funds. This total provides security for the specific bonds to which they are assigned.

Restricted by Statute:

To comply with state law, rating agency requirements, credit enhancement agreements, and investor guarantees, the Agency is also required to maintain restricted reserves in addition to the above-described Indenture Restricted Reserves.

The amount classified as Restricted by Statute ($469 million), consisting of amounts from the Emergency Reserve Account, the Supplementary Bond Security Account, the Housing Assistance Trust, the Contract Administration Programs, and the Operating Account provides general support for all obligations of the Agency, including general obligation bonds, interest rate swaps, and mortgage insurance.

The Agency has no taxing power, and bonds issued by the Agency are not obligations of the State of California. Some Agency bonds are issued as general obligations of the Agency, however, and are payable out of any assets, revenues, or moneys of the Agency, subject only to agreements with the holders of any other obligations of the Agency. This pledge is in addition to that of the specific revenues and assets pledged under the indenture. The Agency has received a Standard & Poor's rating of AA- on its general obligation pledge and a Moody's Investor Service rating of Aa3.

The Agency has $1.5 billion of bonds outstanding that are backed by CalHFA's general obligation. The Agency has also extended its general obligation pledge to $361 million of multifamily loans insured by FHA under its Risk Share Program. Our risk is 50% of this amount, or $181 million. In addition, the Agency pledges its general obligation for another $3.7 billion to its swap counterparties for the interest rate swaps that are currently outstanding.

While most of the Agency's reserves are contractually restricted as security behind the $7.9 billion in Agency liabilities and the $1.3 billion in single family mortgages insured by the Agency, other reserves serve a "dual purpose." These reserves provide the Agency with the resources to meet its capital adequacy requirements, general obligation pledge risk reserves, and operating funds. At the same time, prudent management of these accounts has allowed the CalHFA Board to carefully apply them to necessary uses under the Operating Account, Emergency Reserve Account, and the Housing Assistance Trust.

To maintain the necessary security reserves, it is important that these accounts be invested in uses that will preserve principal and generate revenues to the Agency. This is necessary because fee revenues will decline as the bond issues mature, but our administrative and monitoring responsibilities will continue for the up-to-40-year life of the bonds and loans. It is planned that during these later years scheduled draws from the Emergency Reserve Account, Housing Assistance Trust, Operating Reserves and other accounts will be used to support the ongoing bond and loan administrative costs. Accordingly, when these funds are deposited or "invested" in various Agency programs, they are carefully managed to maintain low levels of risk and ultimate liquidity for long-term bond and loan management purposes.

The Contract Administration Programs ($122 million) category includes amounts related to programs originally funded with appropriations from the State and is restricted by State statutes. The equity is therefore not available for allocation to other Agency purposes.

Within the Operating Account, the Agency maintains a $34 million operating reserve, equivalent to one year's operating budget, including a $7 million revolving fund for bond financing expenses. The revolving fund serves to provide short-term advances to pay the initial costs of bond issuance, pay for interest rate hedges, pay debt service on the Housing Program Bonds, and pay other costs of developing bond programs. Such allocations of equity ensure the continued administration of the Agency's programs and also serve to meet rating agency liquidity and capital adequacy requirements.

LOSS PROTECTION:

Rating Agency Requirements:

The credit rating services (Moody's Investors Service and Standard & Poor's) provide certain quantitative guidance regarding the need for reserves to protect against certain quantifiable risks of loss. We have always judged the soundness of our Business Plan by projecting financial results for the five-year period and determining that these projections were consistent with rating agency criteria.

Both rating agencies require the Agency to establish reserves for each bond issue, intended to protect the bondholders and the Agency in the event that the actual cashflows associated with a bond issue differ from the cashflows projected at the time of issuance of the bonds. In order to determine the size of the reserves to be established for each issue, the rating agencies analyze the performance of the projected cashflows and assets at the time of bond issuance under a "worst case scenario". The Agency is required to set aside and maintain reserves in an amount necessary to cover any projected cashflow shortfalls under these worst-case scenarios. Such reserves represent a direct allocation and restriction of the Agency's equity.

In addition, Standard & Poor's provides certain formulas for determining capital adequacy for its "Top Tier" designation and its issuer, or general obligation, credit rating.

The guidelines Standard & Poor's uses to evaluate housing finance agencies include: number of years issuing bonds, administrative capabilities, investment policy, internal controls, loan portfolio quality, and maintenance of residual fund balances (as defined by S&P) equal to 4% of non-AAA bonds outstanding. One-half of these required residual balances (2% of non-AAA bonds) must be liquid assets.

In order to assess the adequacy of the Agency's equity at any point in time, S&P analyzes the Agency's finances to determine the amount of residual equity remaining after providing for any potential risks which have not already been addressed to S&P's satisfaction. In addition, S&P evaluates various financial ratios, which are indicators of leverage, liquidity, and general obligation debt exposure.

The Agency's general obligation pledge currently stands behind $7.9 billion of single family and multifamily debt, $181 million of multifamily loans subject to FHA Risk Share, and $3.7 billion to our swap counterparties for our outstanding interest rate swaps. It is anticipated that, during the term of the Plan, direct utilization of the Agency's general obligation will be greatly expanded, as shown in the table below. In order to continue to meet the capital adequacy requirements of Moody's and S&P, the Agency must reserve equity against these pledges.

Pledges of CalHFA General Obligation
(In millions)

	Current Pledges	Estimated as of June 30, 2011
CalHFA G.O. Bonds	$1,486	$2,000
FHA Risk Share Program	181	250
Interest Rate Swaps	3,736	7,000
	$5,403	$9,250

The rating agency assessment of CalHFA equity is very similar to the determination of capital adequacy of financial institutions and is necessary for the financial well-being of CalHFA as the state's affordable housing bank. In addition, other benefits of meeting the rating agencies' capital adequacy requirements include:

- higher bond ratings, resulting in a lower cost of funds,
- reduced interest expense to the home buyer or multifamily project sponsor,
- continuation of a mortgage insurance program,
- elimination of special hazard insurance requirements, and
- reduction or suspension of other credit enhancements on Agency bond issues.

The costs of not meeting these requirements include:

- the possibility of a technical default under one of the covenants contained in our swap, bond, liquidity, or bond insurance agreement,
- jeopardizing the Agency's Aa3/A+ ratings of its insurance claims paying ability,
- jeopardizing ratings on the Agency's currently outstanding bonds,
- an increase in the Agency's cost of funds,
- increased cost of credit enhancement and liquidity for variable rate bonds,
- less favorable terms for new financial agreements including interest rate swaps, and
- reduction in the number of willing financial partners such as investors, bond insurers, liquidity providers, and swap counterparties.

CalHFA first earned its Top Tier designation in 1986 and has achieved the performance levels necessary to retain this honor continuously since that date. We fully intend to continue the strong management practices, sound program planning, and internal control systems that have allowed us to maintain this designation. We also expect to achieve financial results in the future consistent with our current issuer credit ratings from both Moody's and Standard & Poor's.

Other Prudent Reserves:

A portion of the Agency's equity is restricted to protect the Agency's assets from potential losses due to interest rate risk, natural catastrophes such as earthquakes and floods, risk associated with the multifamily loan portfolio, negative arbitrage, uncollateralizable investment agreements, and unanticipated interest rate swap terminations.

- Interest Rate Risk

CalHFA's variable rate bond strategy is the key to its ability to offer attractively priced loan products in today's highly competitive, mortgage marketplace. Utilizing variable rate bonds, while hedging long-term exposure with interest rate swaps, enables borrowers to take advantage of CalHFA's significantly reduced cost of funds. In addition, the lower cost of funds provides CalHFA with an opportunity to modestly increase its capital base in spite of lending at the lowest rates in its history. As of March 31, 2006, the Agency had $6.41 billion of variable rate bonds outstanding, and another $100-150 million may be added before the end of the 2005/06 fiscal year. It is possible that another $1.9 billion may be issued each year going forward for the life of the Plan.

Given the Agency's variable rate bond strategy, it should set aside reserves to cover the risk of rising rates, the costs of acquiring interest rate hedges, and certain risks related to such hedges. For example, hedges we might enter into to reduce our tax-exempt interest rate risk are likely to leave us exposed to the risk of tax law changes that would reduce or eliminate personal and corporate income taxes. Another risk would be counterparty failure in connection with an interest rate swap or cap. In this regard, it should be noted that as of March 1, 2006, the market value of the Agency's 100+ interest rate swaps was a negative $199 million. What this means is that, if all our counterparties were to fail, the Agency would owe termination payments in this amount. In addition, continued high incidences of single family loan prepayments could upset the balance between the notional amount of the swaps and the outstanding amount of related variable rate bonds.

Because interest rates could rise, either because the Federal Reserve raises short-term rates or because changes in tax law could reduce the value of the tax exemption, the Agency needs to set aside a substantial reserve against this risk.

- Natural Catastrophes

In order to provide more financing for affordable housing in high-cost areas of the state, the Agency petitioned the rating agencies to allow a higher percentage of home loans to be made to purchasers of condominiums. The rating agencies agreed, but only if the Agency would establish a reserve in an amount equal to 1% of the unpaid principal balance of such loans to effectively insure the loan portfolio against losses in the event of an earthquake. The Agency currently has in its portfolio a total of $1.2 billion of loans for condominiums. A portion of the Agency's multifamily loan portfolio is insured under a $50 million multifamily earthquake and flood insurance policy which has a 5% deductible and does not provide for loss of income. The Agency has restricted equity to supplement the coverage not provided by the policy.

- Project Maintenance

Equity is restricted to protect the Agency from possible losses on multifamily project loans. It should be recognized that the Agency could be called upon at any time to meet certain deficits as a result of debt service shortfalls on project loans. Given the size of the Agency's $1.4 billion multifamily loan portfolio and the substantial pipeline of new loans to be originated or acquired, reserves must be available as a reasonable protection from late payments, emergency maintenance needs or various cashflow shortfalls. One type of potential cashflow shortfall could result if HUD is unable to extend Section 8 Housing Assistance Payments contracts to the final maturity of our loans.

- Negative Arbitrage

The Agency expects to continue to be unable to invest a portion of the proceeds of its bonds and certain loan prepayments at rates equal to the cost of funds of each transaction. Equity has been reserved to protect the Agency against such negative arbitrage and to ensure the Agency's ability to pay debt service on these bonds.

- Investment Risks

A portion of the Agency's earlier investment agreements do not contain collateralization requirements. During the term of these agreements, the Agency's principal and interest are potentially at risk. The Agency has allocated equity to provide liquidity to meet debt service obligations in the event one or more of these investment agreement providers experiences financial difficulty.

Equity Analysis by Fund and Account:

The Agency's total equity at September 30, 2005 was $1.2 billion (Housing Finance Fund) and $59 million (Housing Loan Insurance Fund). All of this equity is restricted per the requirements described previously and as detailed below. As approved by the Board and within rating agency standards, the Agency reinvests and leverages a portion of its restricted equity to support Housing Assistance Trust programs not funded through the use of bond proceeds.

Bond Indenture Equity:

As of September 30, 2005, $723 million of the Agency's total equity is restricted within the bond indentures. All of the bond indenture equity is subject to the indenture and rating agency requirements described above, and a portion of the bond indenture equity supports the Agency's operating budget.

Contract Administration Programs:

The Agency administers loan and grant programs for the Rental Housing Construction Program, the School Facilities Fee Down Payment Assistance Program, and the California Homebuyer's Down Payment Assistance Program. Funding of these programs was appropriated by the legislature to other departments and agencies within the state that have contracted with the Agency for this purpose. The equity of $95.4 million at December 31, 2005 is unavailable for Agency reallocation. This portion of the Agency's equity will grow as Prop. 46 programs are funded.

Housing Assistance Trust (HAT):

As of September 30, 2005, HAT accounts for $190.2 million of the Agency's total equity. All of the equity in HAT is required to meet general obligation pledges and capital adequacy requirements. While meeting these financial means requirements, the Agency may also invest these funds in support of Agency programs which are not otherwise funded by bond proceeds.

Through HAT, CalHFA invests in a number of special lending programs which are targeted to special affordable housing needs in support of the primary Homeownership and Multifamily lending programs and in support of the mortgage insurance programs. Prudent management consistent with rating agency standards allows CalHFA to invest some of its restricted reserves in Agency programs through the Trust and still meet its capital adequacy and reserve requirements. These special HAT programs are discussed elsewhere herein.

The concept of using HAT as a means for making program-related investments of restricted reserves makes HAT ideal as a revolving loan fund for a variety of purposes and programs. Moneys in HAT will continue to be utilized for short and intermediate term loan warehousing purposes in support of the Agency's main line lending programs. Examples of these kinds of investments include warehousing of loans that await assignment to bond issues, warehousing of permanent multifamily loans, and warehousing of multifamily loan participations that cannot be financed with federally tax-exempt bonds.

<u>Supplementary Bond Security Account:</u>

The statutorily established Supplementary Bond Security Account (SBSA) accounts for $58.7 million of the Agency's equity at September 30, 2005. This equity is subject to many influencing factors such as rating agency requirements, loss protection against loan default risks, interest rate risks, natural catastrophes, and negative arbitrage. The SBSA is being used to indemnify the Housing Loan Insurance Fund against losses on certain CalHFA loans the Agency must insure, under the terms of its bond indentures, that may be supplemented or replacement coverage. In addition the SBSA may be used in the future to insure deferred-payment loans.

Based on the bonds outstanding to date and estimates of the bonds to be issued and loans to be originated, the Supplementary Bond Security Account will be fully pledged for the duration of the Five-Year Business Plan.

<u>Emergency Reserve Account:</u>

The Emergency Reserve Account (ERA) accounted for $57.8 million of the Agency's equity at September 30, 2005. The equity within the ERA enables the Agency to meet its rating agency requirements for its general obligation pledges and the maintenance of its capital adequacy requirements. It provides the primary source of loss protection for the Agency's assets and has been reinvested in support of the Agency's insurance programs.

All of the ERA equity and the equity of other accounts back the Agency's general obligation bonds of $1.5 billion. The Agency's general obligation will continue to be pledged to provide security for bonds to interest rate swap counterparties.

All of the equity in the ERA supports the maintenance of the Agency's issuer credit ratings, top tier designation and capital adequacy position. The maintenance of these reserve requirements at the levels prescribed by the rating agencies is as critical to the Agency's ability to achieve its mission as are the regulatory capital requirements of any other conventional marketplace lending institution.

Because the Emergency Reserve Account does not need to be held entirely in liquid form, it currently serves as a source to warehouse multifamily loans. Although in general the ERA is potentially available for legal claims and risk management purposes, the following describes how the amounts on deposit in the ERA are provisionally allocated to particular contingencies. These allocations are indicated for administrative purposes only and do not represent limitations on the use of the ERA for each contingency category. The account has multiple obligations which potentially could greatly exceed its $57.8 million balance.

Mortgage Insurance:

The Agency's Housing Loan Insurance Fund has restricted reserves of $59 million. The Agency's Five-Year Business Plan has a goal of insuring $3.6 billion in new mortgages. Housing Finance Fund reserves would be available to be loaned to the Insurance Fund to increase the amount of its loan loss reserves, should the need arise.

On March 20, 2003, the Board of Directors authorized the Agency to provide financial support to the Housing Loan Insurance Fund from moneys in the much larger Housing Finance Fund by means of a line of credit of up to $100 million. The purpose of the line of credit is to satisfy credit rating agency concerns about the Insurance Fund's claims-paying ability during times of severe economic stress when the insurance Fund's reserves may conceivably become depleted as more and more claims are paid. Draws on the line of credit from the Housing Finance Fund will constitute interfund loans.

General Obligations:

CalHFA has $1.5 billion in outstanding bonds that are backed, in whole or in part, by the Agency's general obligation (not the state's) in addition to any external credit enhancement (bond insurance or letters of credit). The rating agencies use the shortfall resulting from the worst-case cashflows on our general obligation bonds as a charge against equity. CalHFA maintains a liquidity reserve for part of this requirement in the ERA. The balance of the reserves is applied from other sources such as HAT loans and various bond issues. The reserve is available in the event that the Agency is called upon to make advances to general obligation bond programs to pay debt service or to reimburse the bond insurer for losses or liquidity banks for purchasing variable rate bonds that could not be remarketed. The reserve is also available for protection against potential losses from interest rate fluctuations and from counterparty failure related to interest rate swaps or other hedge instruments. One use of the Emergency Reserve in this regard is the provision of interest rate caps to $35 million of floating-rate single family bonds. Under these internal agreements, the Emergency Reserve Account will be drawn on to pay any interest costs in excess of the cap rates. In addition, to cover worst-case deficiencies in this fiscal year's new bond issues we have made temporary pledges of $81 million that will be released upon delivery of new cash flow runs. This use of the Agency G.O. will be duplicated in future issues.

Investment Reserves:

CalHFA's bond issues create capital in the form of proceeds for the purchase of mortgages. As described in the CalHFA Investment Policy, usually these proceeds are invested with financial institutions with whom we enter into investment agreements. During the term of these agreements, principal and interest are at risk, especially from certain early investment agreements which do not contain collateralization requirements. A portion of the ERA is allocated to provide liquidity to meet debt service obligations in the event of financial difficulties with an investment agreement until such time as the funds can be withdrawn from the investment accounts.

Self-Insured Earthquake Coverage:

To provide affordable single family housing in high-cost regions of the state, CalHFA petitioned the rating agencies to allow a higher percentage of loans to be made for purchasers of condos. The rating agencies agreed, but only if the Agency established a non-bond reserve of 1% of the loan amount for all condo loans made in earthquake zone areas. The Agency has a total of $1.2 billion of loans on condos in its portfolio. The Agency maintains a 1% reserve for new and resale condos in a Supplementary Reserve Account for $12 million.

The Agency has also obtained earthquake and flood insurance for its multifamily portfolio with a 5% deductible. If called upon, the deductible of $2.5 million (calculated on the probable maximum loss of $50 million) is available in this account.

Asset Management:

Various multifamily properties may have maintenance and debt service shortfalls due to a variety of factors. The Agency may be called upon at any time to meet certain funding needs (i.e., property taxes, utilities, workouts, etc.). A reserve of $3 million is a reasonable liquidity amount given the size of the Agency's growing multifamily loan portfolio, now totaling $1.4 billion of unpaid principal balance.

Operating Account:

The Operating Account accounts for $34 million of the Agency's equity at September 30. This equity is restricted for meeting the Agency's capital adequacy and general obligation requirements, as well as funding the Agency's operating budget and financing reserves.

Business Plan Assumptions:

Cashflow analyses of the Agency's bond programs are again this year being prepared for the purpose of determining the financial strength of these programs. While these cashflow analyses are being prepared primarily for review by the credit rating agencies, they will also be used by the Agency to analyze the current equity position of any program and to forecast future net revenues under different interest rate scenarios. Applying the factors influencing restrictions of the Agency's equity, the resulting analysis quantifies the amount of restricted equity which could be reinvested in support of new or expanded programs as described in the Business Plan and projects the timing of such reinvestment opportunities.

Implementation of the Five-Year Business Plan as presented in this summary is dependent upon realization of the underlying assumptions. The plan is intended, however, to remain flexible in the event that actual events differ from these assumptions.

Major Assumptions:

- Origination of $7.5 billion of new home loans to be financed with a combination of tax-exempt and taxable bonds.

- Commitments of $1.5 billion of multifamily loans to be financed with agency general obligation, issued as either tax-exempt or taxable bonds.
- Insurance of approximately $4.2 billion of mortgages.
- Sufficient Private Activity Bond (PAB) allocation. In the out years of the Plan, increasing amounts of PAB may be required if our opportunity to recycle prior single family allocation by means of replacement refundings or direct purchase of replacement loans. Recycling opportunities may decline because of the delayed effect of certain prior changes to federal tax law.
- Continued ability to rely on variable rate financing structures (both swapped and unswapped) to achieve interest rate savings. If bank liquidity for put bonds becomes unavailable, other variable rate structures (auction or indexed bonds) would need to be cost effective.
- Agency fund balances are adequate over the life of the Plan to maintain capital reserve requirements related to credit adjustments, real estate losses and Agency general obligations.

<u>Other Assumptions:</u>

Several other programmatic and financial assumptions were made to arrive at the projections comprising the Agency's Five-Year Business Plan. The following is a summary of such assumptions:

- Home loan portfolio maintains its current delinquency ratio and REO experience.
- Capital reserve requirements for multifamily loans can be reduced through risk-sharing agreements and as a result of continued low delinquency and default rates.
- Homeownership prepayments to be received according to the following table:

MORTGAGE RATES	% OF PSA RATE
Below 4.00%	100%
4.00% - 4.99%	157%
5.00% - 5.99%	323%
6.00% - 6.99%	541%
7.00% - 7.99%	503%

- Average investment rate in the absence of investment agreements to equal one month LIBOR.
- Obtain adequate salary levels to recruit and retain qualified individuals to perform at the level necessary to maintain our bond ratings.
- Financial strength of the entire multifamily portfolio to remain at the current level.
- Interest rates remain sufficiently low during the life of the Plan so that significant economic savings can continue to be generated by means of variable-rate bond strategies, especially when applied to the refunding of prior bonds.
- Operating budget is assumed to increase an average of 5% per year.
- Relatively stable California real estate valuations.
- No unexpected insurance losses.
- No principal losses from investments.
- No failures of swap counterparties or unanticipated swap termination events.
- Only minor changes in the value of the federal tax exemption.

State of California

MEMORANDUM

To: **CalHFA Board of Directors** **Date:** May 10, 2006

From: Theresa A. Parker, Executive Director TAP
CALIFORNIA HOUSING FINANCE AGENCY

Subject: CalHFA Five-Year Business Plan -- Resolution 06-13

I am especially pleased to offer, for your consideration, the 14th annual CalHFA Five-Year Business Plan (2006/07 to 2010/11) and a resolution for its adoption. This Plan proposes historic goals and objectives for all three program areas (Homeownership, Mortgage Insurance and Multifamily Rental). This Business Plan is not about just increased numbers of loans and insurance; it's about major initiatives in our three program areas. Specifically, it proposes new terms and lending programs in our multifamily lending programs, new initiatives in the Homeownership and Mortgage Insurance areas, including a potential partnership with Fannie Mae, and the opportunity to house CalHFA Sacramento staff in one headquarters building. All of our lending goals are predicated on the need for initiatives in the Information Technology area, benchmarking more of today's technology.

The Business Plan assumes the ability to recruit and retain qualified senior executives to lead the Agency's programs and meet these business goals. In addition, while our computer systems are adequate, we must constantly challenge ourselves to improve them and maintain pace with our private sector partners. We intend to streamline our reservation and loan application processes, while moving to an all-electronic processing environment within the Agency.

The Business Plan presented to the Board in May is consistent with my presentation to the Board in March and is consistent with the Board's philosophies as received throughout the past year. The Plan will be utilized as a road map for staff and for the Board to measure our performance as we carry out the Agency's mission to "finance below-market rate loans to create safe, decent, and affordable rental housing and to assist first-time homebuyers in achieving the dream of home ownership."

The updated plan proposes total activity of $14 billion of housing-related economic activity over the next five years. This activity includes $8 billion of new home mortgages, $4.2 billion of mortgage insurance activity, and $1.8 million in multifamily lending. The new construction that will be stimulated over this five-year period will aid the State's economic growth and help support the creation of over 75,000 new jobs.

In addition to the activities outlined in the plan, new housing opportunities can be expected to present themselves throughout the five-year plan period. As in previous years, the staff intends to respond dynamically (within resource constraints) to these market opportunities as they emerge and bring them to the Board at the appropriate time.

Please join me recognizing the incredible job that the CalHFA staff has accomplished over the last several years – historic lending programs in Homeownership and Mortgage Insurance, extremely complex deals in Multifamily like the Bay Area Housing Plan, and behind the scenes work of Financing, Marketing, Legal, Asset Management, Administration, Information Technology, Legislation, Fiscal Services, Special Lending and Loan Servicing.

Your approval of Resolution 06-13, adopting the 14th CalHFA Business Plan is requested.

Report to the Board of Directors
Five-Year Business Plan

May 2006

Cal HFA
Affordable Housing is our Business

Overview

- Major Agency Accomplishment During 2005/2006
  - Exceeded a Number of Goals
- Overview of the Five-Year Business Plan
  - Adoption of the Business Plan Proposed at the March Board Meeting
  - A $14 Billion Five-Year Plan
- Major Initiatives for 2006/2007
  - Partnership with FNMA
  - Bay Area Housing Plan
  - IT Initiatives
  - Headquarters Building
- Challenge
  - Recruiting Senior Executives

Program Loan Activity Overview

CalHFA Business Plan 2006/2007
Program Loan Initiatives
Production Levels

	Program Budget	HAT Budget	HAT Expected Utilization
Homeownership 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 Gap Substitute	10,000,000	10,000,000	6,000,000
*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
Special Lending Programs:			
*Locality Programs (HELP/RDLP)**	35,000,000	15,000,000	15,000,000
Small Business Development	1,000,000	1,000,000	1,000,000
Habitat for Humanity	5,000,000	5,000,000	5,000,000
Total:	$92,500,000	$72,500,000	$65,000,000

*To be funded from two sources in 2006/2007: $15 million from HAT for the HELP Program and $20 million from Proposition 46 (RDLP).
**Carry forward amount from 2005/2006 Business Plan – Financial Institutions (CDFI).

Homeownership and Special Programs

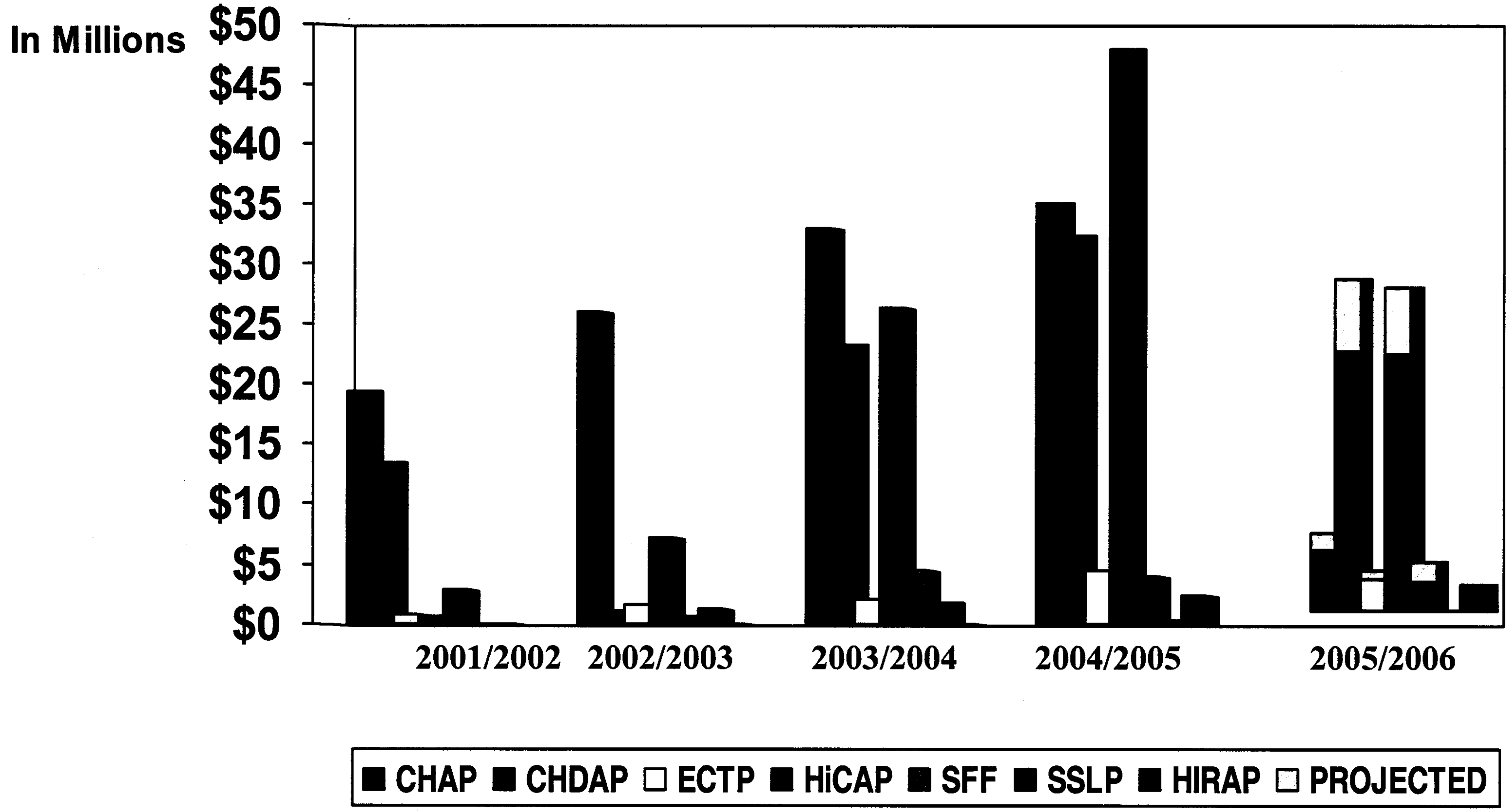
CalHFA[SM]

Affordable Housing is our Business

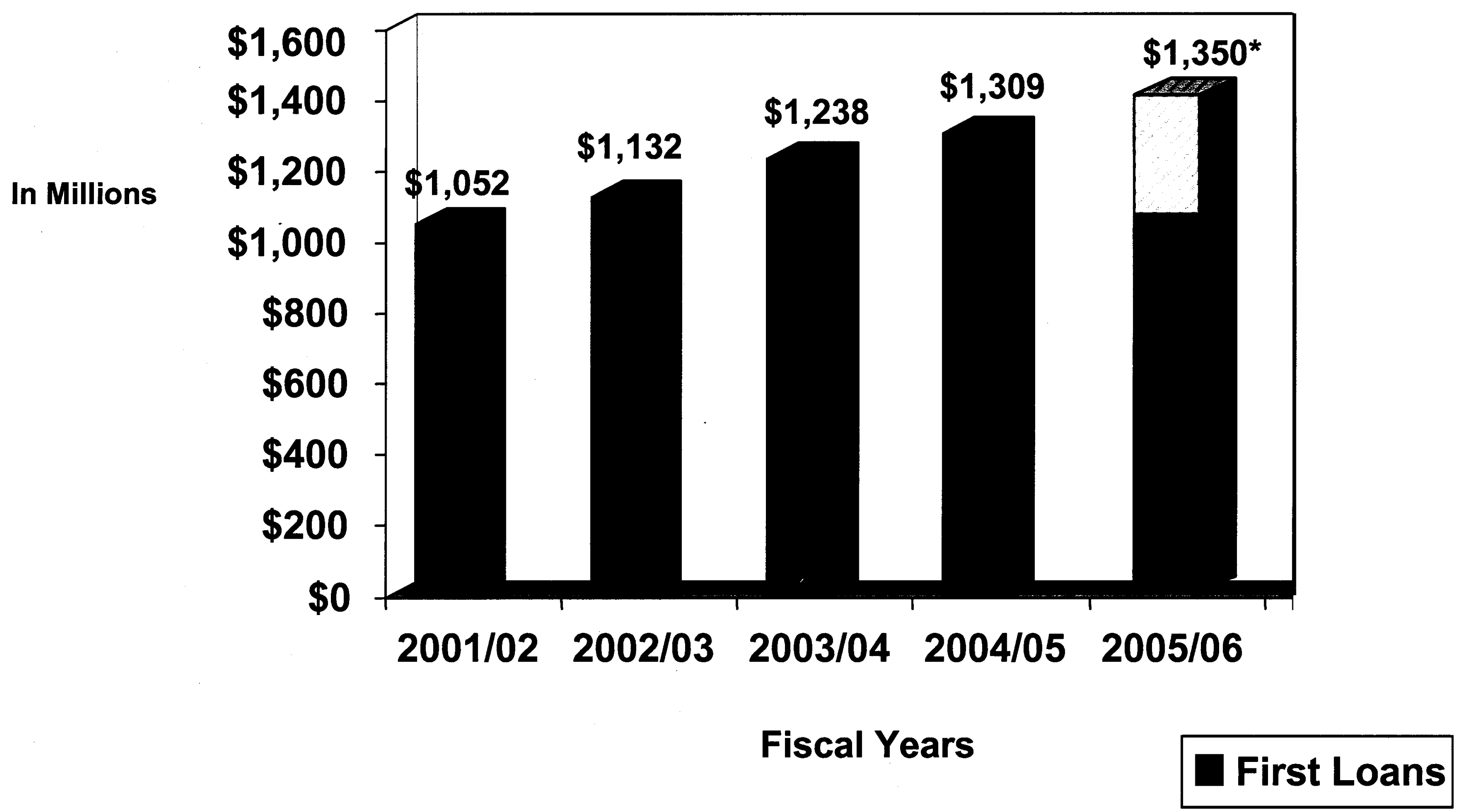
Accomplishments

- Loan purchases projected to exceed the 2005/2006 goal of $1.2 billion by at least $150 million
- High market acceptance of the 100% LTV 35-year *interest only* PLUS^{SM} mortgage
- Introduced the 100% LTV 40-Year Fixed Mortgage in March 2006
- Increased outreach efforts by expanding lender training staff
- Continued to serve low income borrowers with 43% of loans made to first-time homebuyers with incomes below 80% of Area Median Income
- AHPP expanded to include 387 programs offered by 240 localities

Homeownership Special Programs Loan Purchases

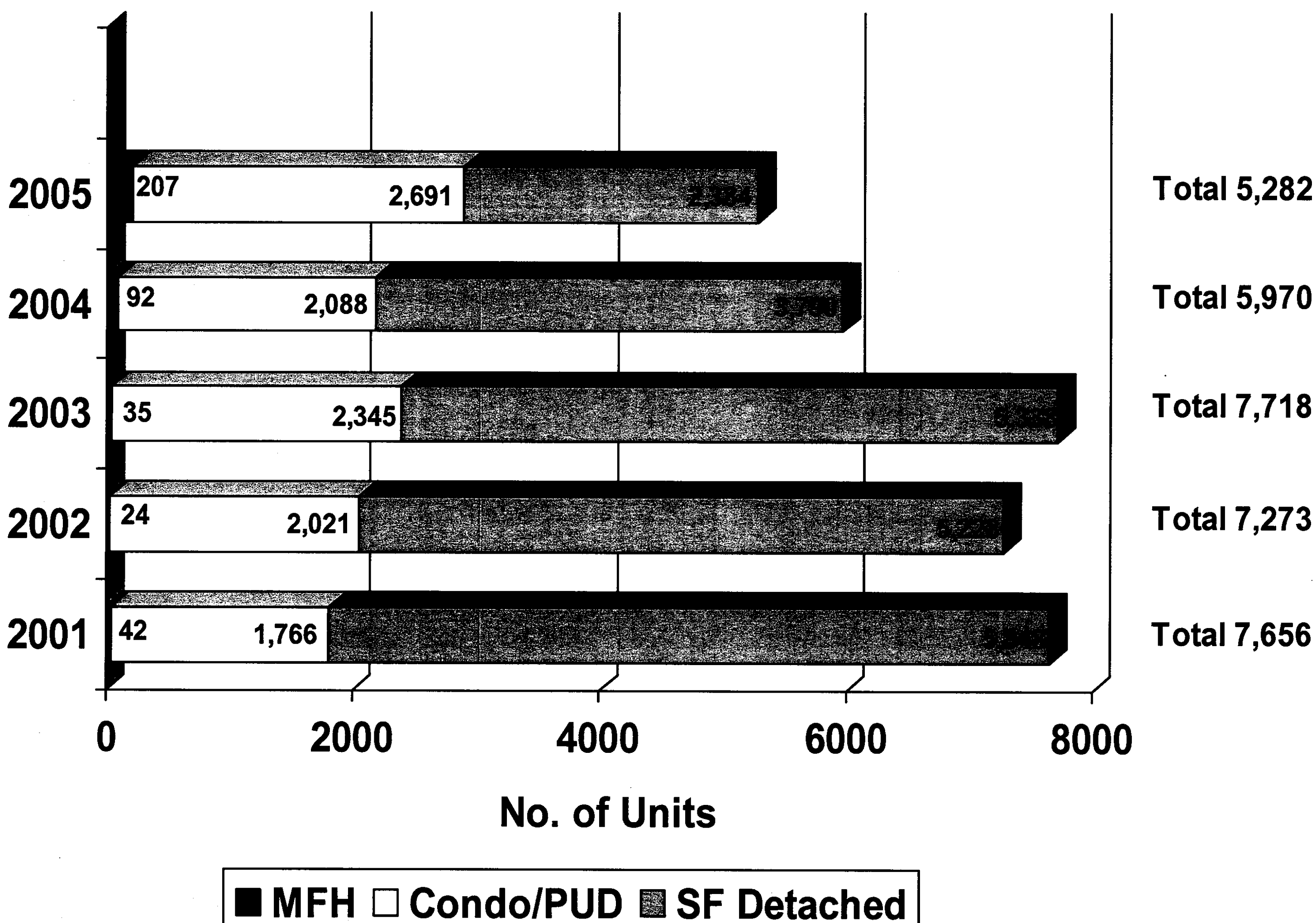


Homeownership First Loans

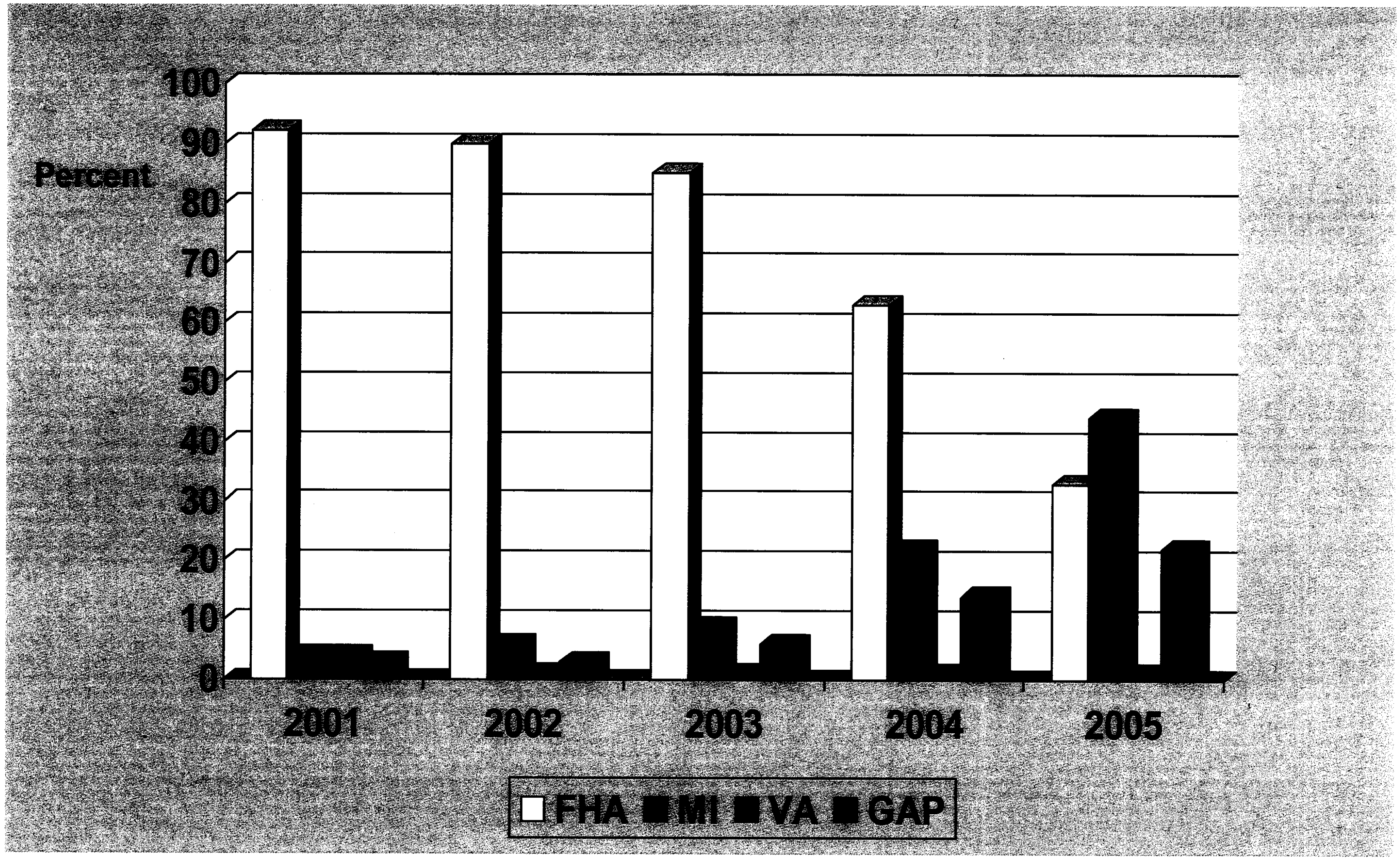


*Projected volume for 2005/2006 (As of 3/31/06 - $1,020 million.)

Property Type by Units
(Calendar Years)

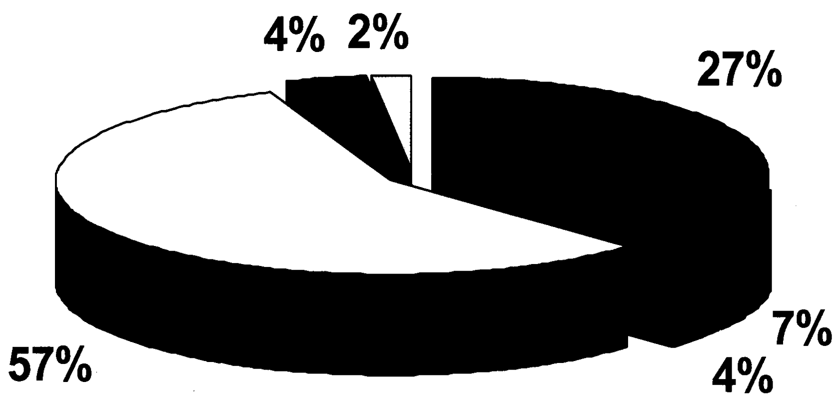


Percent of Loans by Insurance Type
(Calendar Years)

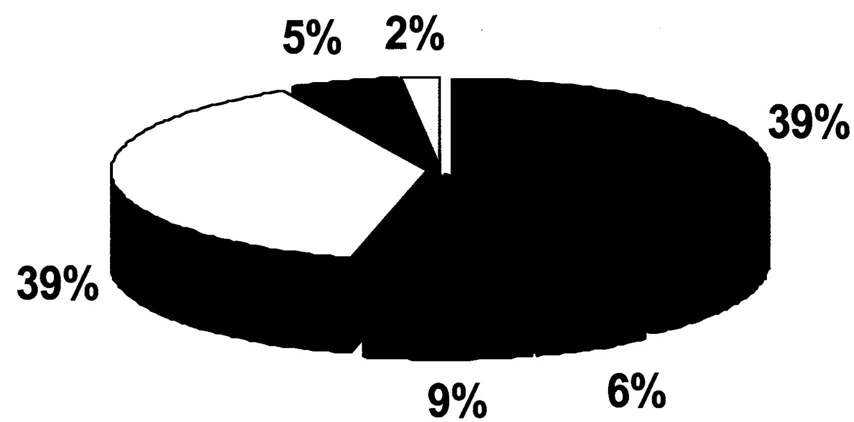


Diversity Lending

Calendar Year 2002



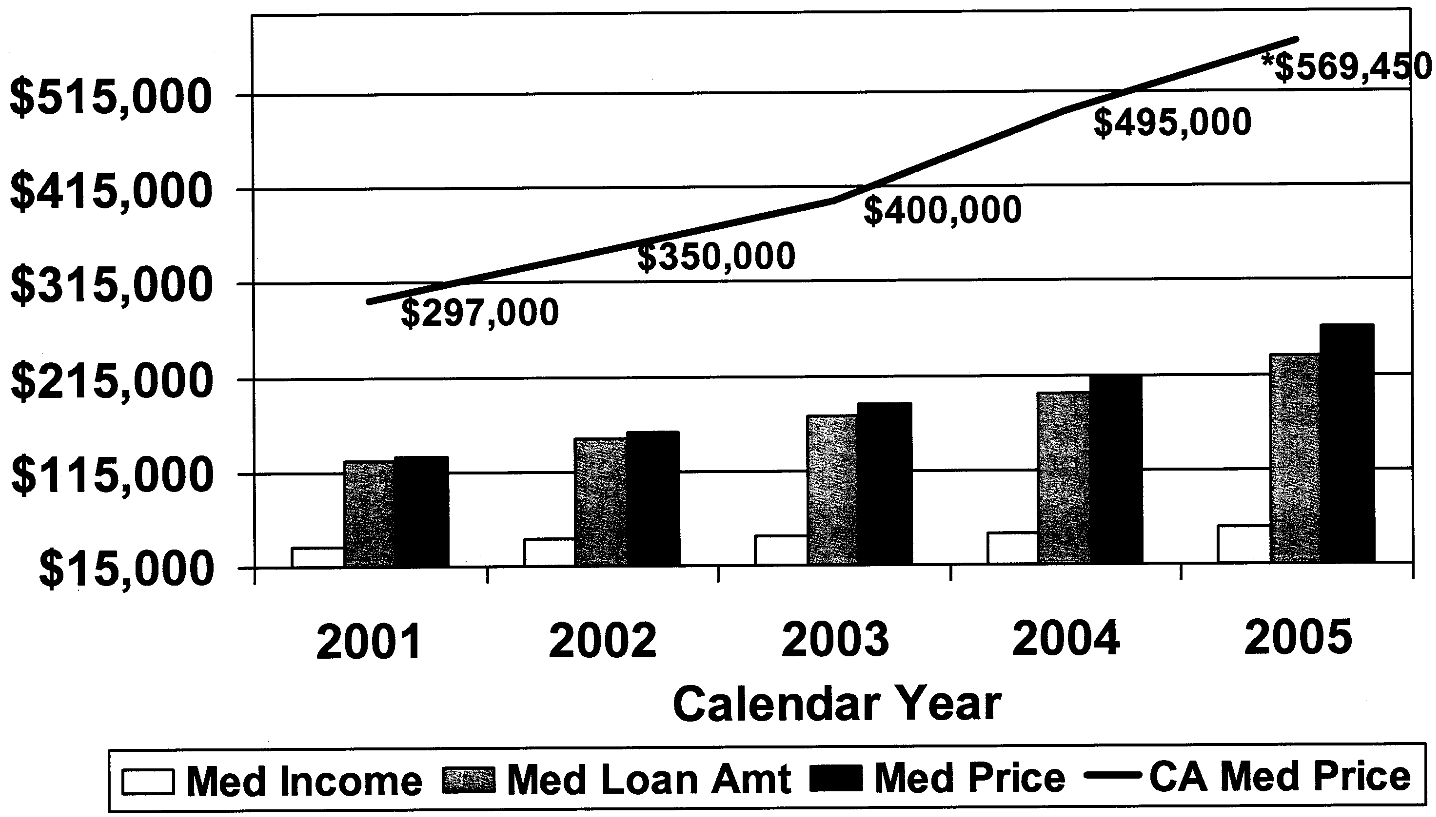
Calendar Year 2005



■ White ■ Black ■ Asian
□ Hispanic ■ Other □ Unknown

*May not total 100% due to rounding.

Comparison
Median Income to California Sales Price



*Source: California Realtor's Association

Prop. 46 Homeownership Assistance Funds
(in Millions)

Program	Start Date	Prop. 46 Funds	Disbursed as of 3/31/06	Pipeline	Balance
CHDAP	01/29/2003	$111.60	$79.66	$14.88	$50.55
ECTP	07/01/2003	$23.75	$9.46	$1.04	$15.33
SFF	02/26/20003	$47.50	$11.28	$0.55	$36.77
HIRAP	02/26/2003	$11.90	$4.32	$0.14	$4.32
RDLP	TBD	$75.00*	$0.00	$0.00	$0.00

CHDAP = California Homebuyer's Downpayment Assistance Program
ECTP = Extra Credit Teacher Program
SFF = School Facility Fee Down Payment Assistance Program
HIRAP = Homeownership In Revitalization Areas Program
RDLP = Residential Development Loan Program
*2005 Legislation transferred these dollars from Mortgage Insurance effective 1/1/06. New bond legislation includes an additional $100 million.

Homeownership
New Strategies

- Identify loan officers who promote CalHFA financing; support and assist them in serving their prospects and borrowers
- Expand HiCAP to ALL High Cost Areas in the state to improve geographic distribution of assistance
- Provide training to loan officers, processors, shippers and brokers to support lenders producing CalHFA loans
- Research opportunities for an MBS program/ partnership with FNMA

Homeownership
New Strategies (cont.)

- Implement a lead generation program which will direct telephone leads to loan officers who have a track record writing CalHFA loans
- Feature loan officers on CalHFA web site, by area served, to help generate telephone leads
- Utilize marketing and media resources to help generate telephone leads
- Replace the existing Loan Reservation System (LAS) with a web-based system that fully integrates all facets of CalHFA's loan purchase process

Five-Year Plan
(in Millions)

Program	2006/07	2007/08	2008/09	2009/10	2010/11	5-Year Totals
1st Loans	$1,500.0	$1,500.0	$1,500.0	$1,500.0	$1,500.0	$7,500.0
SHBAP	2.5	2.5	2.5	2.5	2.5	12.5
CHAP	6.5	6.5	6.5	6.5	6.5	32.5
HiCAP	28.5	28.5	28.5	28.5	28.5	142.5
Prop. 46						
CHDAP	34.5	34.5	34.5	34.5	34.5	172.5
HIRAP	2.4	1.6	*	*	*	4.0
ECTP	6.6	6.6	0.8	*	*	14.0
SFF	4.3	4.5	4.8	5.0	5.3	23.9
Totals	**$1,585.3**	**$1,584.7**	**$1,577.6**	**$1,577.0**	**$1,577.3**	**$7,901.9**

*Production goals are anticipated to be met by as yet to be identified programs and products that maximize production within available HAT funds for down payment assistance programs.

Mortgage Insurance Services

Cal HFA℠
Affordable Housing is our Business

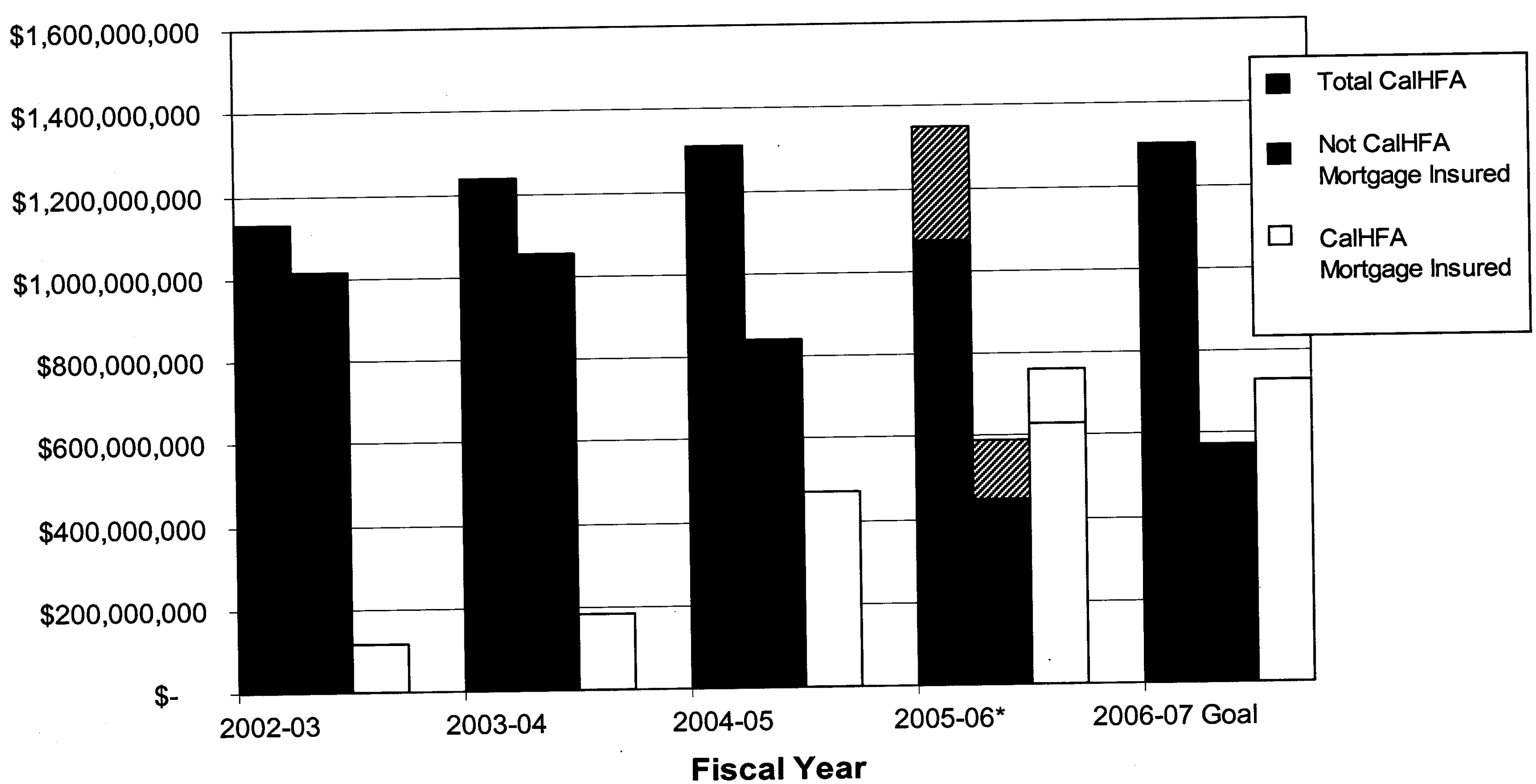
Accomplishments

- New Mortgage Insurance will exceed goal by $251 million – 152 percent of goal
- Reduced mortgage insurance coverage from 50% to 35%
- Introduced HomeOpeners®, a Mortgage Protection Program
- Helped develop and insure CalHFA 100% LTV loans
- Helped develop and insure CalHFA *interest only* PLUS℠

*"HomeOpeners" is a registered trademark of Genworth Mortgage Holdings, LLC.

CalHFA Mortgage Insurance Distribution

CalHFA Mortgage Insurance Portion of CalHFA Loan Production



*Data as of 4/14/2006

Mortgage Insured Portfolio
(As of May 5, 2006)

- Insurance in force \$1.3 billion - 5,495 loans
- Risk in force \$561 million (\$420 million reinsured)
- Delinquency rate less than 1%
- No claims paid in three years
- 100% LTV loans increased to 52% YTD from 30% in 2005
- Condominiums increasing share

Loan Characteristics

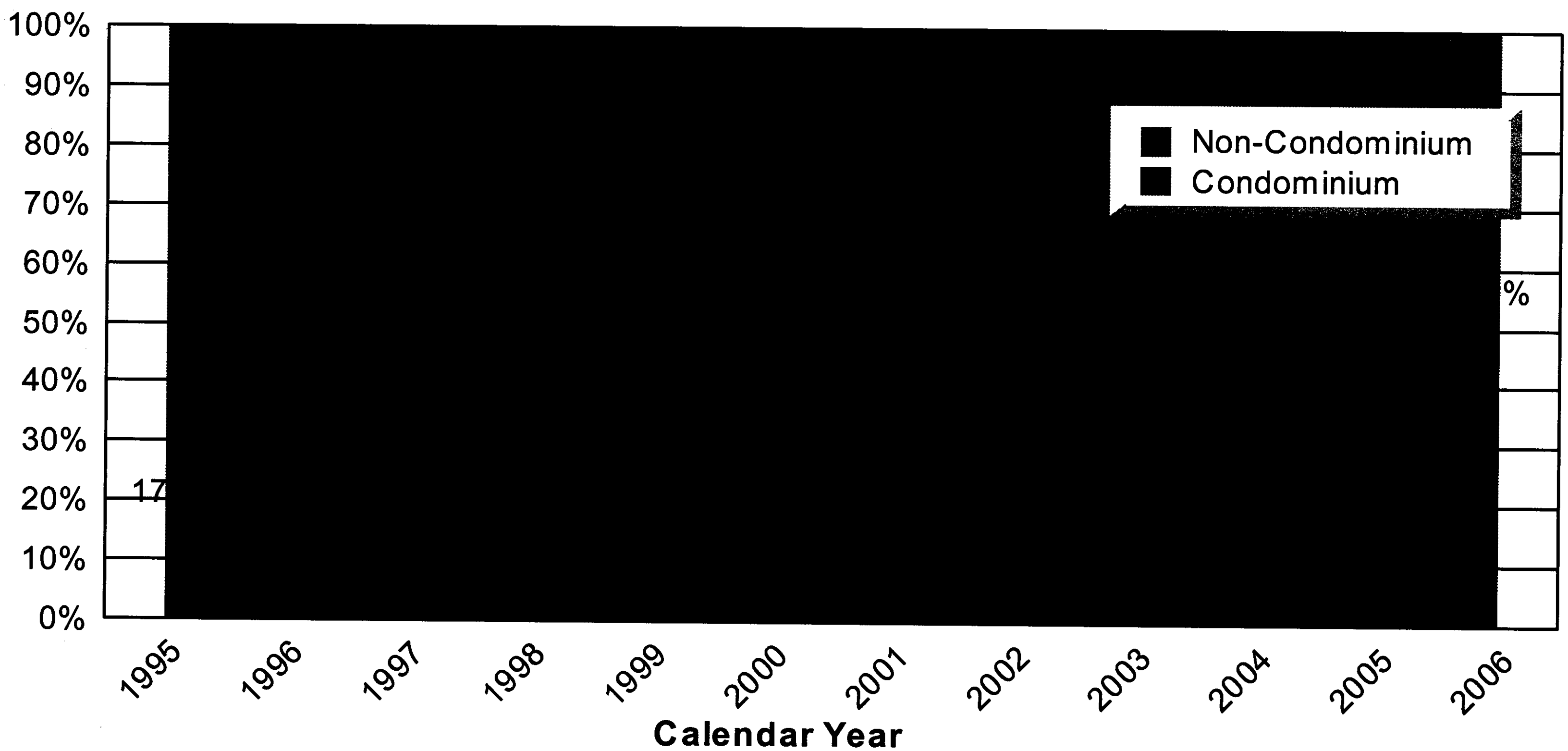
CalHFA Purchased Loan Characteristics
Fiscal Year-to-Date Through 4/14/2006

	Average Purchase Price	Average Loan Amount	Average Loan-to-Value	Average Household Income	Average FICO Score	% FYTD
30-Year Conventional	$320,817	$266,415	83.58%	$62,914	719	43%
interest only PLUS^{SM}	$295,732	$278,069	94.68%	$59,768	702	39%
FHA	$226,355	$212,664	93.96%	$49,316	673	18%

Historic Condominium Production

CalHFA Purchased Loans

Percent of Total Units



1/1/1995 Through 4/14/2006

Mortgage Insurance
New Strategies

- $840 million Mortgage Insurance goal for CalHFA loans
- Improve Mortgage Insurance business processes
- Develop Mortgage Insurance business opportunities

Multifamily Programs

Cal HFA[SM]

Affordable Housing is our Business

Accomplishments

- Projected to close 46 Multifamily loans for approximately $418 million, representing 3,750 units of housing. This dollar volume represents the highest total for Multifamily in the history of the Agency.
- Continued focus on the construction lending program to complement our successful permanent loan program. (Currently 24 construction projects totaling $312 million under construction)

Accomplishments (cont.)

- Bay Area Housing Plan is approved for $45 million in special financing for housing for developmentally disabled.
- Funded three special needs projects this fiscal year, providing 119 units in permanent supportive housing. Total financing committed to these projects is $34.7 million.

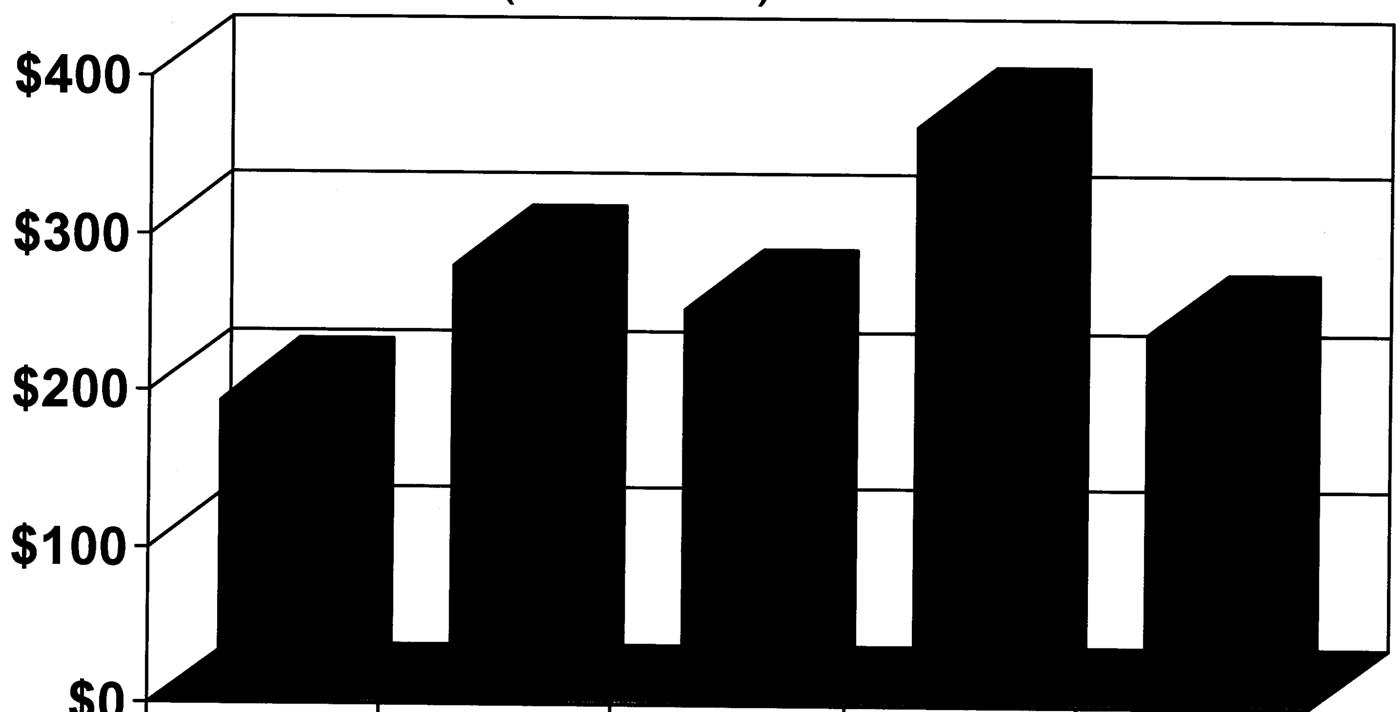
Accomplishments (cont.)

- Joined with the Department of Housing and Community Development (HCD) and the Department of Mental Health (DMH) to implement the Governor's Homelessness Initiative. Under this initiative, CalHFA provides construction financing for projects serving the chronically homeless, with HCD providing permanent financing and DMH providing funding for support services.

- Began creation and implementation of a new Multifamily database and integrated underwriting system called ProLink. ProLink includes a document management system and is expected to be launched within the Agency in mid Fiscal Year 2006/2007.

Committed Loans

Construction and Permanent
(in Millions)

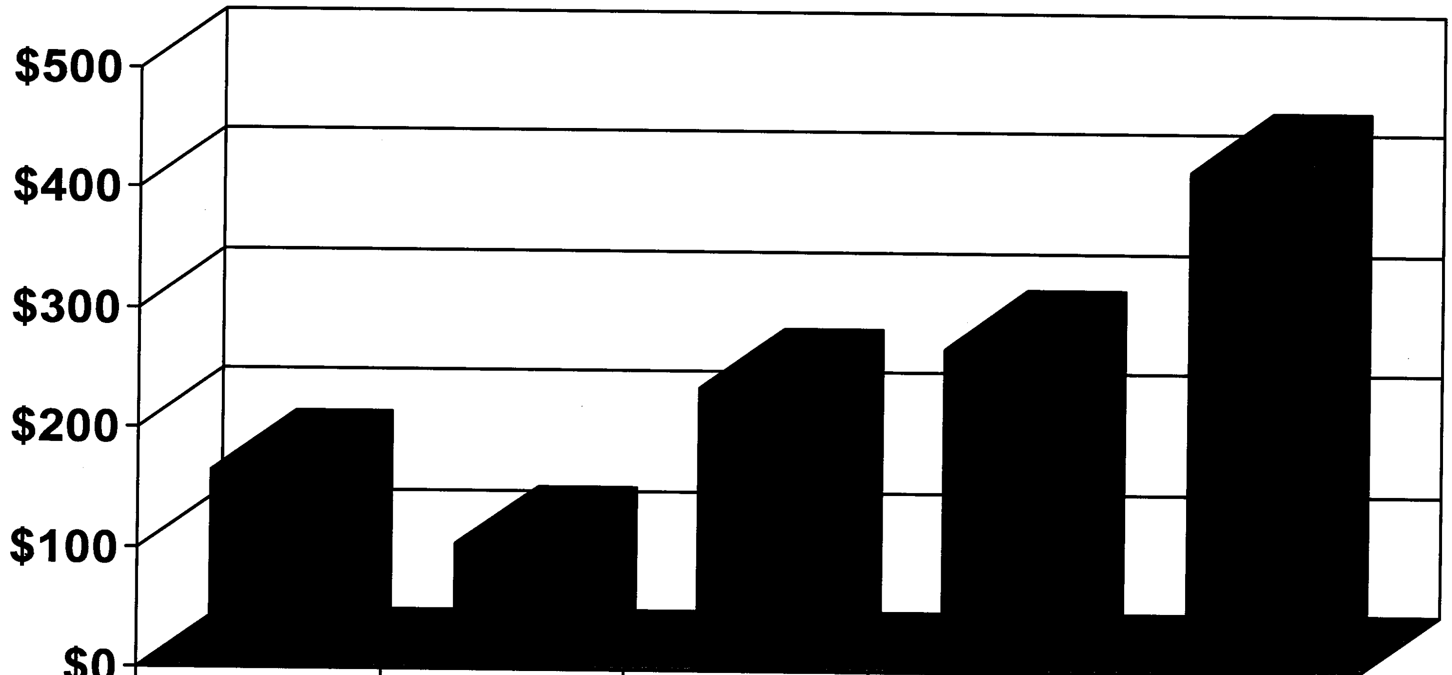


	2001/02	2002/03	2003/04	2004/05	2005/06
■ Construction	$95.4	$62.4	$149.0	$174.0	$108.20
■ Permanent	$98.9	$218.1	$104.0	$196.0	$129.80

Fiscal Years

Closed Loans

Construction and Permanent
(in Millions)



	2001/02	2002/03	2003/04	2004/05	2005/06
Construction	$61.6	$28.0	$97.3	$142.1	$156.30
Permanent	$103.2	$76.3	$138.3	$127.3	$261.70

Fiscal Years

Multifamily Lending
New Strategies

- Introduce a 30-year fully amortized permanent loan, with a prepayment option after year 15, to match the financial needs of Low Income Housing Tax Credit developments
- Collaborate with state, local housing, and social service agencies to construct affordable supportive housing for special needs populations
- Update the Architectural Review process
- Complete implementation of the new database program

Five-Year Plan
(in Millions)

MULTIFAMILY PROGRAMS	2006/07	2007/08	2008/09	2009/10	2010/11	5 Yr. Total
Permanent Loans	$70.0	$85.0	$100.0	$100.0	$100.0	$455.0
Construction Loans	$170.0	$200.0	$225.0	$250.0	$250.0	$1,095.0
Bay Area Housing Plan	$75.0	$0	$0	$0	$0	$75.0
Preservation Acquisition & Preservation Opportunity	$5.0	$7.0	$1.0	$1.0	$1.0	$15.0
AHP Gap Substitute	$10.0	$10.0	$5.0	$5.0	$5.0	$35.0
Homeless/Special Needs Program	$10.0	$0	$0	$0	$0	$10.0
Asset Management Portfolio Assistance	$4.0	$4.0	$4.0	$4.0	$4.0	$20.0
Total Multifamily Programs	**$344.0**	**$306.0**	**$335.0**	**$360.0**	**$360.0**	**$1,705.0**

Asset Management

CalHFA

Affordable Housing is our Business

Accomplishments

- Monitored compliance of 428 properties including 33,163 units with a $1.4 billion outstanding loan amount
  - Generated $1.5 million/year administrative fees for serving as HUD Contract Administrator
- Loan modification: Light Tree including 94 family units in Palo Alto
- Transfers of Physical Assets (TPA)
- Restructured Section 8 portfolio
- New Hires: Filled six vacant positions, increasing staff by 26%

Asset Management
New Strategies

- Section 8 work group established to examine refinancing and recapitalization alternatives for Agency's Section 8 portfolio
- Capital Improvement Loan Program for 80/20 properties
- HUD Earned Surplus funds loaned/authorized in 2005/2006 for Section 8 properties
- REO sales – five Agency-owned properties

Special Lending Programs

Cal HFA℠
Affordable Housing is our Business

Accomplishments

- The HELP Program marked its eighth year with a total $150 million in allocated commitments to 103 localities (approx. 18,000 units) with an additional $10 million 2005/2006 funding announced in March
- Launched the Habitat for Humanity Loan Purchase Program with commitments to seven Habitat for Humanity affiliates, approximately $3 million for 44 loans
- Issued Small Business Loan commitments to two developers for a total of $600,000
- Met with focus groups and currently working on final design of the Residential Development Loan Program
  - Expect to initiate first funding announcement before end of current Fiscal Year

Special Lending Program
New Strategies

- New Program - Residential Development Loan Program (Loan to locality for site acquisition/predevelopment of infill for-sale affordable housing)
  - $10 million funding announcement at end of 2005/2006
  - Two $10 million funding rounds in 2006/2007
  - New bond legislation contains an additional $100 million
- HELP Program
  - Two $7.5 million funding rounds in 2006/2007
- Habitat for Humanity Loan Purchase Program
  - $5 million funding round in 2006/2007

Five-Year Plan
(in Millions)

	2006/07	2007/08	2008/09	2009/10	2010/11	5 Year Total
HELP Program	$ 15.0	$ 15.0	$ 15.0	$ 15.0	$ 15.0	$ 75.0
Small Business Loan Program	$ 1.0	$ 1.0	$ 1.0	$ 1.0	$ 1.0	$ 5.0
Habitat for Humanity Loan Purchase Program	$ 5.0	$ 5.0	$ 5.0	$ 5.0	$ 5.0	$ 25.0
Residential Development Loan Program	$ 20.0	$ 20.0	$ 25.0	$ 0	$ 0	$ 65.0
Total Special Lending Programs	**$41.0**	**$41.0**	**$46.0**	**$21.0**	**$21.0**	**$170.0**