

California Housing Finance Agency

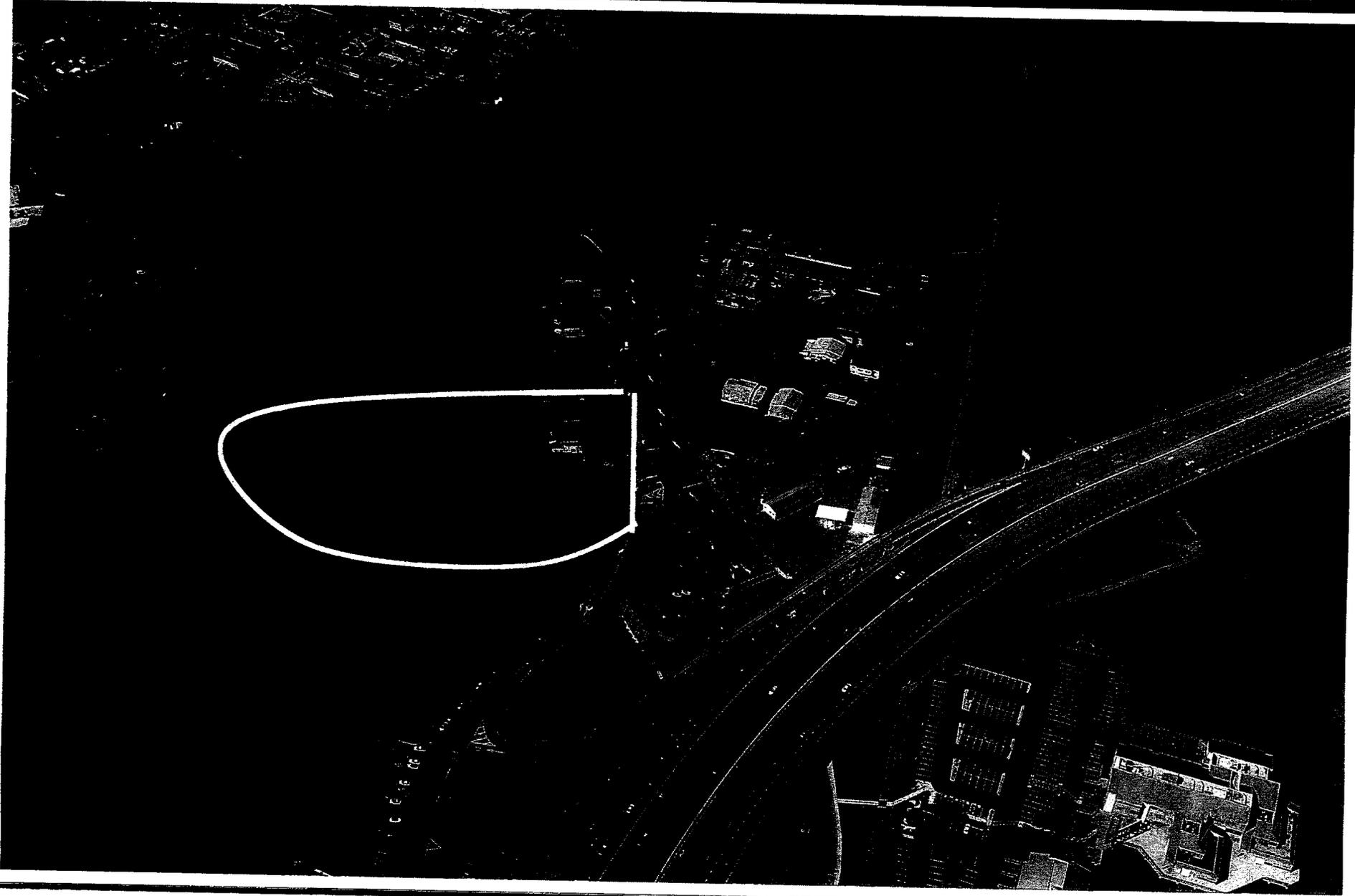
# Fireside Apartments

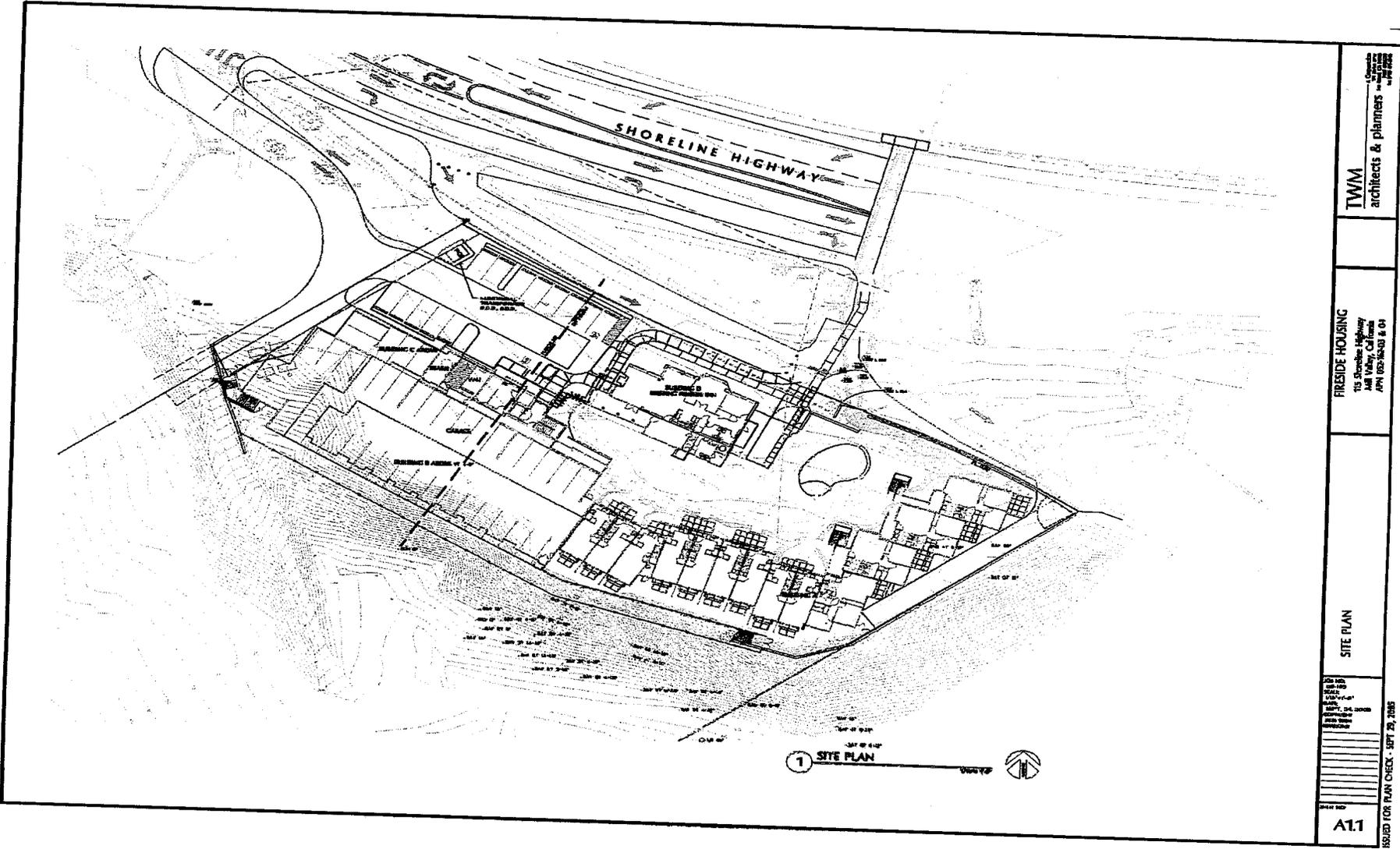
**Cal HFA™**  
*Affordable Housing is our Business*

**Fireside Apartments**



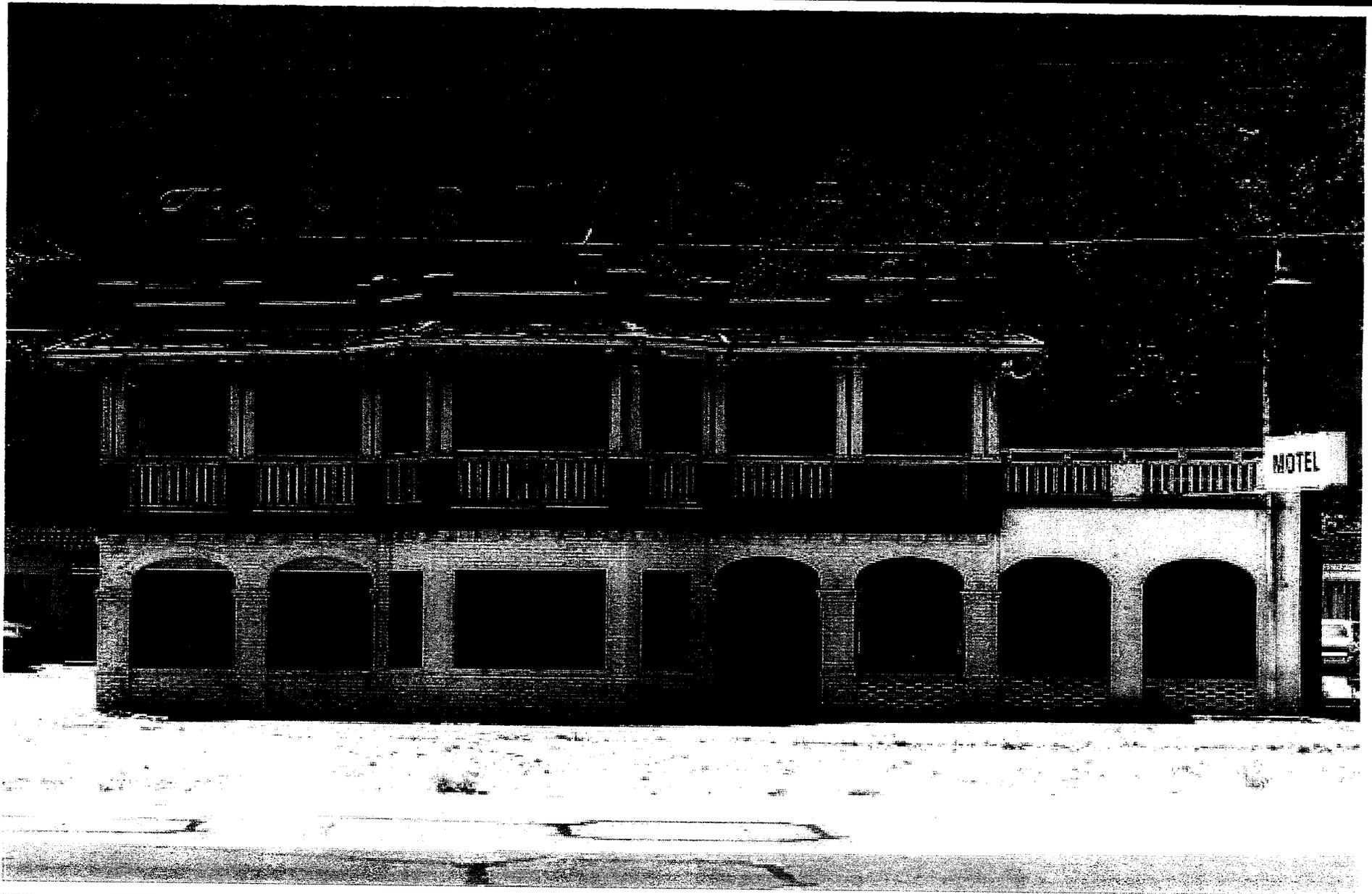
Fireside Apartments





ISSUED FOR PLAN CHECK - SEP 29, 2005
DATE
BY
REVISION
NO. 1
DATE
BY
REVISION
NO. 2
DATE
BY
REVISION
NO. 3
DATE
BY
REVISION
NO. 4
DATE
BY
REVISION
NO. 5
DATE
BY
REVISION
NO. 6
DATE
BY
REVISION
NO. 7
DATE
BY
REVISION
NO. 8
DATE
BY
REVISION
NO. 9
DATE
BY
REVISION
NO. 10
DATE
BY
REVISION
NO. 11
DATE
BY
REVISION
NO. 12
DATE
BY
REVISION
NO. 13
DATE
BY
REVISION
NO. 14
DATE
BY
REVISION
NO. 15
DATE
BY
REVISION
NO. 16
DATE
BY
REVISION
NO. 17
DATE
BY
REVISION
NO. 18
DATE
BY
REVISION
NO. 19
DATE
BY
REVISION
NO. 20
DATE
BY
REVISION
NO. 21
DATE
BY
REVISION
NO. 22
DATE
BY
REVISION
NO. 23
DATE
BY
REVISION
NO. 24
DATE
BY
REVISION
NO. 25
DATE
BY
REVISION
NO. 26
DATE
BY
REVISION
NO. 27
DATE
BY
REVISION
NO. 28
DATE
BY
REVISION
NO. 29
DATE
BY
REVISION
NO. 30
DATE
BY
REVISION
NO. 31
DATE
BY
REVISION
NO. 32
DATE
BY
REVISION
NO. 33
DATE
BY
REVISION
NO. 34
DATE
BY
REVISION
NO. 35
DATE
BY
REVISION
NO. 36
DATE
BY
REVISION
NO. 37
DATE
BY
REVISION
NO. 38
DATE
BY
REVISION
NO. 39
DATE
BY
REVISION
NO. 40
DATE
BY
REVISION
NO. 41
DATE
BY
REVISION
NO. 42
DATE
BY
REVISION
NO. 43
DATE
BY
REVISION
NO. 44
DATE
BY
REVISION
NO. 45
DATE
BY
REVISION
NO. 46
DATE
BY
REVISION
NO. 47
DATE
BY
REVISION
NO. 48
DATE
BY
REVISION
NO. 49
DATE
BY
REVISION
NO. 50
DATE
BY
REVISION
NO. 51
DATE
BY
REVISION
NO. 52
DATE
BY
REVISION
NO. 53
DATE
BY
REVISION
NO. 54
DATE
BY
REVISION
NO. 55
DATE
BY
REVISION
NO. 56
DATE
BY
REVISION
NO. 57
DATE
BY
REVISION
NO. 58
DATE
BY
REVISION
NO. 59
DATE
BY
REVISION
NO. 60
DATE
BY
REVISION
NO. 61
DATE
BY
REVISION
NO. 62
DATE
BY
REVISION
NO. 63
DATE
BY
REVISION
NO. 64
DATE
BY
REVISION
NO. 65
DATE
BY
REVISION
NO. 66
DATE
BY
REVISION
NO. 67
DATE
BY
REVISION
NO. 68
DATE
BY
REVISION
NO. 69
DATE
BY
REVISION
NO. 70
DATE
BY
REVISION
NO. 71
DATE
BY
REVISION
NO. 72
DATE
BY
REVISION
NO. 73
DATE
BY
REVISION
NO. 74
DATE
BY
REVISION
NO. 75
DATE
BY
REVISION
NO. 76
DATE
BY
REVISION
NO. 77
DATE
BY
REVISION
NO. 78
DATE
BY
REVISION
NO. 79
DATE
BY
REVISION
NO. 80
DATE
BY
REVISION
NO. 81
DATE
BY
REVISION
NO. 82
DATE
BY
REVISION
NO. 83
DATE
BY
REVISION
NO. 84
DATE
BY
REVISION
NO. 85
DATE
BY
REVISION
NO. 86
DATE
BY
REVISION
NO. 87
DATE
BY
REVISION
NO. 88
DATE
BY
REVISION
NO. 89
DATE
BY
REVISION
NO. 90
DATE
BY
REVISION
NO. 91
DATE
BY
REVISION
NO. 92
DATE
BY
REVISION
NO. 93
DATE
BY
REVISION
NO. 94
DATE
BY
REVISION
NO. 95
DATE
BY
REVISION
NO. 96
DATE
BY
REVISION
NO. 97
DATE
BY
REVISION
NO. 98
DATE
BY
REVISION
NO. 99
DATE
BY
REVISION
NO. 100
DATE
BY
REVISION
NO. 101
DATE
BY
REVISION
NO. 102
DATE
BY
REVISION
NO. 103
DATE
BY
REVISION
NO. 104
DATE
BY
REVISION
NO. 105
DATE
BY
REVISION
NO. 106
DATE
BY
REVISION
NO. 107
DATE
BY
REVISION
NO. 108
DATE
BY
REVISION
NO. 109
DATE
BY
REVISION
NO. 110
DATE
BY
REVISION
NO. 111
DATE
BY
REVISION
NO. 112
DATE
BY
REVISION
NO. 113
DATE
BY
REVISION
NO. 114
DATE
BY
REVISION
NO. 115
DATE
BY
REVISION
NO. 116
DATE
BY
REVISION
NO. 117
DATE
BY
REVISION
NO. 118
DATE
BY
REVISION
NO. 119
DATE
BY
REVISION
NO. 120
DATE
BY
REVISION
NO. 121
DATE
BY
REVISION
NO. 122
DATE
BY
REVISION
NO. 123
DATE
BY
REVISION
NO. 124
DATE
BY
REVISION
NO. 125
DATE
BY
REVISION
NO. 126
DATE
BY
REVISION
NO. 127
DATE
BY
REVISION
NO. 128
DATE
BY
REVISION
NO. 129
DATE
BY
REVISION
NO. 130
DATE
BY
REVISION
NO. 131
DATE
BY
REVISION
NO. 132
DATE
BY
REVISION
NO. 133
DATE
BY
REVISION
NO. 134
DATE
BY
REVISION
NO. 135
DATE
BY
REVISION
NO. 136
DATE
BY
REVISION
NO. 137
DATE
BY
REVISION
NO. 138
DATE
BY
REVISION
NO. 139
DATE
BY
REVISION
NO. 140
DATE
BY
REVISION
NO. 141
DATE
BY
REVISION
NO. 142
DATE
BY
REVISION
NO. 143
DATE
BY
REVISION
NO. 144
DATE
BY
REVISION
NO. 145
DATE
BY
REVISION
NO. 146
DATE
BY
REVISION
NO. 147
DATE
BY
REVISION
NO. 148
DATE
BY
REVISION
NO. 149
DATE
BY
REVISION
NO. 150
DATE
BY
REVISION
NO. 151
DATE
BY
REVISION
NO. 152
DATE
BY
REVISION
NO. 153
DATE
BY
REVISION
NO. 154
DATE
BY
REVISION
NO. 155
DATE
BY
REVISION
NO. 156
DATE
BY
REVISION
NO. 157
DATE
BY
REVISION
NO. 158
DATE
BY
REVISION
NO. 159
DATE
BY
REVISION
NO. 160
DATE
BY
REVISION
NO. 161
DATE
BY
REVISION
NO. 162
DATE
BY
REVISION
NO. 163
DATE
BY
REVISION
NO. 164
DATE
BY
REVISION
NO. 165
DATE
BY
REVISION
NO. 166
DATE
BY
REVISION
NO. 167
DATE
BY
REVISION
NO. 168
DATE
BY
REVISION
NO. 169
DATE
BY
REVISION
NO. 170
DATE
BY
REVISION
NO. 171
DATE
BY
REVISION
NO. 172
DATE
BY
REVISION
NO. 173
DATE
BY
REVISION
NO. 174
DATE
BY
REVISION
NO. 175
DATE
BY
REVISION
NO. 176
DATE
BY
REVISION
NO. 177
DATE
BY
REVISION
NO. 178
DATE
BY
REVISION
NO. 179
DATE
BY
REVISION
NO. 180
DATE
BY
REVISION
NO. 181
DATE
BY
REVISION
NO. 182
DATE
BY
REVISION
NO. 183
DATE
BY
REVISION
NO. 184
DATE
BY
REVISION
NO. 185
DATE
BY
REVISION
NO. 186
DATE
BY
REVISION
NO. 187
DATE
BY
REVISION
NO. 188
DATE
BY
REVISION
NO. 189
DATE
BY
REVISION
NO. 190
DATE
BY
REVISION
NO. 191
DATE
BY
REVISION
NO. 192
DATE
BY
REVISION
NO. 193
DATE
BY
REVISION
NO. 194
DATE
BY
REVISION
NO. 195
DATE
BY
REVISION
NO. 196
DATE
BY
REVISION
NO. 197
DATE
BY
REVISION
NO. 198
DATE
BY
REVISION
NO. 199
DATE
BY
REVISION
NO. 200
DATE
BY
REVISION
NO. 201
DATE
BY
REVISION
NO. 202
DATE
BY
REVISION
NO. 203
DATE
BY
REVISION
NO. 204
DATE
BY
REVISION
NO. 205
DATE
BY
REVISION
NO. 206
DATE
BY
REVISION
NO. 207
DATE
BY
REVISION
NO. 208
DATE
BY
REVISION
NO. 209
DATE
BY
REVISION
NO. 210
DATE
BY
REVISION
NO. 211
DATE
BY
REVISION
NO. 212
DATE
BY
REVISION
NO. 213
DATE
BY
REVISION
NO. 214
DATE
BY
REVISION
NO. 215
DATE
BY
REVISION
NO. 216
DATE
BY
REVISION
NO. 217
DATE
BY
REVISION
NO. 218
DATE
BY
REVISION
NO. 219
DATE
BY
REVISION
NO. 220
DATE
BY
REVISION
NO. 221
DATE
BY
REVISION
NO. 222
DATE
BY
REVISION
NO. 223
DATE
BY
REVISION
NO. 224
DATE
BY
REVISION
NO. 225
DATE
BY
REVISION
NO. 226
DATE
BY
REVISION
NO. 227
DATE
BY
REVISION
NO. 228
DATE
BY
REVISION
NO. 229
DATE
BY
REVISION
NO. 230
DATE
BY
REVISION
NO. 231
DATE
BY
REVISION
NO. 232
DATE
BY
REVISION
NO. 233
DATE
BY
REVISION
NO. 234
DATE
BY
REVISION
NO. 235
DATE
BY
REVISION
NO. 236
DATE
BY
REVISION
NO. 237
DATE
BY
REVISION
NO. 238
DATE
BY
REVISION
NO. 239
DATE
BY
REVISION
NO. 240
DATE
BY
REVISION
NO. 241
DATE
BY
REVISION
NO. 242
DATE
BY
REVISION
NO. 243
DATE
BY
REVISION
NO. 244
DATE
BY
REVISION
NO. 245
DATE
BY
REVISION
NO. 246
DATE
BY
REVISION
NO. 247
DATE
BY
REVISION
NO. 248
DATE
BY
REVISION
NO. 249
DATE
BY
REVISION
NO. 250
DATE
BY
REVISION
NO. 251
DATE
BY
REVISION
NO. 252
DATE
BY
REVISION
NO. 253
DATE
BY
REVISION
NO. 254
DATE
BY
REVISION
NO. 255
DATE
BY
REVISION
NO. 256
DATE
BY
REVISION
NO. 257
DATE
BY
REVISION
NO. 258
DATE
BY
REVISION
NO. 259
DATE
BY
REVISION
NO. 260
DATE
BY
REVISION
NO. 261
DATE
BY
REVISION
NO. 262
DATE
BY
REVISION
NO. 263
DATE
BY
REVISION
NO. 264
DATE
BY

# Fireside Apartments

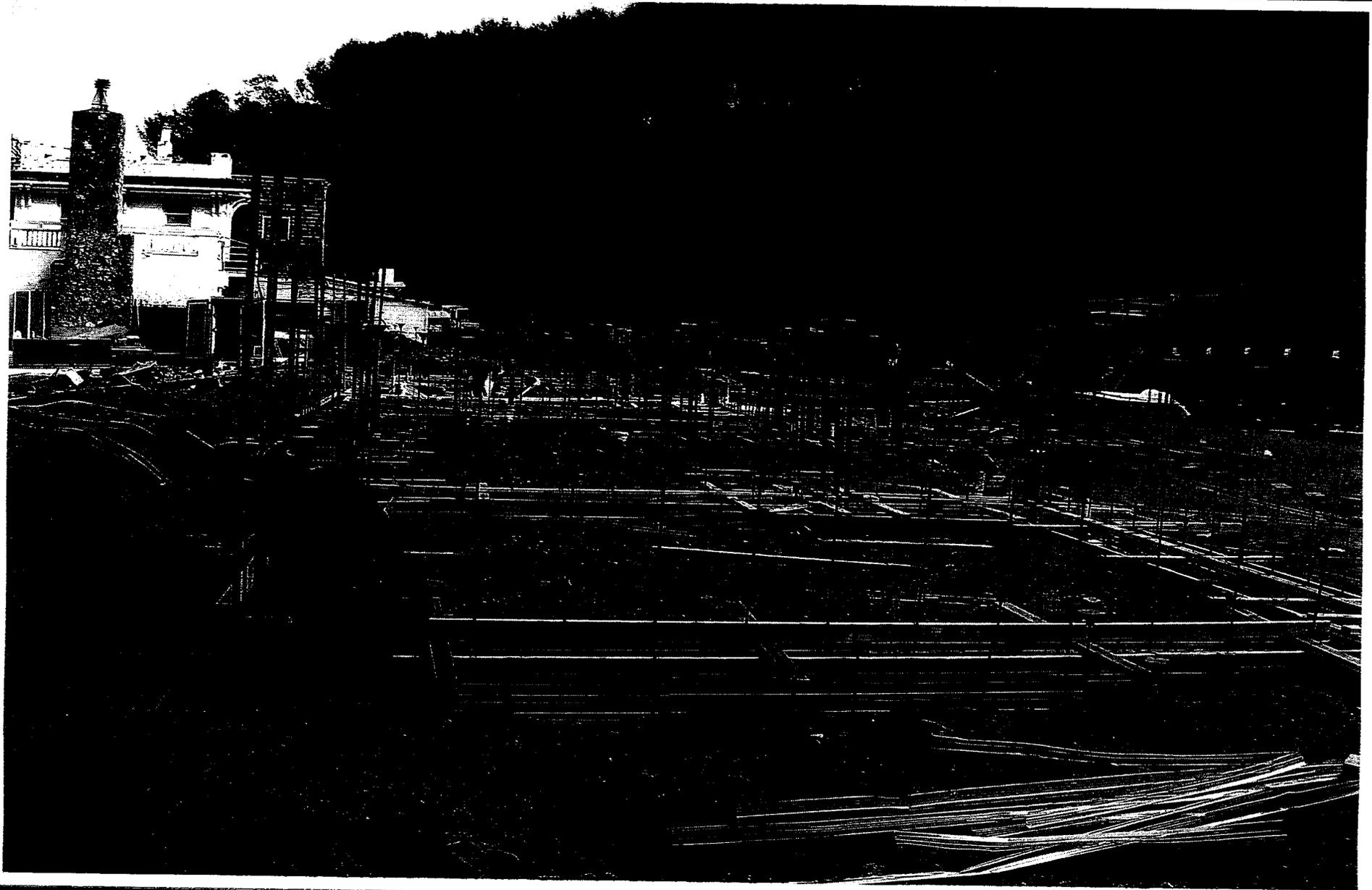


# Fireside Apartments

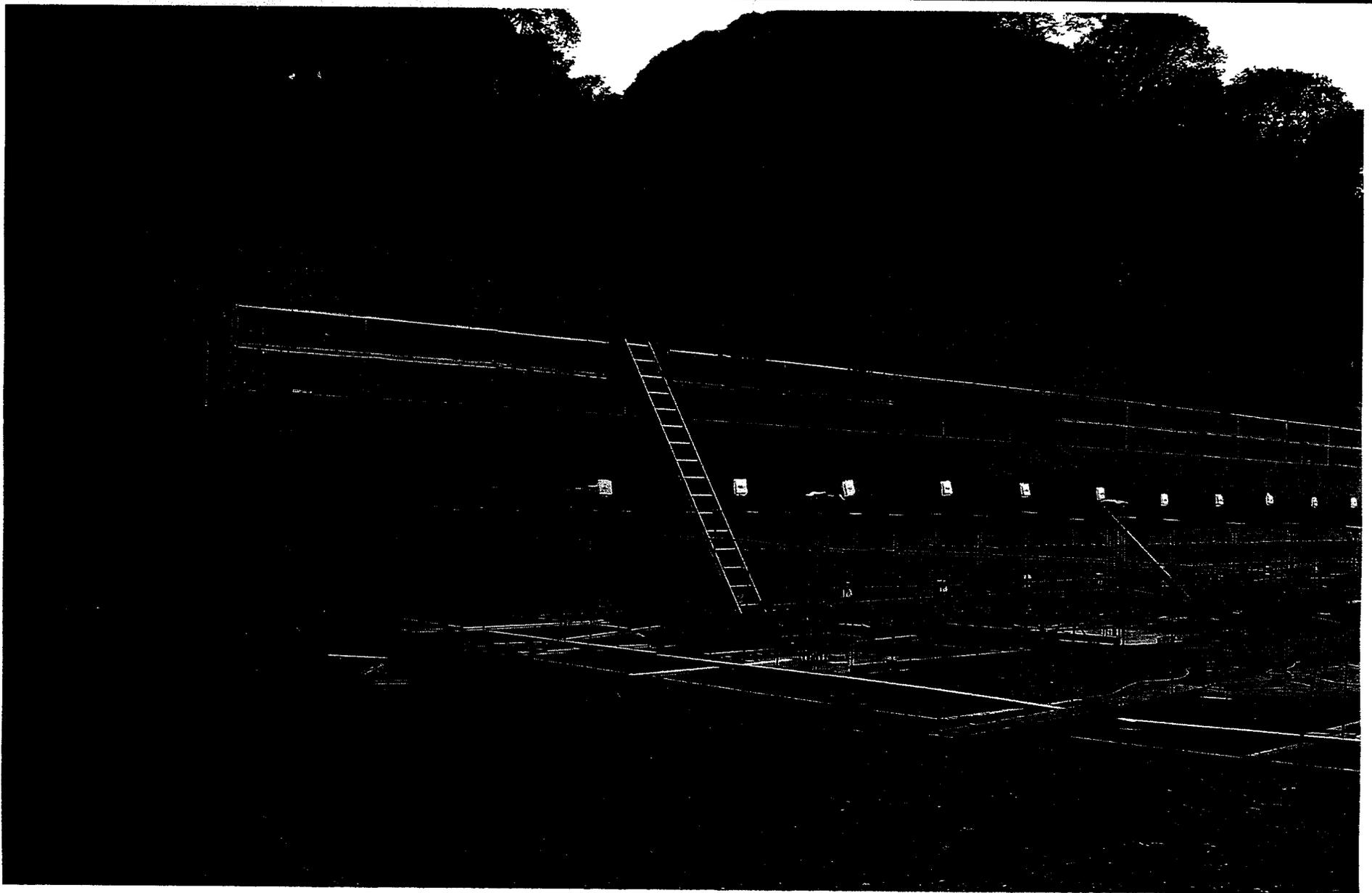


California Housing Finance Agency

# Fireside Apartments



# Fireside Apartments

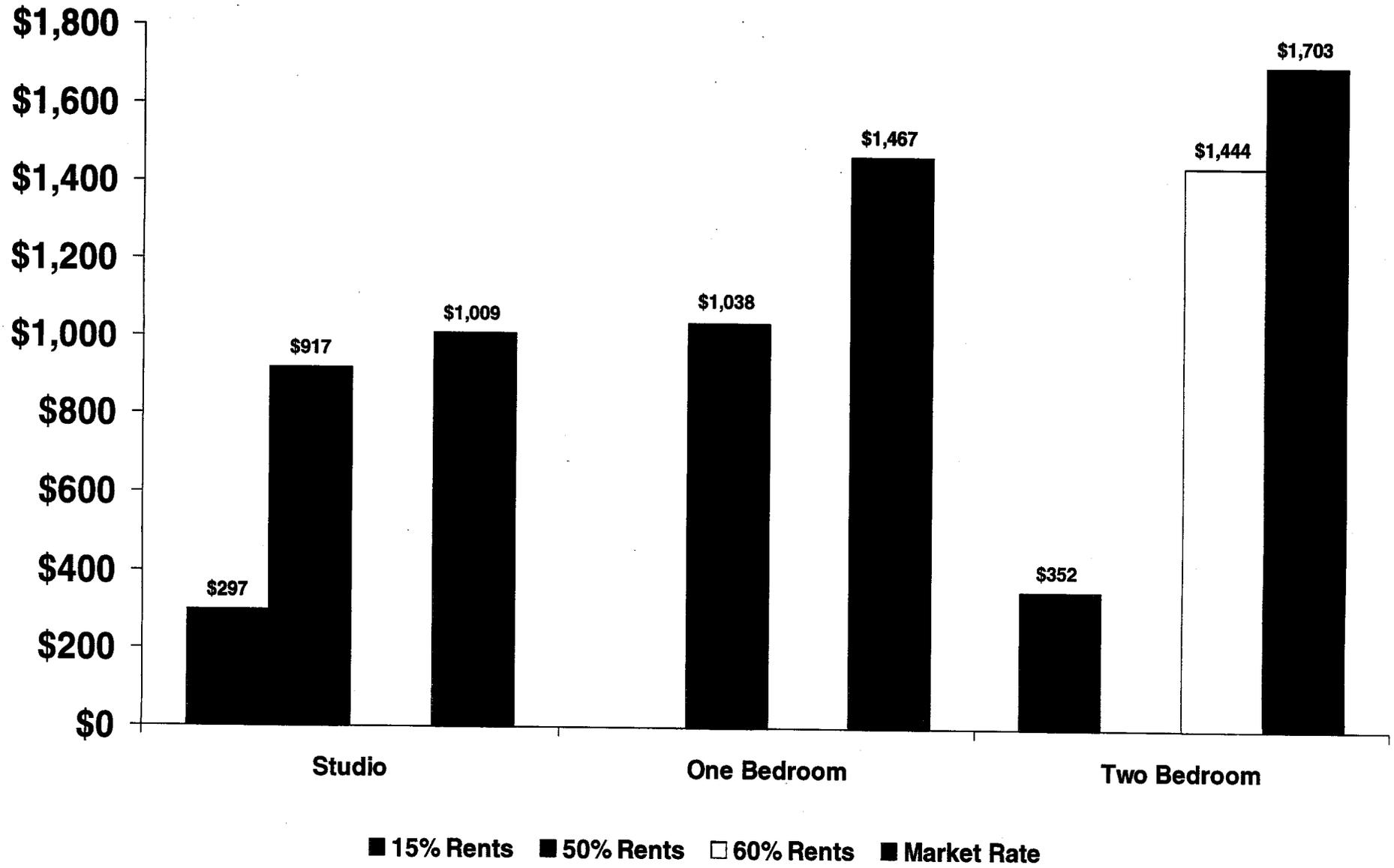


California Housing Finance Agency

**Fireside Apartments**



# Fireside Apartments



# Bay Area Housing Project

Acquisition Progress  
as of November 2006

**CalHFA**<sup>™</sup>  
*Affordable Housing is our Business*



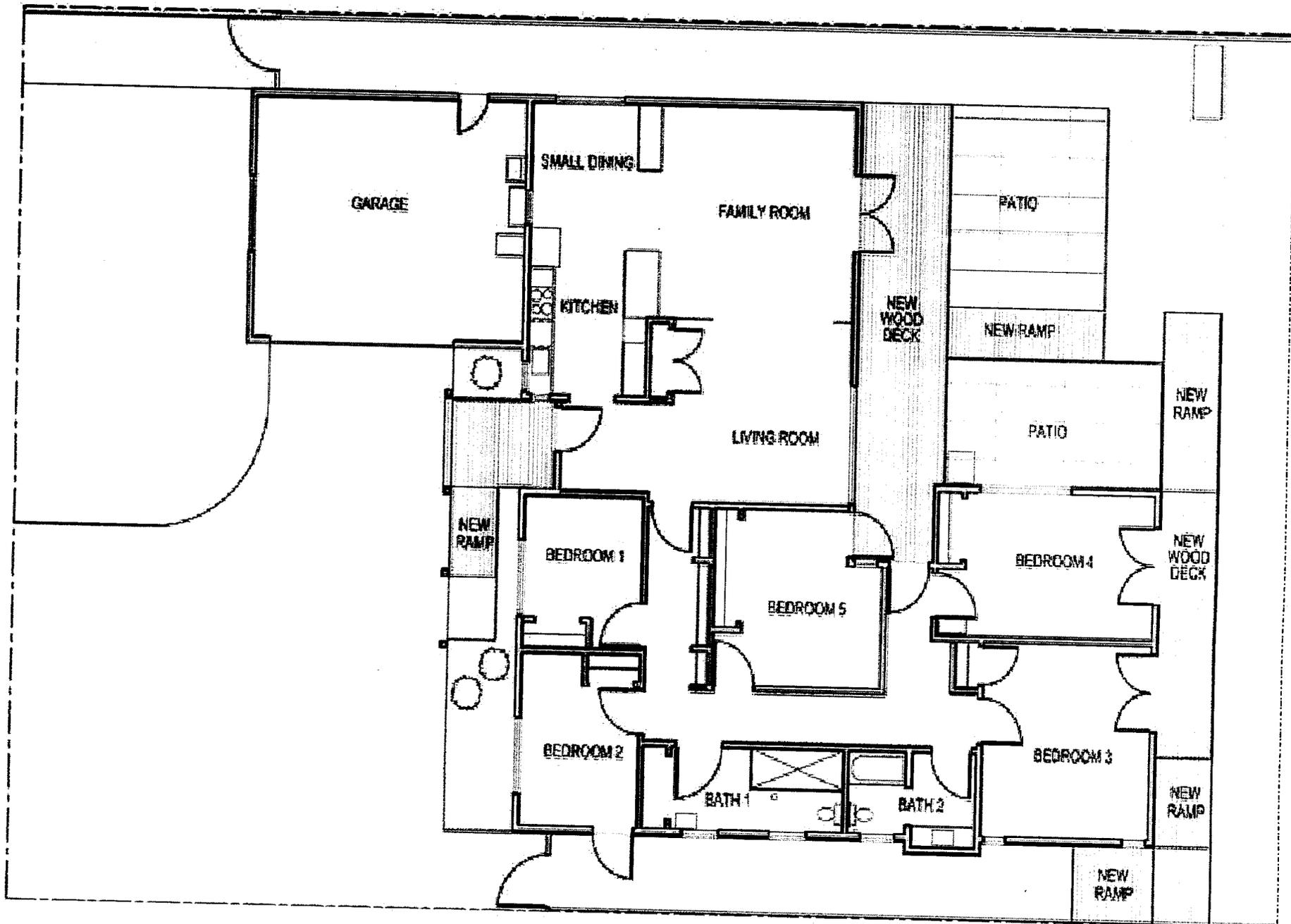
**1320 Baywood Avenue, San Jose, CA**  
**Purchased 7/06/06 for \$925,000**

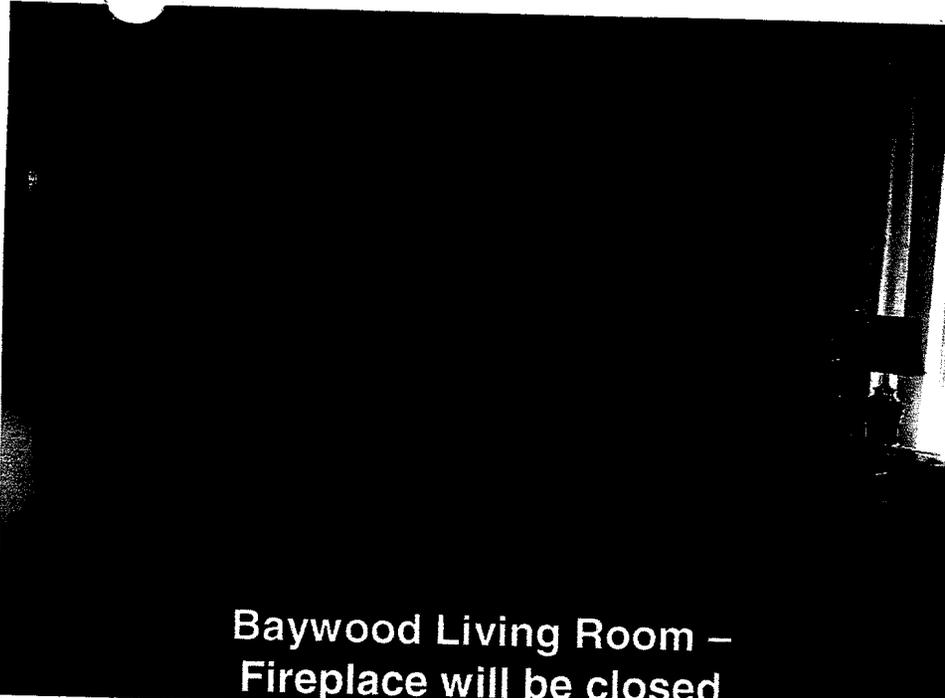
## **1320 Baywood Avenue, San Jose**

### **Home amenities include:**

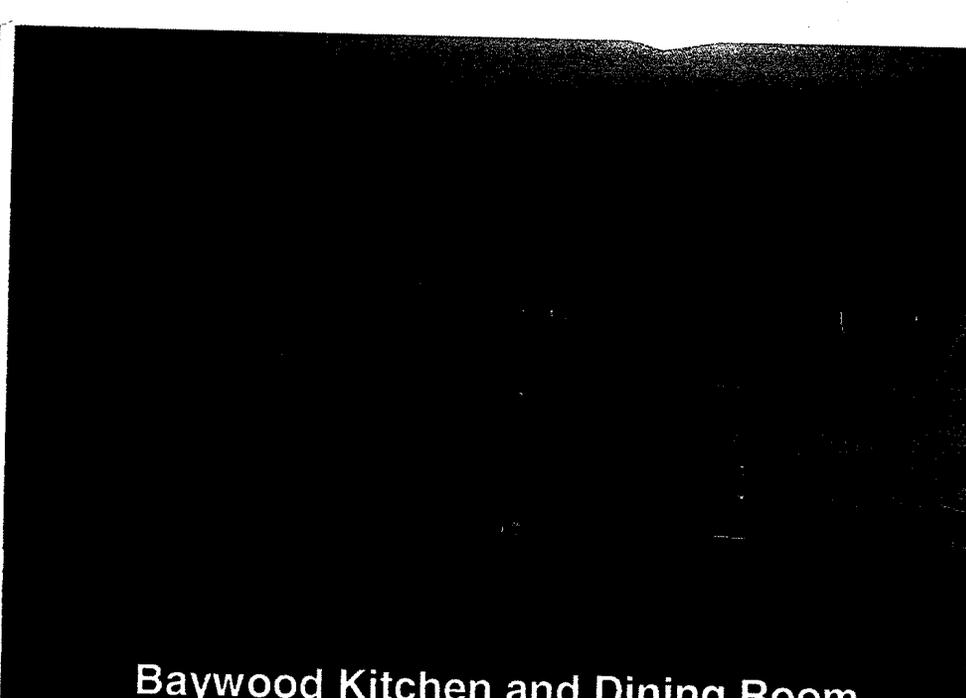
- **Five-bedroom home for five consumers**
  - **Widened hallways & doors**
  - **ADA bathroom with roll-in shower**
  - **Track system for safe transfers**
  - **Fire-suppression sprinkler system with back-up generator**
  - **Central heating and cooling**
  - **New Energy Star appliances**
  - **New flooring & durable finishes**
  - **Large, private backyard**
  - **Customized safety features**
-

# 1320 Baywood Avenue, San Jose

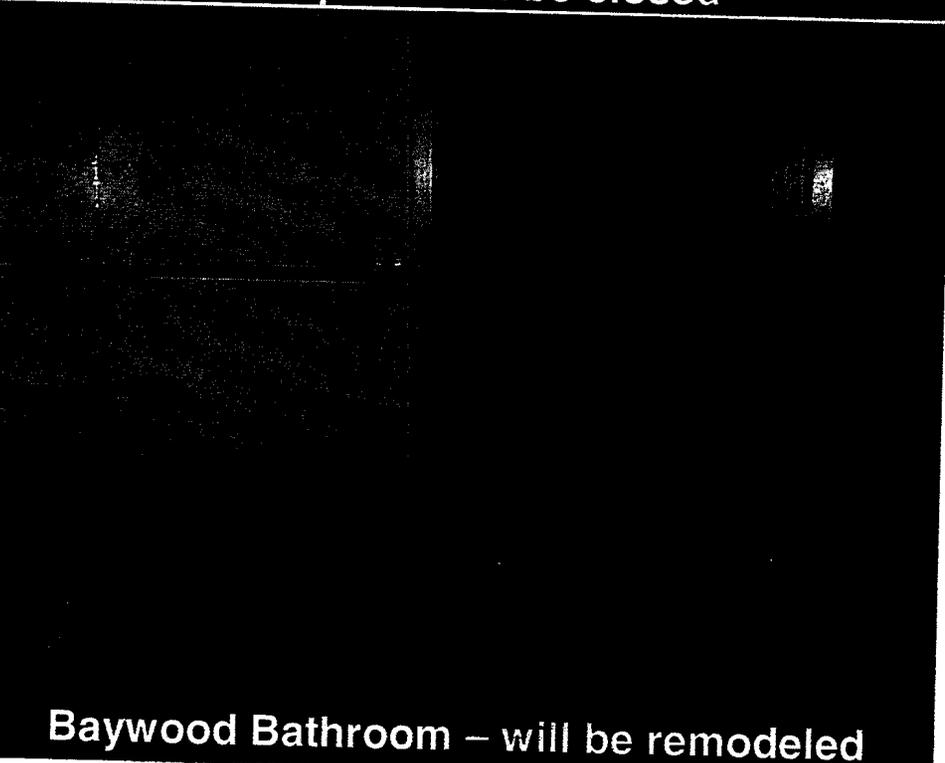




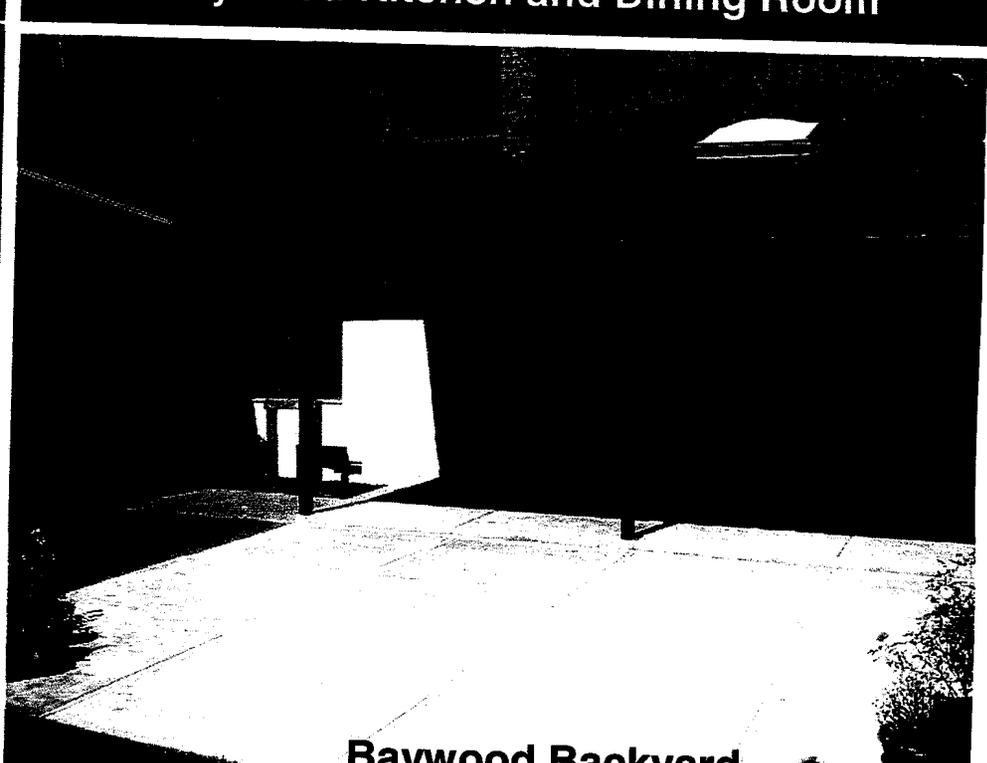
**Baywood Living Room –  
Fireplace will be closed**



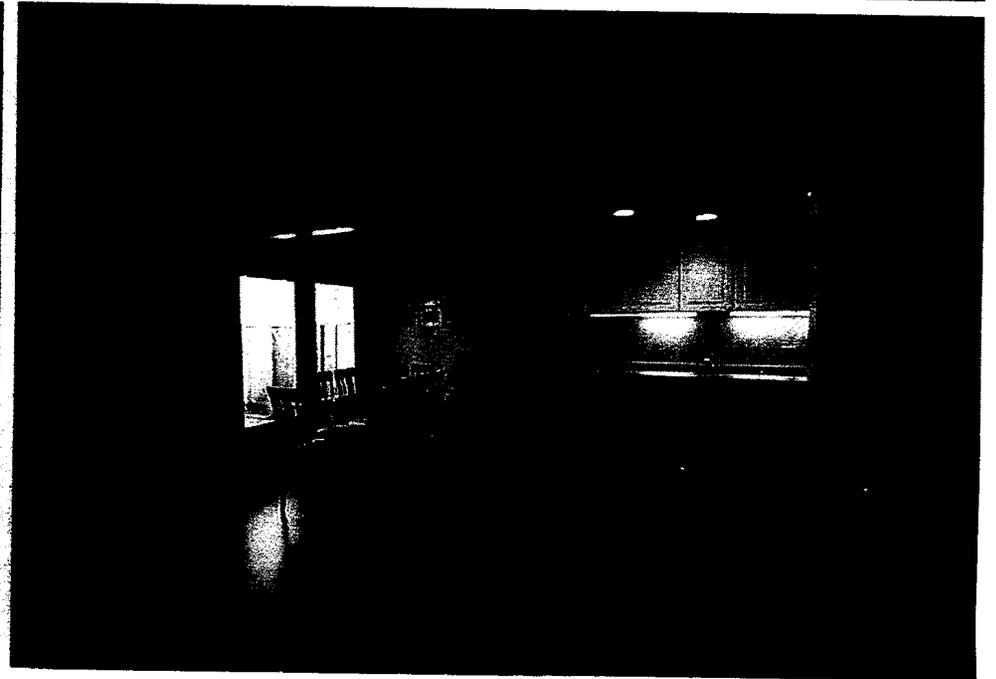
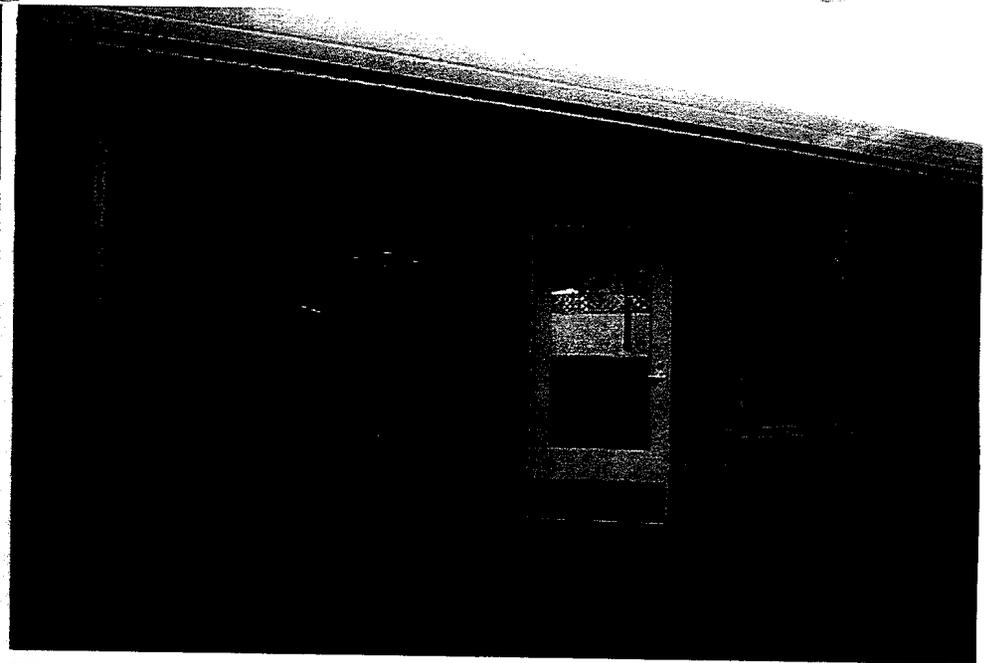
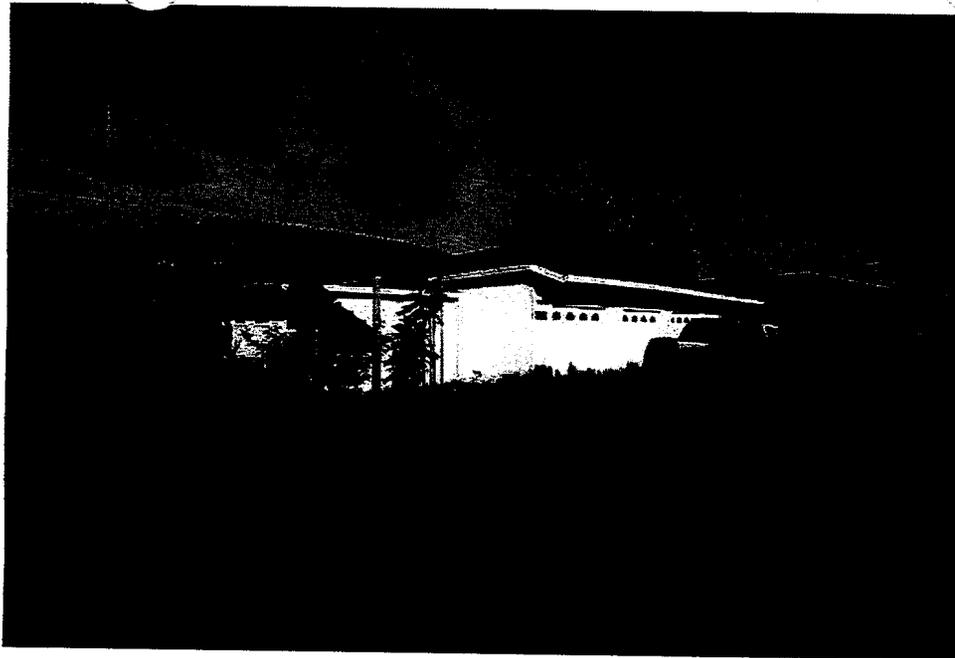
**Baywood Kitchen and Dining Room**



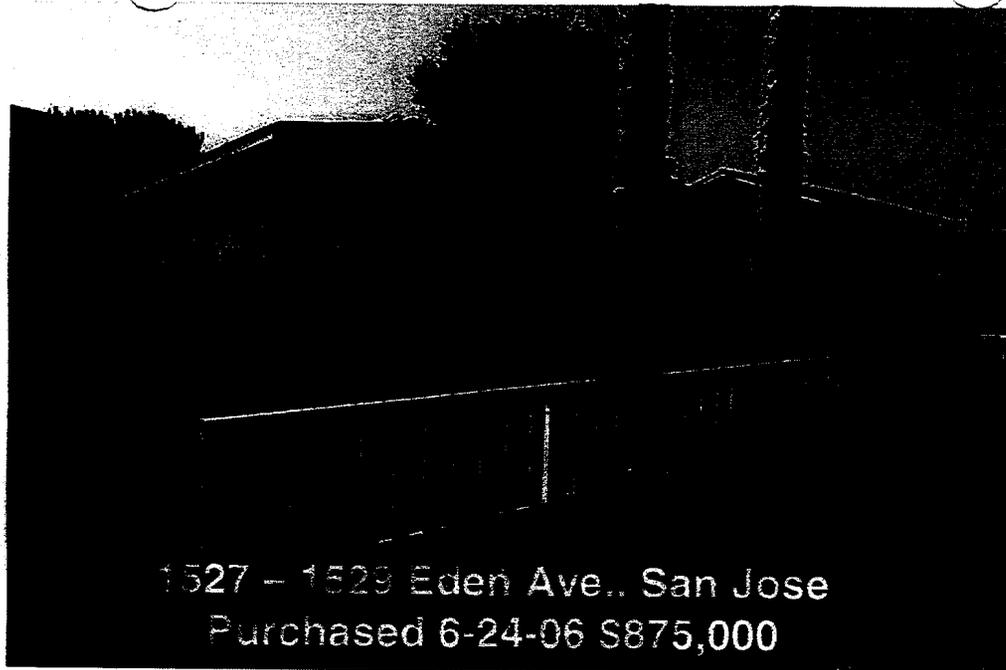
**Baywood Bathroom – will be remodeled**



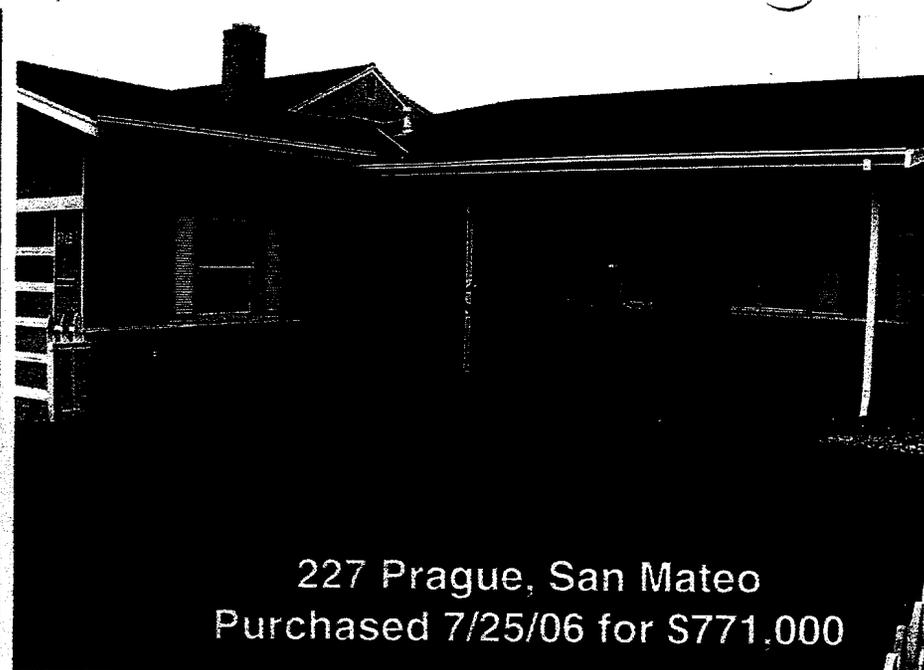
**Baywood Backyard**



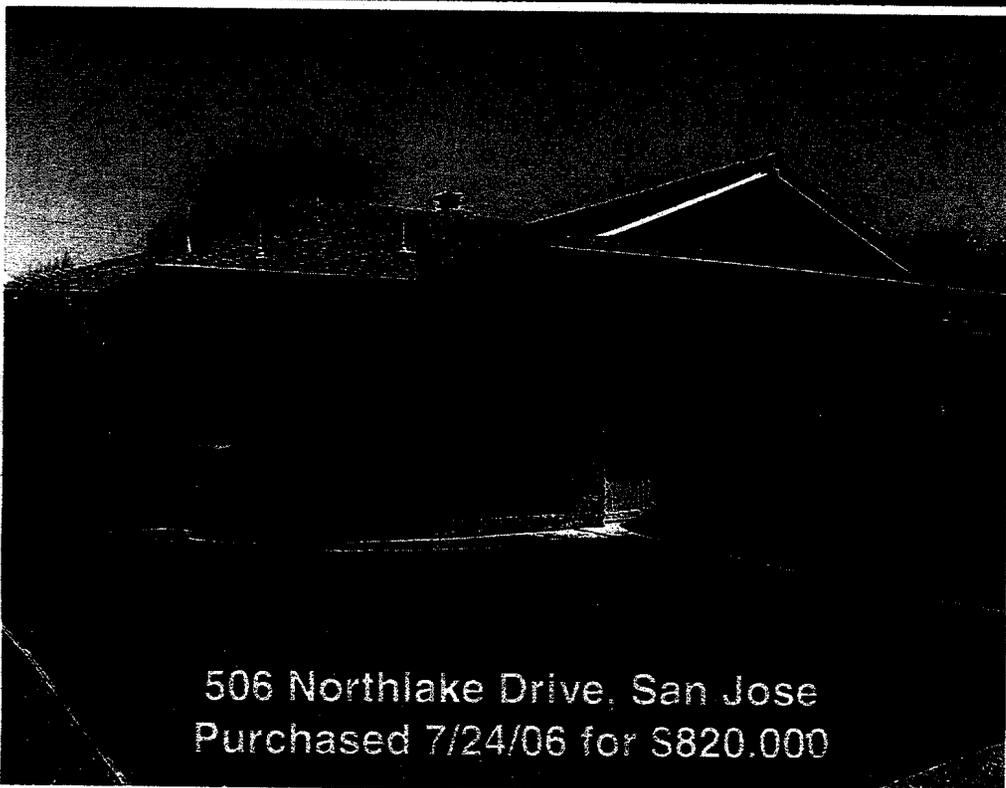
**4 Homes at 10506, 10516, 10526 and 10536 N. Foothill,  
Cupertino**



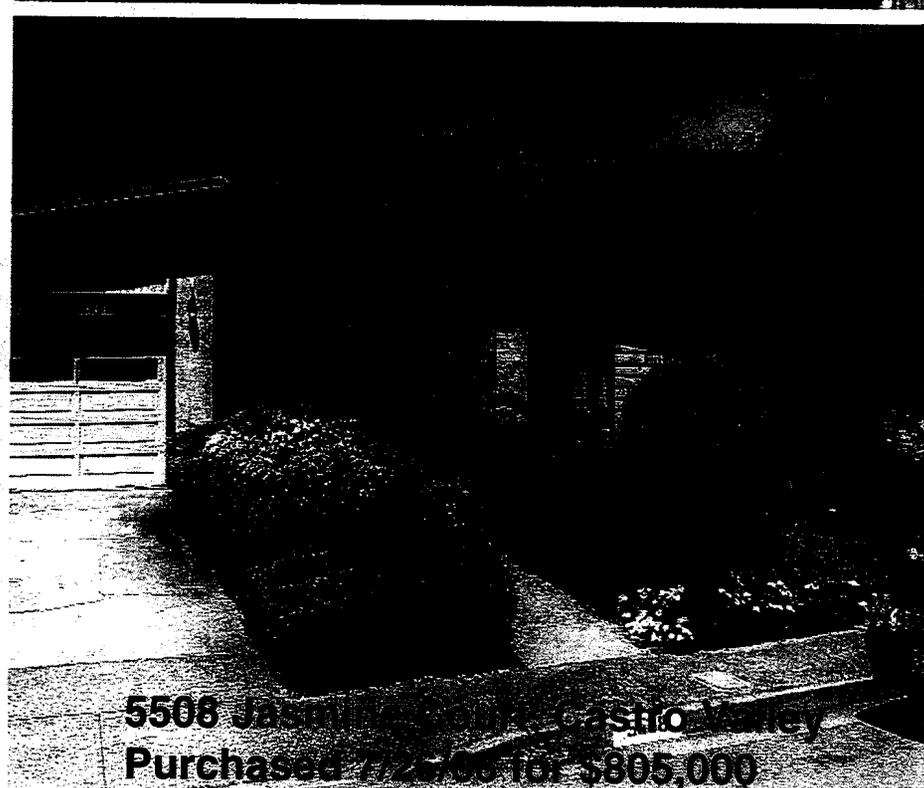
1527 – 1529 Eden Ave., San Jose  
Purchased 6-24-06 \$875,000



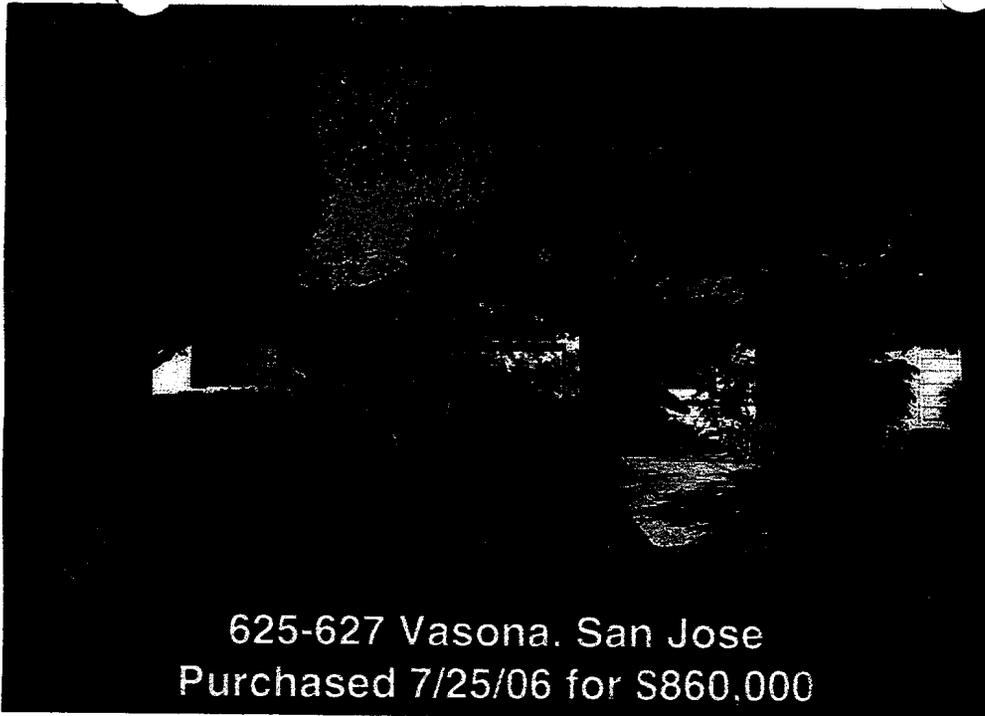
227 Prague, San Mateo  
Purchased 7/25/06 for \$771,000



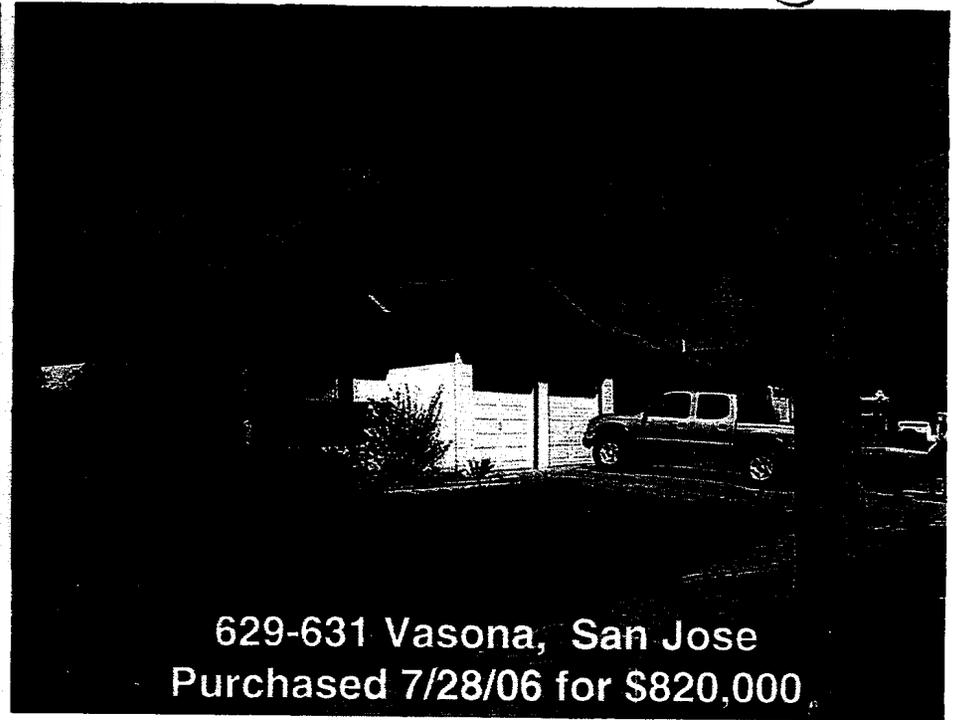
506 Northlake Drive, San Jose  
Purchased 7/24/06 for \$820,000



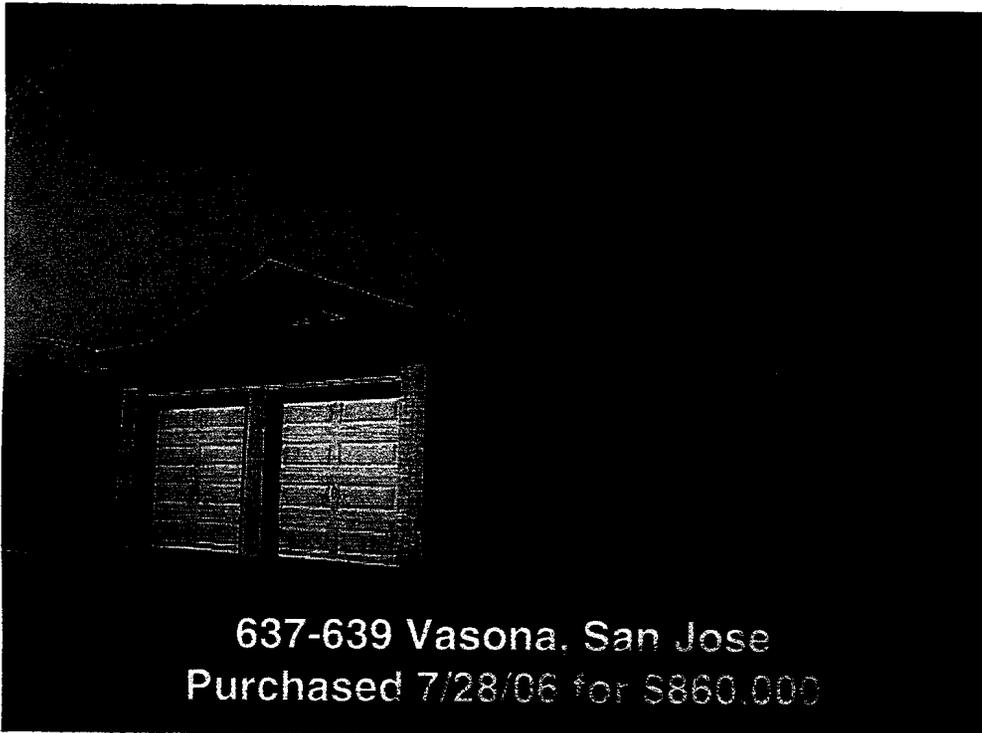
5508 Jasmine, San Jose  
Purchased 7/25/06 for \$805,000



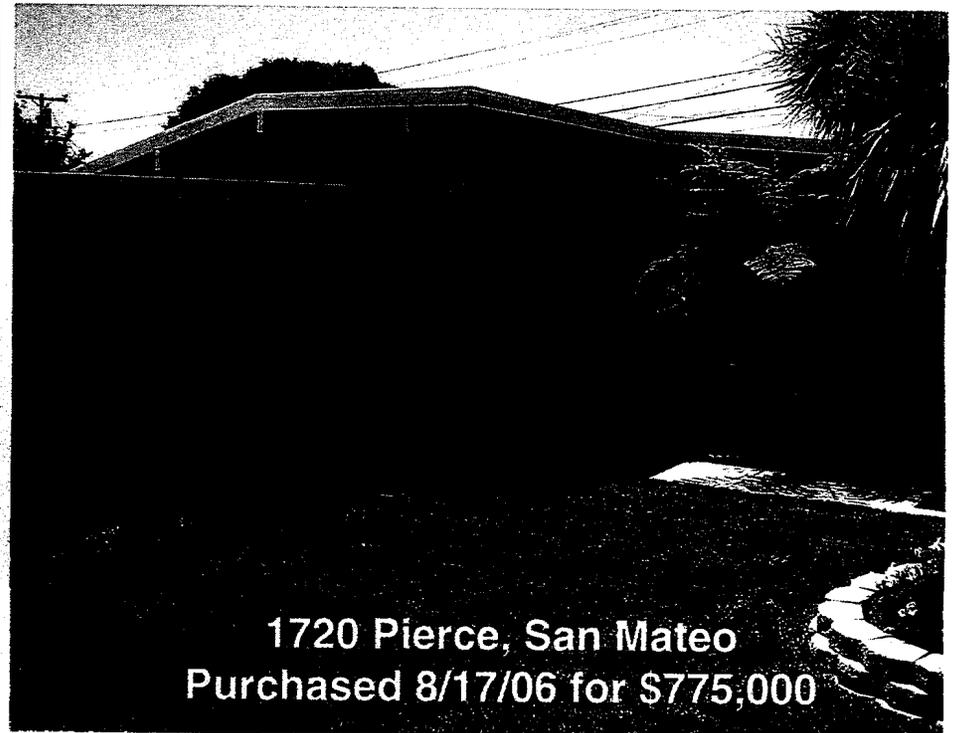
625-627 Vasona. San Jose  
Purchased 7/25/06 for \$860,000



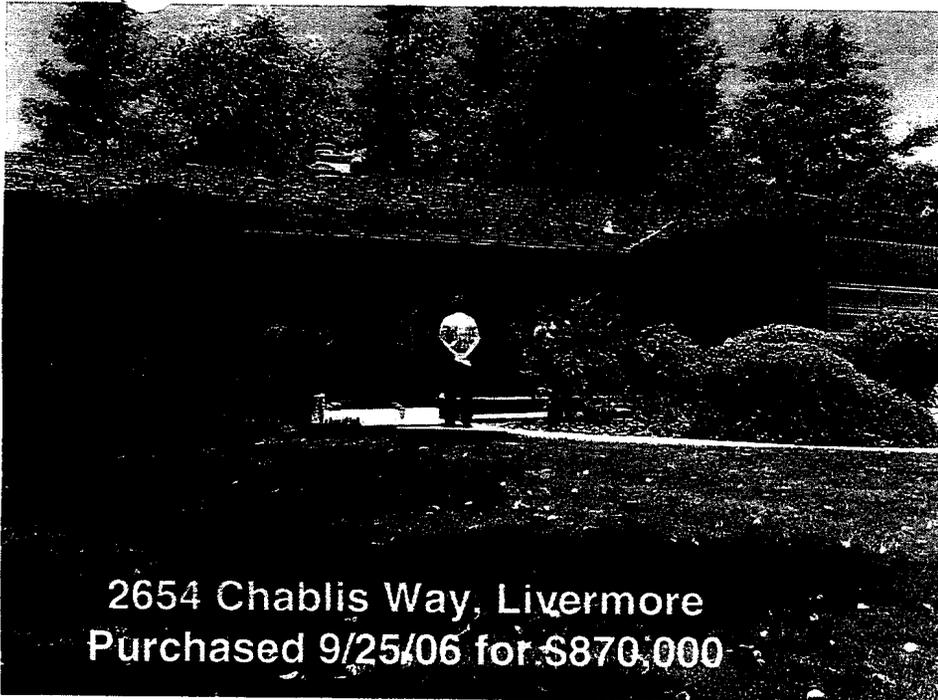
629-631 Vasona, San Jose  
Purchased 7/28/06 for \$820,000



637-639 Vasona. San Jose  
Purchased 7/28/06 for \$860,000



1720 Pierce, San Mateo  
Purchased 8/17/06 for \$775,000



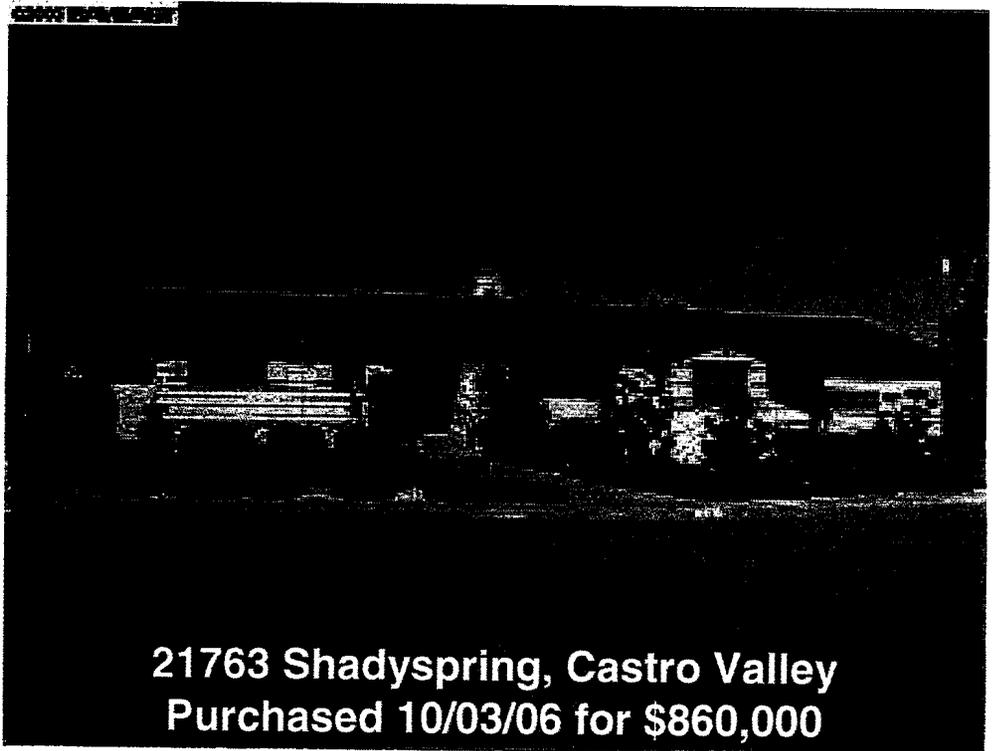
2654 Chablis Way, Livermore  
Purchased 9/25/06 for \$870,000



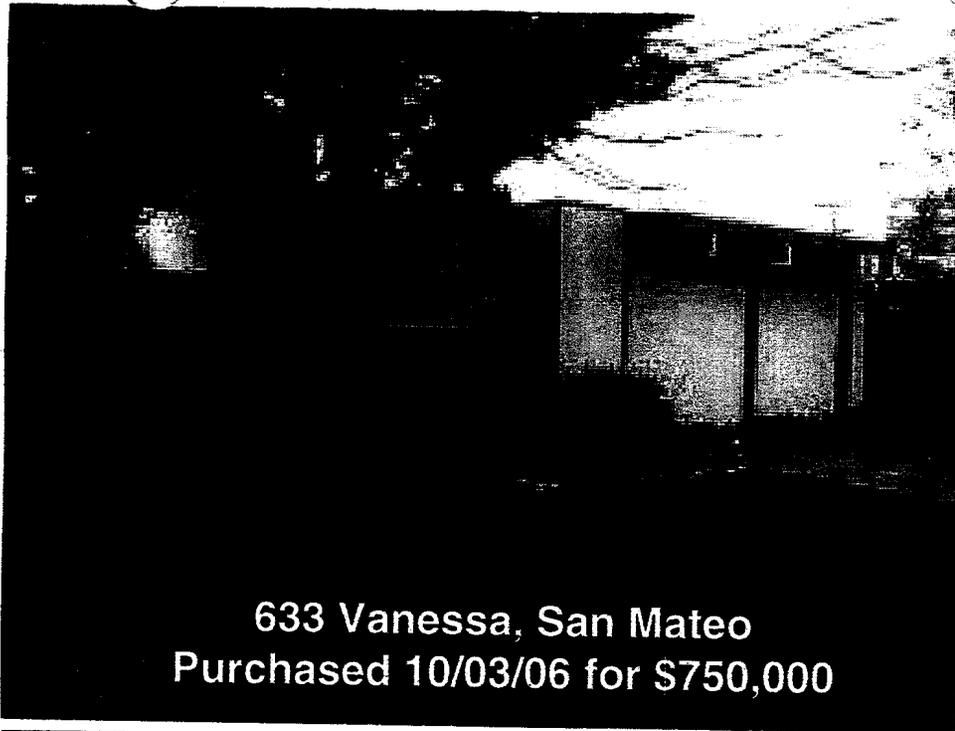
2508 Regent Hill, Livermore  
Purchased 9/25/06 for \$850,000



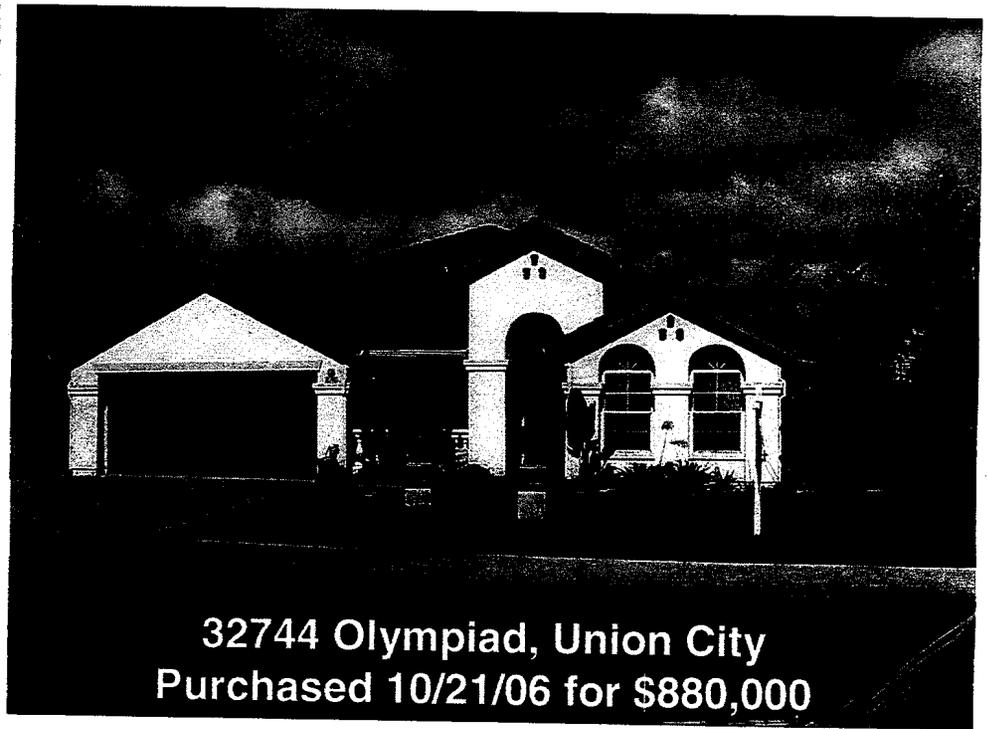
21763 Shadyspring, Castro Valley  
Purchased 10/02/06 for \$762,000



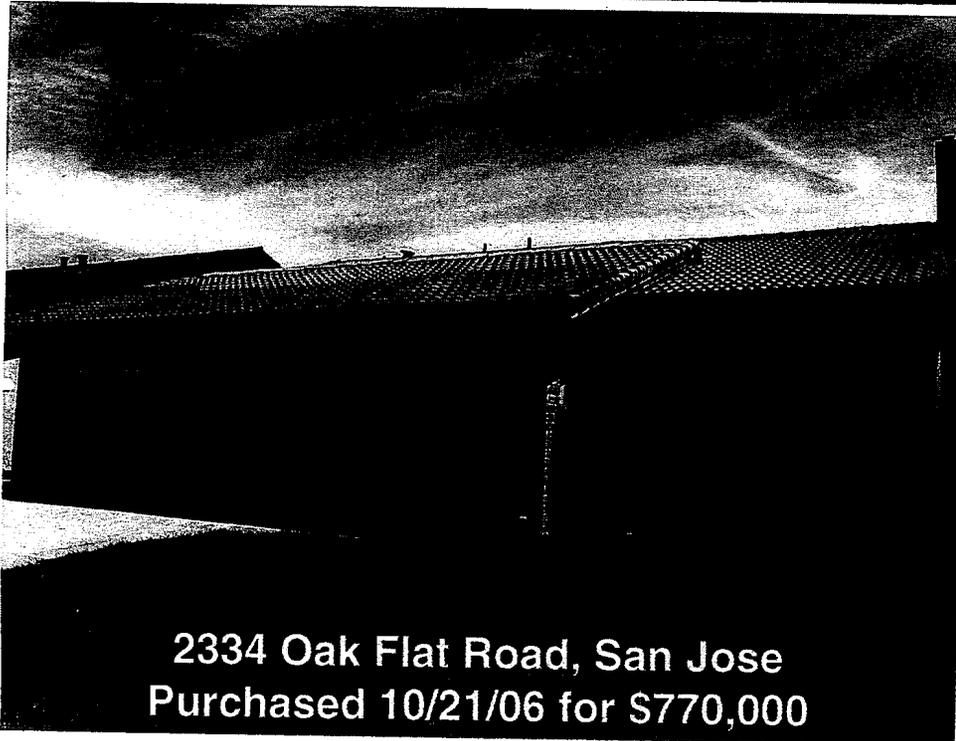
21763 Shadyspring, Castro Valley  
Purchased 10/03/06 for \$860,000



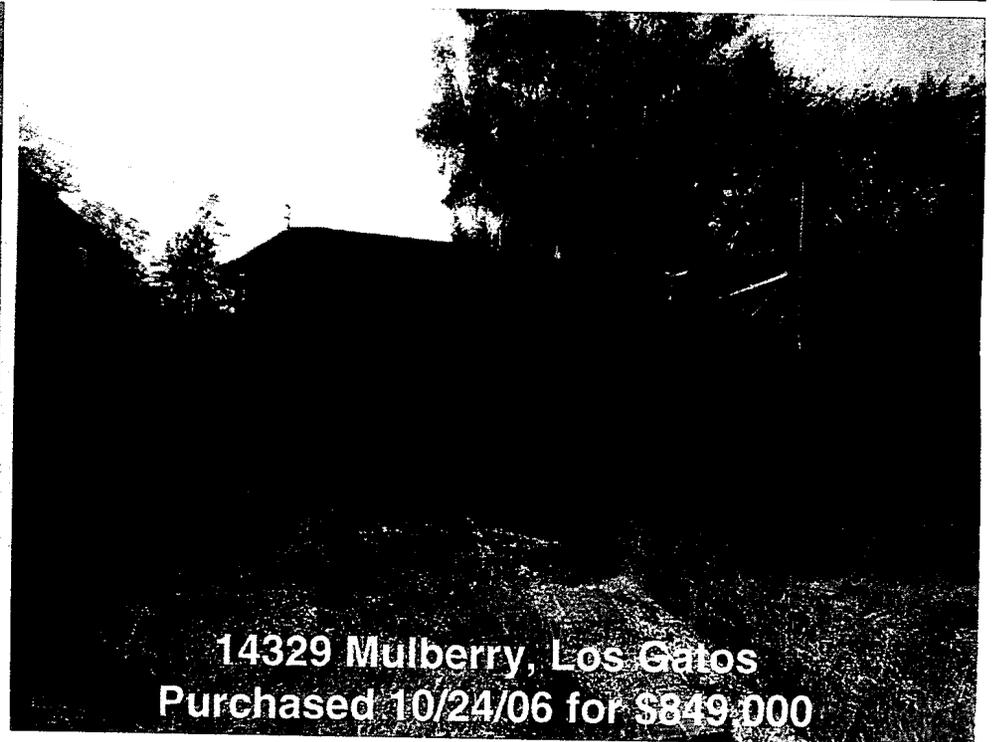
**633 Vanessa, San Mateo  
Purchased 10/03/06 for \$750,000**



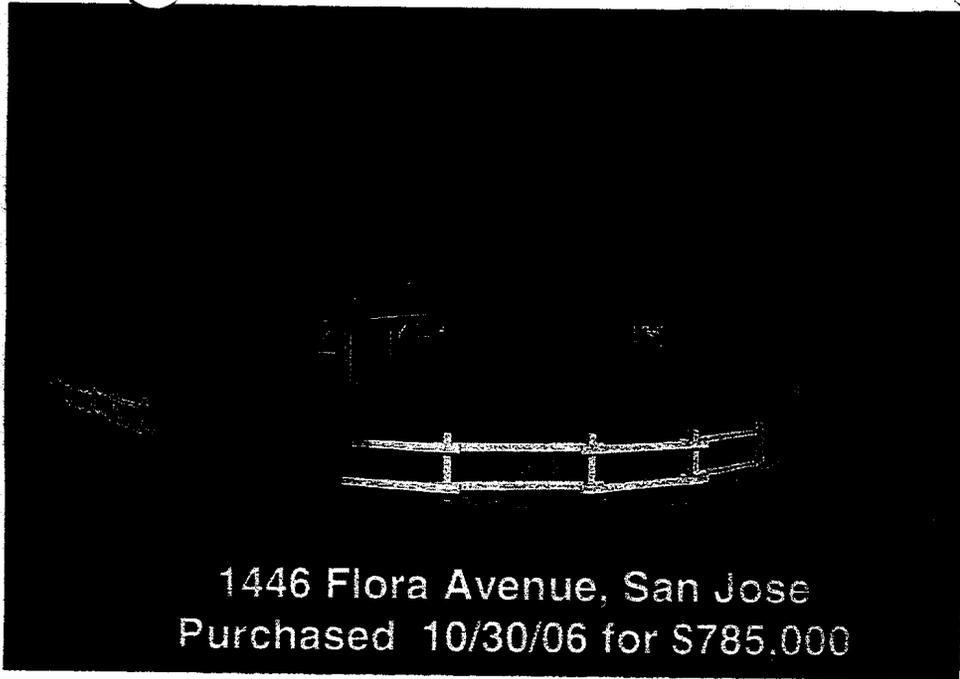
**3274 Olympiad, Union City  
Purchased 10/21/06 for \$880,000**



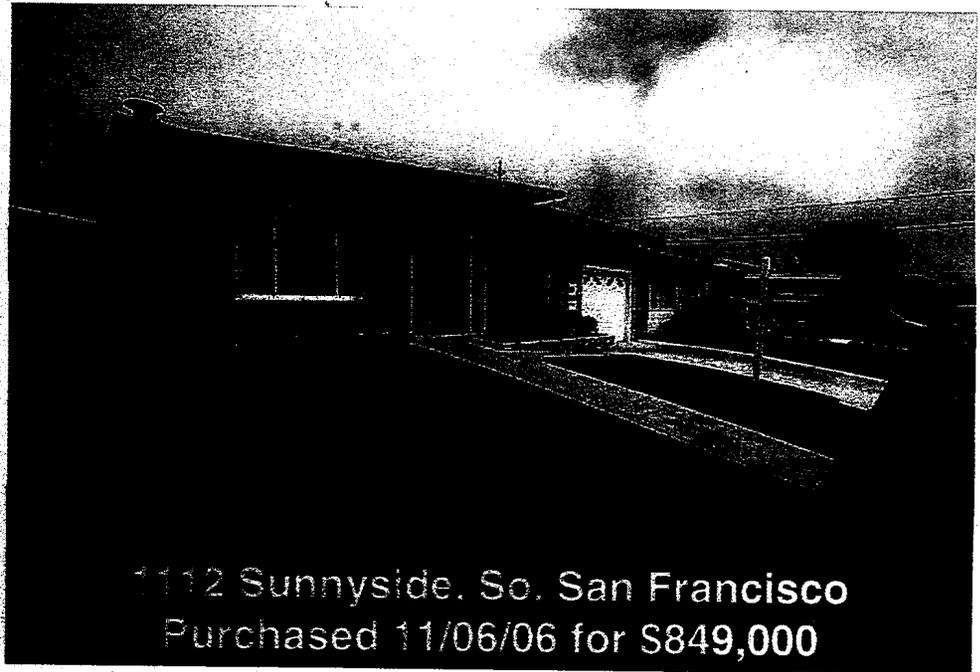
**2334 Oak Flat Road, San Jose  
Purchased 10/21/06 for \$770,000**



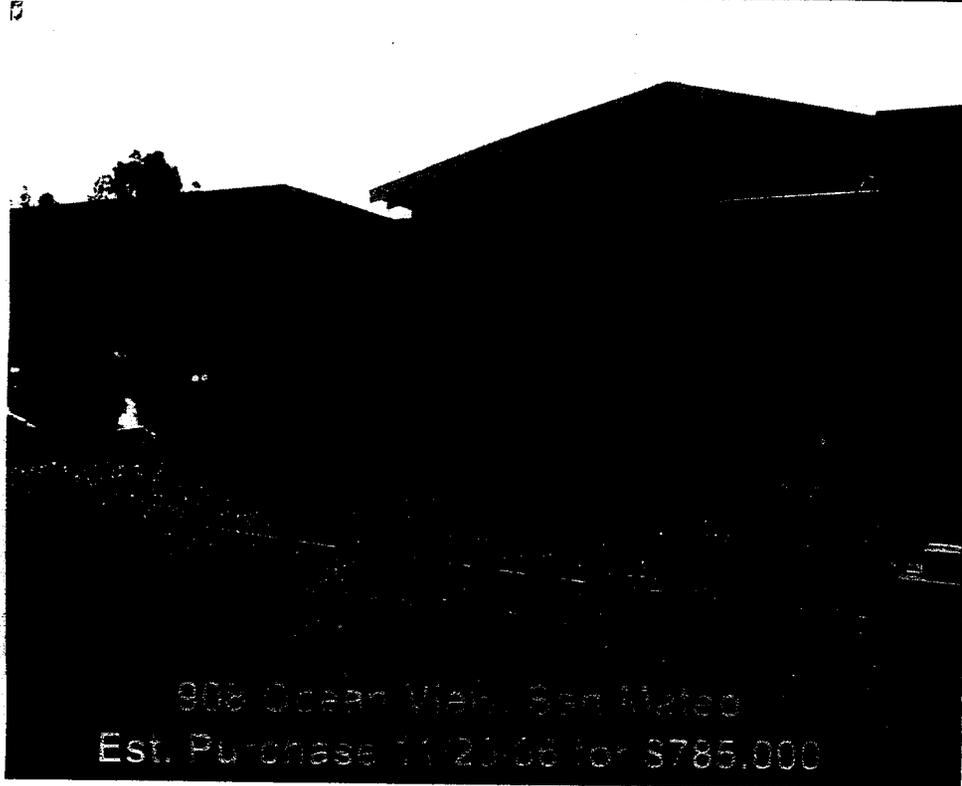
**14329 Mulberry, Los Gatos  
Purchased 10/24/06 for \$849,000**



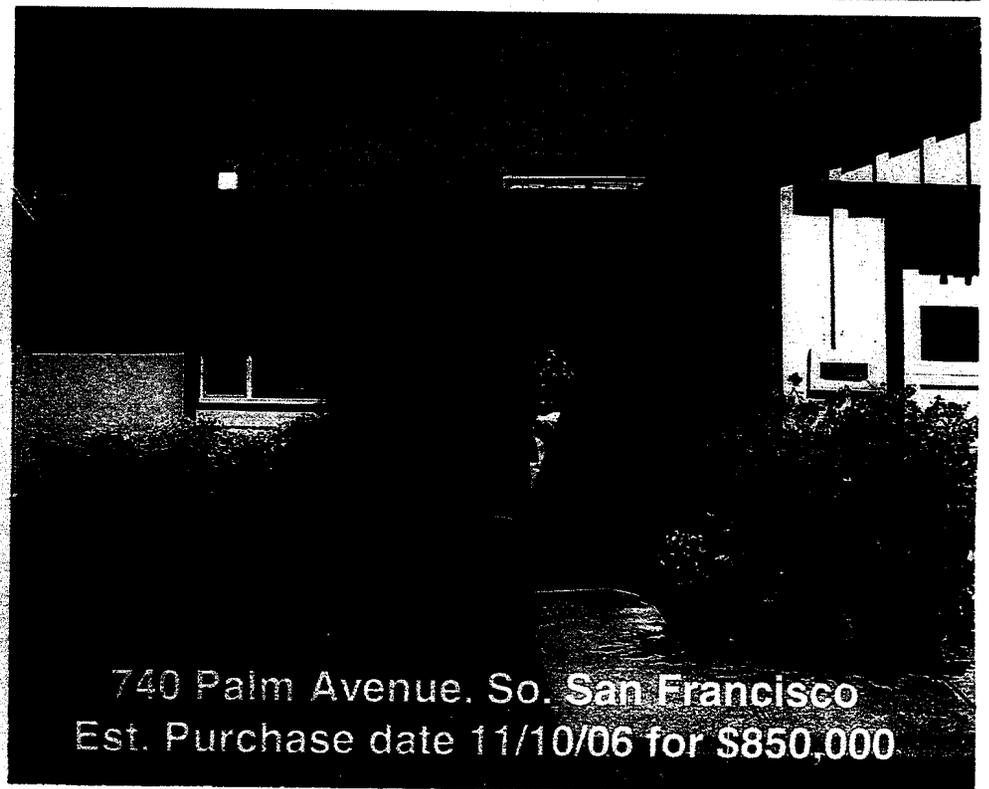
1446 Flora Avenue, San Jose  
Purchased 10/30/06 for \$785,000



1112 Sunnyside, So. San Francisco  
Purchased 11/06/06 for \$849,000



908 Ocean View, San Mateo  
Est. Purchase 11/20/06 for \$785,000



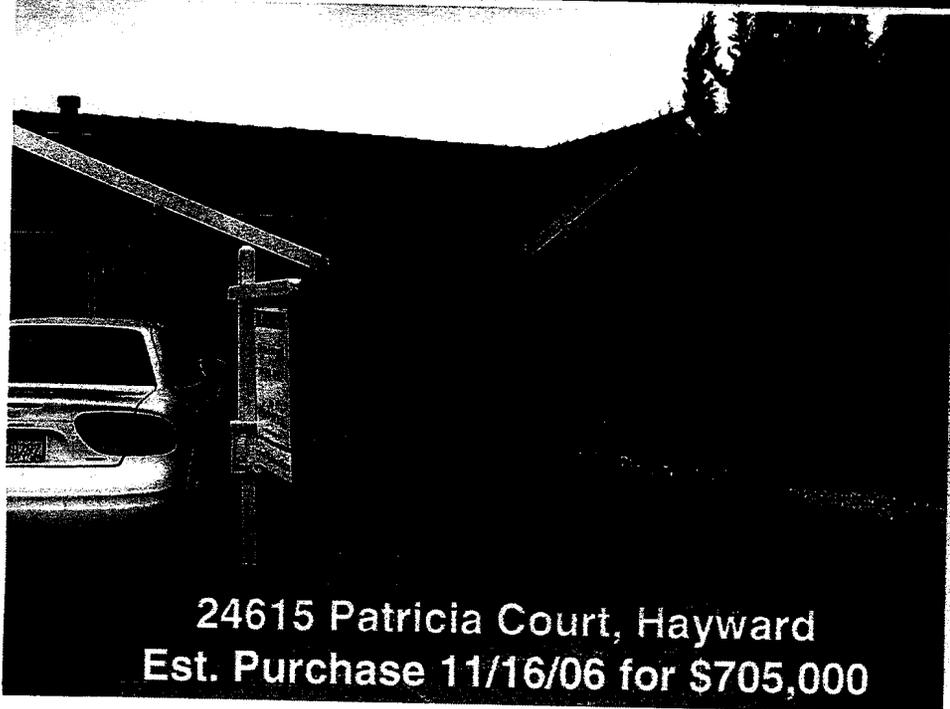
740 Palm Avenue, So. San Francisco  
Est. Purchase date 11/10/06 for \$850,000



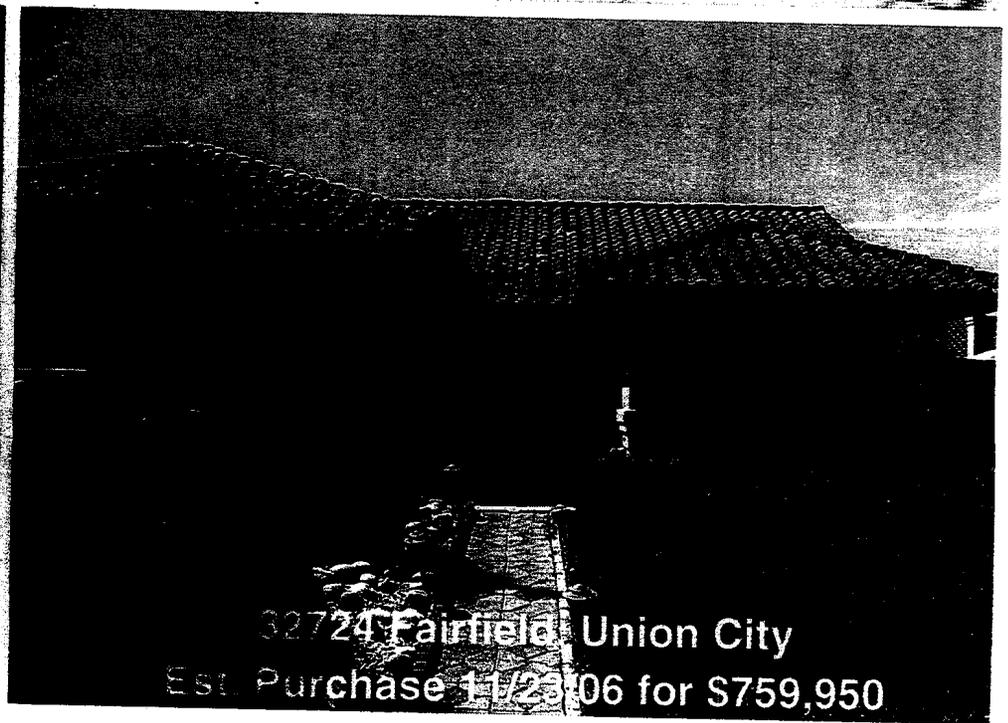
**1779 Sand Beach, Alameda**  
**Est. Purchase 11/20/2006 for \$719,000**



**860 Edna Way, San Mateo**  
**Est. Purchase 11/10/06 for \$785,000**



**24615 Patricia Court, Hayward**  
**Est. Purchase 11/16/06 for \$705,000**



**32724 Fairfield, Union City**  
**Est. Purchase 11/23/06 for \$759,950**

California Housing Finance Agency

**REPORT ON FISCAL YEAR 2005-06  
YEAR-END FINANCIALS**

**DENNIS MEIDINGER  
COMPTROLLER**

**Cal HFA**<sup>SM</sup>  
*Affordable Housing is our Business*

**COMBINED BALANCE SHEET**  
(In Millions)

	Fiscal Year Ending 6/30/06	Fiscal Year Ending 6/30/05	Net Change
<b>ASSETS</b>			
Cash and Investments	\$3,057	\$3,706	\$(649)
Program Loans Receivable-net	6,271	5,554	717
Other	<u>125</u>	<u>134</u>	<u>(9)</u>
<b>Total Assets</b>	9,453	9,394	59
<b>LIABILITIES</b>			
Bonds Payable-Net	7,445	7,501	(56)
Other	<u>740</u>	<u>704</u>	<u>36</u>
<b>Total Liabilities</b>	8,185	8,205	(20)
<b>FUND EQUITY</b>			
Invested In Capital Assets	1	1	
Restricted Equity	<u>1,267</u>	<u>1,188</u>	<u>79</u>
<b>Total Fund Equity</b>	<u>1,268</u>	<u>1,189</u>	<u>79</u>
<b>Total Liabilities &amp; Fund Equity</b>	<b>\$9,453</b>	<b>\$9,394</b>	<b>\$59</b>

**COMBINED INCOME SHEET**  
(In Millions)

	Fiscal Year Ending 6/30/06	Fiscal Year Ending 6/30/05	Net Change
<b>OPERATING REVENUE</b>			
Interest Income:			
Program Loans	\$314.2	\$300.3	\$13.9
Investments	138.6	119.4	19.2
FV Investments	(3.5)	0.8	(4.3)
Commitment Fees	2.1	2.4	(0.3)
Other Loan Fees (Admin)	11.0	8.0	3.0
Other Rev (HUD/ES/Acq Dev)	<u>87.4</u>	<u>79.2</u>	<u>8.2</u>
<b>Total Revenue</b>	549.8	510.1	39.7
<b>OPERATING EXPENSES</b>			
Interest/SWAP	344.7	326.3	18.4
Mortgage Servicers	14.0	14.1	(0.1)
Provision For Loan Loss	7.6	6.8	0.8
Salaries/General Expenses	31.0	29.2	1.8
Other Exp (HUD/UW/COI)	<u>115.5</u>	<u>112.4</u>	<u>3.1</u>
<b>Total Expenses</b>	512.8	488.8	24.0
<b>NET INCOME</b>	37.0	21.3	15.7
Transfers	41.8	48.8	(7.0)
Fund Equity at Begin of Year	<u>1,189.4</u>	<u>1,119.3</u>	<u>70.1</u>
<b>FUND EQUITY END OF YEAR</b>	<b>\$1,268.2</b>	<b>\$1,189.4</b>	<b>\$78.8</b>

# Financing Reports

- Recent Bond Sales
  - Single Family Bonds
- Annual Investment Report
- Variable Rate Bonds and Swaps

# Recent Bond Issues

<u>Date of Sale</u>	<u>Bond Series</u>	<u>\$ Amount</u>
9/14/06	Home Mortgage Revenue Bonds 2006 Series G, H & I	\$270,000,000
9/28/06	Home Mortgage Revenue Bonds 2006 Series J & K	\$300,000,000

---

# **New Single Family Bonds**

- **\$270 M HMRB 2006 GHI**
  - **Proceeds for purchase of 1,000 new loans**
  - **\$125.5 M Interest Only Plus (IOP) loans**
  - **\$35 M for 40-year Loans**
  - **\$20 M for zero percent loan participations**
  - **\$104.7 M Fixed-rate Insured Bonds**
  - **\$165.3 M Fixed-rate Uninsured Bonds**
-

# New Single Family Bonds

- **\$300 M HMRB 2006 JK**
  - **Proceeds for purchase of 1,100 new loans**
  - **\$117.4 M Interest Only Plus (IOP) loans**
  - **\$13.8 M for 40-year Loans**
  - **\$21 M for zero percent loan participations**
  - **\$32.8 M Fixed-rate Insured Bonds**
  - **\$267.2 M Fixed-rate Uninsured Bonds**
-

# Annual Investment Report

(As of June 30, 2006)

	Amount invested <u>\$ in millions</u>
Investment Agreements	\$1,866.1
State Investment Pool	924.7
Securities	125.5
Money Market & Deposits	<u>140.5</u>
Total Invested	\$3,056.8

---

# Investment Agreements

<b><u>Moody's Ratings</u></b>	<b><u>Amount invested \$ in millions</u></b>
<b>Aaa</b>	<b>\$1,062.7</b>
<b>Aa1</b>	<b>13.1</b>
<b>Aa2</b>	<b>568.3</b>
<b>Aa3</b>	<b><u>222.1</u></b>
	<b>\$1,866.2</b>

---

# Investment Agreements

<b>S &amp; P Ratings</b>	<b>Amount invested \$ in millions</b>
<b>AAA</b>	<b>\$1,062.7</b>
<b>AA</b>	<b>319.6</b>
<b>AA-</b>	<b>483.9</b>
	<b>\$1,866.2</b>

---

# **Report on Variable Rate Bonds and Swaps**

---

# Variable Rate Debt as of October 19, 2006

(\$ in Millions)

	<u>Tied Directly to Variable Rate Assets</u>	<u>Swapped to Fixed Rate</u>	<u>Not Swapped or Tied to Variable Rate Loans</u>	<u>Total Variable Rate Debt</u>
HMRB	\$ 3	\$ 3,889	\$ 485	\$ 4,377
MHRB	256	857	141	1,254
HPB	0	35	76	111
DDB	<u>256</u>	<u>0</u>	<u>0</u>	<u>256</u>
<b>TOTALS</b>	<b>\$515</b>	<b>\$ 4,781</b>	<b>\$ 702</b>	<b>\$ 5,998</b>

# Types of Variable Rate Debt

*(\$ in Millions)*

	<b><u>Auction Rate &amp; Similar Securities</u></b>	<b><u>Indexed Rate Bonds</u></b>	<b><u>Variable Rate Demand Obligations</u></b>	<b><u>Total Variable Rate Bonds</u></b>
<b>HMRB</b>	<b>\$ 162</b>	<b>\$ 1,043</b>	<b>\$ 3,172</b>	<b>\$ 4,377</b>
<b>MHRB</b>	<b>475</b>	<b>0</b>	<b>779</b>	<b>1,254</b>
<b>HPB</b>	<b>0</b>	<b>0</b>	<b>111</b>	<b>111</b>
<b>DDB</b>	<b><u>0</u></b>	<b><u>256</u></b>	<b><u>0</u></b>	<b><u>256</u></b>
<b>TOTALS</b>	<b>\$ 637</b>	<b>\$ 1,299</b>	<b>\$ 4,062</b>	<b>\$ 5,998</b>

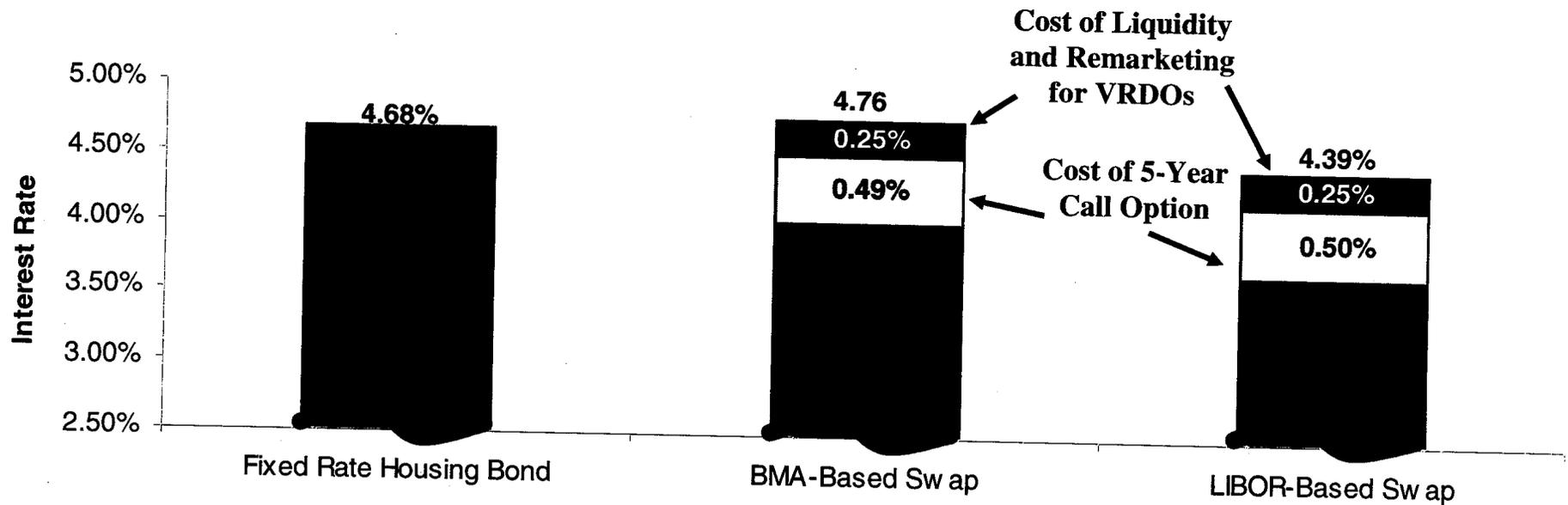
# Fixed Payer Interest Rate Swaps

*(\$ in Millions)*

	<u>Tax-Exempt</u>	<u>Taxable</u>	<u>Totals</u>
HMRB	\$3,117	\$849	\$3,966
MHRB	857	0	857
HPB	<u>35</u>	<u>0</u>	<u>35</u>
<b>TOTALS</b>	<b>\$4,009</b>	<b>\$849</b>	<b>\$4,858</b>

---

## Comparative Costs of Funds for Fixed-Rate Bonds and Synthetic Fixed-Rate Bonds (Variable Rate Bonds Swapped to Fixed) (All Rates as of October 17, 2006)



BMA-Based Swap: BMA Index x 101%

LIBOR-Based Swap: 64% LIBOR + 25 bps

## **Authorization to Broaden the Single Family Housing Program and for Approval of a New Form of Indenture Resolution 06-19**

- Today we administer a whole loan program.
  - Conventionally Insured Fixed Rate (30 year, 35 year, 40 year terms)
  - Government Insured (FHA, VA) Fixed Rate (30-year terms)
  
- Whole Loan Program
  - Approved lenders submit funded loans to Agency for purchase
  - Loans are purchased from lenders and temporarily warehoused
  - On a monthly basis loans are assigned to specific bond series and purchased with unused bond proceeds or principal prepayments from prior loans

## **Authorization to Broaden the Single Family Housing Program and for Approval of a New Form of Indenture Resolution 06-19 (Continued)**

- Amends the Single Family Bond and Program Reauthorization Resolution adopted at the January 12, 2006 Board meeting (Resolution 06-03)
- The material changes are as follows:
  - Approves a new form of indenture -- the Residential Mortgage Revenue Bond Indenture (RMRB Indenture)
  - Authorizes RMRB series indentures
  - Authorizes the Agency to obtain guarantees of Mortgage Backed Securities (MBS) or their underlying loans

## **Authorization to Broaden the Single Family Housing Program and for Approval of a New Form of Indenture Resolution 06-19 (Continued)**

- Material changes (continued):
  - Authorizes the Agency to enter into other agreements
    - For the purchase and sale of MBS
    - A master servicing agreement for an MBS loan delivery structure
    - With the GSEs and other secondary market issuers or guarantors of MBS
    - And other program documents as may be needed to operate an MBS Program

## Establishing a Mortgage Backed Securities Program

- Mortgage Backed Securities Program
  - Contract with a Master Servicer, duties will include:
    - Purchase funded loans from Agency approved lenders
    - Pool mortgage loans into securities
    - Obtain guarantee from GSE (e.g. FNMA, FHLMC)
    - Sell MBS to CalHFA RMRB bond trustee

## Establishing a Mortgage Backed Securities Program (Continued)

- Single Family Loan Program Changes
  - Establish an MBS Program
    - Initially securitize only conforming 35-year Interest Only Plus Loans
    - Finance the purchase of MBS with proceeds from the RMRB Indenture
  - Continue to Administer a Whole Loan Program
    - For government insured loans
    - For conventionally insured 30-year and 40-year loans
    - For non-conforming 35-year interest only plus loans
    - Finance the purchase of these whole loans with proceeds from our HMRB Indenture

## Economic Benefits of an MBS Program

- Reduce Rating Agency Capital Requirements
  - Conventionally insured whole loans typically require a 6% - 8% set-aside of unrestricted CalHFA capital for potential losses not covered by mortgage insurance
  - Eliminate the need to fund bond reserves (typically 3% of outstanding bond proceeds)
  
- Receive the Benefits of Triple-A Rated Bonds
  - 2–4 basis points trading spread between Triple-A and Double-A Housing Bonds

## **Economic Benefits of an MBS Program (Continued)**

- **Reduce Credit/Real Estate Risk**
  - Holders of Mortgage Backed Securities are guaranteed the full payment of principal and interest on underlying loans
  - MI Coverage provided by the Agency Insurance Fund is limited to no more than 20% of the loan amount
  - MI coverage for whole loans (primary and GAP coverage) aggregates to 50% of the loan amount
  
- **Reduce Loan Servicing Fees**
  - Plan to lower servicing fees from 30 basis points to 25 basis points

## **Economic Benefits of an MBS Program (Continued)**

- **Reduce Monthly Mortgage Payment by Borrower**
  - Lower MI Premium due to reduced coverage requirements
    - Premium reductions would average 15 – 20 basis points
    - More than offset the guarantee fee paid to guarantors of MBS on the underlying loans
  - Pass on Loan Servicing Savings of 5 basis points

## Residential Mortgage Revenue Bond Indenture

- The new form of bond indenture is drafted for flexibility and allows for the following:
  - Financing of whole loans as well as MBS
  - Financing of a variety of loan types (including first mortgages and subordinate lien loans)
  - Issuance of fixed rate and variable rate bonds
  - Entering into qualified hedges
  - Other forms of credit enhancement and liquidity
  - Flexible debt service payment dates (monthly, quarterly and semi-annual)

**Cost Assumptions**

1320 Baywood Avenue, San Jose,

962 Medical Model Home

<b>SOURCES OF FUNDS:</b>	Sep-05 Cost Projections	Variance with Initial Projections	Costs at Estoppel	Anticipated Perm Costs	Est Variance Estoppel/Perm
CalHFA Permanent Loan	1,601,152	406,848	2,008,000	1,737,321	(270,679)
Regional Center Equity	-	-	-	156,338	156,338
<b>Total Sources (Gap)/Surplus</b>	<b>1,601,152</b>	<b>406,848</b>	<b>2,008,000</b>	<b>1,893,659</b>	<b>-114,341</b>
<b>USES OF FUNDS:</b>					
	Construction (\$)				
Lesser of Land Cost or Value	963,000	(38,000)	925,000	925,000	-
Cost Facility Note		30,357	30,357	30,357	-
Other		150	150	150	-
<b>Total Acquisition</b>	<b>963,000</b>	<b>(7,493)</b>	<b>955,507</b>	<b>955,507</b>	<b>-</b>
Site Work		64,575	64,575	64,575	-
Rehab to Structures	240,000	34,862	274,862	274,862	-
Contractors Overhead		21,222	21,222	21,222	-
Contractors Profit		17,469	17,469	17,469	-
<b>Total Rehabilitation</b>	<b>240,000</b>	<b>138,128</b>	<b>378,128</b>	<b>378,128</b>	<b>-</b>
Construction Loan Interest	58,642	81,677	140,319	88,703	(51,616)
Title and Recording fees	2,802	4,998	7,800	4,800	(3,000)
Loan Fee	15,429	(15,429)			-
Taxes & Insurance during construction	7,301	5,416	12,717	9,827	(2,890)
<b>Total Construction Loan Expense</b>	<b>84,174</b>	<b>76,662</b>	<b>160,836</b>	<b>103,330</b>	<b>(57,506)</b>
CalHFA Perm Loan Fees		-	-	-	-
Title and Recording		600	600	600	-
Tax Service Contract		200	200	200	-
<b>Total Permanent Loan Expense</b>	<b>-</b>	<b>800</b>	<b>800</b>	<b>800</b>	<b>-</b>
Borrower Legal Fee		-	-	-	-
Legal Fees	2,469	(469)	2,000	250	(1,750)
<b>Total Attorney Expense</b>	<b>2,469</b>	<b>(469)</b>	<b>2,000</b>	<b>250</b>	<b>(1,750)</b>
Appraisal		675	675	675	-
Appraisal at Stabilization		1,500	1,500	1,500	-
Due Diligence Studies		4,125	4,125	4,125	-
Construction Inspector/ Shared		1,500	1,500	1,500	-
Miscellaneous		64	64	64	-
<b>Total Contract Costs</b>	<b>-</b>	<b>7,864</b>	<b>7,864</b>	<b>7,864</b>	<b>-</b>
Hard Cost Contingency	24,000	13,813	37,813	37,813	-
Soft Cost Contingency		24,740	24,740	24,741	1
<b>Total Contingency</b>	<b>24,000</b>	<b>38,553</b>	<b>62,553</b>	<b>62,554</b>	<b>1</b>
CalHFA Debt Service Reserve	158,079	70,809	228,888	175,363	(53,525)
Other		-	-	-	-
<b>Total Reserves</b>	<b>158,079</b>	<b>70,809</b>	<b>228,888</b>	<b>175,363</b>	<b>(53,525)</b>
Local Permit Fees	6,000	(1,254)	4,746	4,746	-
Architecture & Engineering		50,000	50,000	50,000	-
<b>Total Other Expenses</b>	<b>6,000</b>	<b>48,746</b>	<b>54,746</b>	<b>54,746</b>	<b>-</b>
<b>SUBTOTAL PROJECT COSTS</b>	<b>1,477,722</b>	<b>373,600</b>	<b>1,851,322</b>	<b>1,738,542</b>	<b>(112,780)</b>
Developer Overhead/Profit (50% Acq.)	61,715	14,874	76,589	75,787	(802)
Developer Profit -45% Stabilization	61,715	7,215	68,930	68,208	(722)
Developer Profit -5% LoanSale		7,658	7,658	7,622	(36)
Consulting		3,500	3,500	3,500	-
<b>Total Developer Fee / Costs</b>	<b>123,430</b>	<b>33,248</b>	<b>156,678</b>	<b>155,117</b>	<b>(1,561)</b>
		-			-
	<b>1,601,152</b>	<b>406,848</b>	<b>2,008,000</b>	<b>1,893,659</b>	<b>(114,341)</b>

October 6, 2006

The Audit Committee  
California Housing Finance Agency  
Sacramento, California

Dear Members of the Audit Committee:

In planning and performing our audit of the California Housing Finance Fund (the "Fund"), which is administered by the California Housing Finance Agency (the "Agency"), a component unit of the State of California for the year ended June 30, 2006, (on which we have issued our report dated October 6, 2006), we developed the following recommendations concerning certain matters related to the Agency's internal control and certain observations and recommendations on other accounting matters. Our comments are presented in Exhibit I.

This report is intended solely for the information and use of the board of directors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

We will be pleased to discuss these comments with you and, if desired, to assist you in implementing any of the suggestions.

Yours truly,

*Deloitte + Touche LLP*

**Compensated Absence Reconciliations**

*Observation*—We noted that compensated absences are input into the State Controller’s Office Leave Accounting System by the CalHFA Personnel Specialist. The Personnel Specialist also reconciles the Leave Accounting Payroll Reports to the individual employee timesheets. As such, there is a lack of segregation of duties between entering in the data and reconciling it. Currently there are no procedures in place for it to be independently reviewed and approved.

*Recommendation*—We recommend that management consider requiring an independent review and approval of compensated absence reconciliations.

**Stale Dated Checks**

*Observation*—We noted that the Agency does not have a procedure in place for stale dated checks to be voided and reissued. We obtained a detail of outstanding checks as of June 30, 2006, noting that it included outstanding checks dated from October 2001 through June 2006.

*Recommendation*—We recommend that the Agency adopt a formal procedure on the voiding and reissuing of all processed checks after a specific period of time.

**BAY AREA HOUSING PLAN  
SCHEDULE OF PROPERTIES**

	Property Address	Board Comm. 09/01/05	Board Comm. 01/06/06	Board Comm 11/09/06	Agency Status	Approval Date	Estimated Purchase	Est design/const Start	NPO RC	CC&R's	Tax Status	Property Type	Purchase Price	Rehab Estimate	Reserve Add Collateral	Rese 1 YR
	<b>Board Approval Amounts</b>	\$ 20,000,000	\$ 25,000,000													5%
<b>Agency Commitments</b>																
1	1529 Eden, San Jose	\$ 1,821,000			4.2 Approval	06/16/06	06/24/06	11/15/06	BAHC-SARC		EXP	FTM Duplex	\$ 875,000	\$ 364,624	\$ 91,050	\$ 207
2	1320 Baywood, San Jose	\$ 2,008,000			4.2 Approval	06/26/06	07/06/06	11/15/06	BAHC-SARC		EXP	962 Med 5	\$ 925,000	\$ 415,941	\$ 100,400	\$ 228
3	227 Prague, San Mateo	\$ 1,689,000			4.2 Approval	07/03/06	07/10/06	11/15/06	WBHC-GGRC		Tax	SRH 3	\$ 771,000	\$ 367,325	\$ 84,450	\$ 192
4	5508 Jasmine, Castro Valley	\$ 1,694,000			4.2 Approval	07/17/06	07/26/06	11/15/06	HCEB-RCEB	xx	?EXP	SRH 4	\$ 805,000	\$ 332,235	\$ 84,700	\$ 201
5	506 & 508 Northlake Dr., San Jos	\$ 1,837,000			4.2 Approval	07/17/06	07/24/06	11/15/06	BAHC-SARC		EXP	FTM Duplex	\$ 820,000	\$ 425,486	\$ 91,850	\$ 218
6	625 & 627 Vasona, Los Gatos	\$ 1,806,000			4.2 Approval	07/26/06	07/28/06	01/31/07	BAHC-SARC		EXP	FTM Duplex	\$ 860,000	\$ 352,527	\$ 90,300	\$ 214
7	629 & 631 Vasona, Los Gatos	\$ 1,819,000			4.2 Approval	07/26/06	07/28/06	01/31/07	BAHC-SARC		EXP	FTM Duplex	\$ 860,000	\$ 356,456	\$ 90,950	\$ 216
8	637 & 639 Vasona, Los Gatos	\$ 1,803,000			4.2 Approval	07/26/06	07/28/06	01/31/07	BAHC-SARC		EXP	FTM Duplex	\$ 860,000	\$ 349,899	\$ 90,150	\$ 214
9	1720 Pierce St., San Mateo	\$ 1,660,000			4.2 Approval	08/07/06	08/17/06	11/14/07	WBHC-GGRC		Tax	SRH 3	\$ 775,000	\$ 335,701	\$ 83,000	\$ 197
49	6402 Club Drive, San Mateo	\$ 1,920,000			Senior-Staff	08/28/06	09/19/06		BAHC-SARC		EXP	962 Med 5	\$ 860,000	\$ 432,871	\$ 98,000	\$ WRE
11	2508 Regent Road, Livermore	\$ 1,756,000	\$ -		4.2 Approval	09/15/06	09/25/06	12/24/07	HCEB-RCEB		Exp	962 Med 5	\$ 835,000	\$ 342,172	\$ 87,800	\$ 205
12	4865 Wellington Park, San Jose	\$ 1,585,000			4.2 Approval	09/28/06	10/02/06	01/04/07	BAHC-SARC	x	Tax	SRH3	\$ 762,000	\$ 298,575	\$ 79,250	\$ 185
13	21763 Shadysprings Rd, Castro	\$ 522,000	\$ 980,000		4.2 Approval	09/28/06	10/03/06	01/01/07	HCEB-RCEB	x	EXP	SRH3	\$ 680,000	\$ 323,655	\$ 75,100	\$ 175
14	633 Vanessa, San Mateo		\$ 1,692,000		4.2 Approval	10/04/06	10/11/08	01/09/07	WBHC-GGRC	x	EXP	SRH3	\$ 750,000	\$ 389,074	\$ 84,600	\$ 197
15	32744 Olympiad Court, Union City		\$ 1,713,000		4.2 Approval	10/18/06	10/21/06	01/22/07	HCEB-RCEB		EXP	962 Med 5	\$ 880,000	\$ 268,554	\$ 85,650	\$ 200
16	2334 Oak Flat Road, San Jose		\$ 1,697,000		4.2 Approval	10/18/06	10/24/06	01/29/07	BAHC-SARC	x	EXP	SRH3	\$ 770,000	\$ 374,234	\$ 84,850	\$ 198
17	14239 Mulberry, Los Gatos		\$ 2,086,000		4.2 Approval	10/18/06	10/24/06	01/11/07	BAHC-SARC	x	EXP	962 Med 5	\$ 749,950	\$ 378,041	\$ 104,300	\$ 243
18	1446 Flora, San Jose		\$ 2,071,000		4.2 Approval	10/30/06	11/03/06	01/29/207	BAHC-SARC		EXP	962 Med 5	\$ 785,000	\$ 681,853	\$ 103,550	\$ 241
19	1112 Sunnyside Drive, S SF		\$ 1,646,000		4.2 Approval	11/02/06	11/06/06	02/04/07	WBHC-GGRC	x	Tax	SRH3	\$ 849,000	\$ 256,727	\$ 82,300	\$ 191
20	740 Palm Ave, S SF		\$ 1,720,000		4.2 Approval	11/06/06	11/09/06	02/07/07	WBHC-GGRC		Tax	SRH3	\$ 850,000	\$ 309,948	\$ 86,000	\$ 200
21	680 Edna, San Mateo		\$ 1,914,000		Prel. Approval	11/08/06	11/10/06	02/04/07	WBHC-GGRC		Tax	962 Med 4	\$ 788,888	\$ 470,550	\$ 95,700	\$ 222
<b>Total Approvals</b>		\$ 20,000,000	\$ 15,519,000	\$ -												
<b>Commitment Used - by Bd approval date</b>		\$ 20,000,000	\$ 15,519,000	\$ -												
<b>Unused Commitment - by BD approval date</b>		\$ -	\$ 9,481,000	\$ -												
<b>110% Contingency Factor</b>		\$ -	\$ 3,551,900	\$ -												
<b>Commitment Available</b>		\$ -	\$ 5,929,100	\$ -												
<b>Pending Acquisitions</b>																
21	2654 Chablis Way, Livermore		\$ 1,858,000		Prel. Approval		09/25/06	TBD	HCEB-RCEB	xx	Tax	962 Med 5	\$ 870,000	\$ 363,436	\$ -	\$ -
22	1169 Sand Beach Place, Alameda		\$ 2,000,000				11/17/06	02/08/07	BAHC-SARC		EXP	962 Med 5	\$ 719,000		\$ 100,000	\$ 232
23	24615 Patricia Court, Hayward		\$ 2,000,000	\$ -			11/16/06	02/14/07	HCEB-RCEB		EXP	962 Med 5	\$ 705,000		\$ 100,000	\$ 232
24	32724 Fairfield Street, Union City		\$ 1,604,091	\$ 95,909			11/23/06	02/21/07	HCEB-RCEB		EXP	SRH3	\$ 759,950		\$ 85,000	\$ 198
25	649 Empey Way, San Jose		\$ 2,000,000	\$ 2,000,000			12/15/06	03/15/07	BAHC-SARC		EXP	962 Med 5	\$ 790,000		\$ 100,000	\$ 232
26	5486 Yale Drive		\$ 2,000,000	\$ 2,000,000			12/15/06	03/15/07	WBHC-GGRC		EXP	SRH3	\$ 798,000		\$ 100,000	\$ 232
27	Medina, San Bruno		\$ 2,000,000				TBD	TBD	WBHC-GGRC		TBD	962 Med 4	\$ 1,250,000		\$ 100,000	\$ 232
28	Carmen Way, Union City		\$ 1,800,000				TBD	TBD	HCEB-RCEB		TBD	SRH3	TBD		\$ 90,000	\$ 209
29	10536 N. Foothill, Cupertino		\$ 1,600,000				12/01/06		BAHC-SARC		EXP	FTM Duplex	\$ 1,229,814	\$ 75,000	\$ 80,000	\$ 186
30	10506 N. Foothill Cupertino		\$ 1,600,000				12/01/06		BAHC-SARC		EXP	FTM Duplex	\$ 1,303,645	\$ 75,000	\$ 80,000	\$ 186
31	10516 N. Foothill, Cupertino		\$ 1,600,000				12/01/06		BAHC-SARC		EXP	FTM Duplex	\$ 1,298,816	\$ 75,000	\$ 80,000	\$ 186
32	10526 N. Foothill Cupertino		\$ 1,600,000				12/01/06		BAHC-SARC		EXP	FTM Duplex	\$ 1,297,412	\$ 75,000	\$ 80,000	\$ 186
<b>All Current Approvals and Pending Acquisitions</b>																
<b>Pending Approvals</b>			\$ 5,604,091	\$ 16,153,909												
<b>110% Contingency Factor</b>			\$ 6,164,500	\$ 17,769,300												
<b>Total of Commitments and Pending Acquisitions</b>																
<b>Total approvals</b>			\$ 35,519,000	\$ 35,519,000												
<b>Total Approvals &amp; Pending Acquisitions</b>			\$ 41,123,091	\$ 57,277,000												
<b>110% Contingency Factor</b>			\$ 45,235,400	\$ 63,004,700												
<b>Commitment Currently Needed on Nov 06</b>			\$ 235,400	\$ 22,769,300												
										<b>CalHFA Taxable Rate</b>						
										Aug-06 7.80%						
										Sep-06 7.50%						
										Oct-06 7.40%						
										Nov-06 7.45%						
										<b>CalHFA Tax -Exempt Rate</b>						
										Aug-06 6.30%						
										Sep-06 6.00%						
										Oct-06 5.90%						
										6-Nov 5.95%						

BAHP June 30, 2007 Look Ahead							Design Build Control	Design Build/Local Jurisdiction Control	Owner (HCS) Control	Design Build Control	Reg Provic					
FLG Batch	# of Houses	Picmts	Street Name	Type	RC	COE	Design Start	Design Duration	Bid/Permit Start	Bid/Permit Duration	Lender/RC approval Start	Lender/RC Approval Duration	Construction Start	Const Duration	Construction Complete	Occupan censing days
1	1	3	Northlake	FTH	SARC	Closed	10/26/2006	30	11/25/2006	21	12/16/2006	10	12/26/2006	75	3/11/2007	4/10/2007
1	1	3	Eden	FTH	SARC	Closed	10/26/2006	30	11/25/2006	21	12/16/2006	10	12/26/2006	75	3/11/2007	4/10/2007
1	1	5	Baywood	962	SARC	Closed	10/26/2006	30	11/25/2006	21	12/16/2006	10	12/26/2006	100	4/5/2007	5/5/2007
1	1	4	Jasmine	SRH	RCEB	Closed	10/26/2006	30	11/25/2006	21	12/16/2006	10	12/26/2006	100	4/5/2007	5/5/2007
1	1	5	Chablis	962	RCEB	Closed	10/26/2006	30	11/25/2006	21	12/16/2006	10	12/26/2006	100	4/5/2007	5/5/2007
1	1	5	Regent	962	RCEB	Closed	10/26/2006	30	11/25/2006	21	12/16/2006	10	12/26/2006	100	4/5/2007	5/5/2007
2	1	3	Shadyspring	SRH	RCEB	Closed	11/1/2006	45	12/16/2006	21	1/6/2007	10	1/16/2007	100	4/26/2007	5/26/2007
2	1	5	Olympiad	962	RCEB	Closed	11/1/2006	45	12/16/2006	21	1/6/2007	10	1/16/2007	100	4/26/2007	5/26/2007
2	1	3	Prague	SRH	GGRC	Closed	11/1/2006	45	12/16/2006	21	1/6/2007	10	1/16/2007	100	4/26/2007	5/26/2007
2	1	3	Pierce	SRH	GGRC	Closed	11/1/2006	45	12/16/2006	21	1/6/2007	10	1/16/2007	100	4/26/2007	5/26/2007
2	1	3	Vanessa	SRH	GGRC	Closed	11/1/2006	45	12/16/2006	21	1/6/2007	10	1/16/2007	100	4/26/2007	5/26/2007
2	1	4	Edna Way	962	GGRC	11/6/2006	11/1/2006	45	12/16/2006	21	1/6/2007	10	1/16/2007	100	4/26/2007	5/26/2007
3	1	3	Vasona 1	FTH	SARC	Closed	11/15/2006	45	12/30/2006	21	1/20/2007	10	1/30/2007	75	4/15/2007	5/15/2007
3	1	3	Vasona 2	FTH	SARC	Closed	11/15/2006	45	12/30/2006	21	1/20/2007	10	1/30/2007	75	4/15/2007	5/15/2007
3	1	3	Vasona 3	FTH	SARC	Closed	11/15/2006	45	12/30/2006	21	1/20/2007	10	1/30/2007	75	4/15/2007	5/15/2007
3	1	3	Wellington	SRH	SARC	Closed	11/15/2006	45	12/30/2006	21	1/20/2007	10	1/30/2007	100	5/10/2007	6/9/2007
3	1	3	Oak Flat	SRH	SARC	Closed	11/15/2006	45	12/30/2006	21	1/20/2007	10	1/30/2007	100	5/10/2007	6/9/2007
3	1	5	Yale	962	SARC	12/1/2006	11/30/2006	45	1/14/2007	21	2/4/2007	10	2/14/2007	100	5/25/2007	6/24/2007
18		66														

Consumer placements >> 61  
 Carryover into next fiscal year>> 5

Note: Durations are calendar days