

CalHFA Compensation Committee Recommendations

1/18/2007

Position	Current Salary	Proposed Salary Range			New Salary Realignment	Percent Increase Over Current Salary	Salary Realignment as % of Midpoint
		Minimum	Midpoint	Maximum			
Executive Director	\$ 138,338	\$ 150,000	\$ 200,000	\$ 250,000	\$ 200,000	44.6%	100.0%
Chief Deputy Director	\$ 148,500	\$ 140,000	\$ 180,000	\$ 220,000	\$ 175,000	17.8%	97.2%
Dir. Of Financing	\$ 122,424	\$ 140,000	\$ 180,000	\$ 220,000	\$ 170,000	38.9%	94.4%
Dir. Of Multifamily	\$ 122,424	\$ 140,000	\$ 180,000	\$ 220,000	\$ 180,000	47.0%	100.0%
Dir. Homeownership	\$ 122,424	\$ 140,000	\$ 180,000	\$ 220,000	\$ 180,000	47.0%	100.0%
General Counsel	\$ 130,664	\$ 130,000	\$ 160,000	\$ 190,000	\$ 170,000	30.1%	106.3%
Dir. Of Mortgage Insurance	\$ 145,000	\$ 130,000	\$ 160,000	\$ 190,000	\$ 160,000	10.3%	100.0%
Chief Information Officer	\$ 110,277	\$ 100,000	\$ 125,000	\$ 150,000	\$ 125,000	13.4%	100.0%
Risk Manager	\$ 115,680	\$ 100,000	\$ 125,000	\$ 150,000	\$ 137,500	18.9%	110.0%
Dir of Legislation	\$ 85,404	\$ 75,000	\$ 100,000	\$ 125,000	\$ 95,500	11.8%	95.5%

CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Diamond Aisle Apartments
Anaheim (Orange County), CA
CalHFA # 06-084-C/S

This is a Final Commitment request for a \$5,400,000 construction loan, and a \$770,000 permanent loan. Security for the loans will be a leasehold mortgage interest on a proposed 25 unit special needs residential community to be located at 1232 West Diamond Street in the City of Anaheim. Diamond Aisle L.P., a California limited partnership (the "Borrower") will own the property. The managing general partner will be Jamboree Housing Corporation, a 501(c)(3) public benefit corporation.

Diamond Aisle Apartments is a proposed 3-story garden style apartment structure containing 24 rental units and one manager's unit, and situated on an assemblage parcel of approximately 0.85 acres. The project will be rented to a target population of chronically homeless and severely mentally ill, with a household income not exceeding 30% of Area Median Income ("AMI"). In addition Diamond Aisle Apartments will have HUD Section 8 Project Based Vouchers rental assistance from the Anaheim Housing Authority for a minimum of 24 rental units.

LOAN TERMS

Construction

Leasehold Mortgage (1st lien)	\$5,400,000
Interest Rate	1month LIBOR + 125 bps, adjusted monthly
Term	24 months (interest only)
Financing	Tax-exempt mortgage revenue bonds

Permanent

Leasehold Mortgage (1st lien)	\$770,000
Interest Rate	1.00 %
Term	10-year fixed, fully amortized
Financing	Tax-exempt mortgage revenue bonds

SPECIAL NEEDS LOAN TERMS

The interest rate on the permanent loan will be reduced from 5.20% to 1.00%. The commitment for permanent financing will be conditioned upon the Agency's receipt and acceptance of the following prior to the closing of the construction loan:

- A Supportive Service Plan approved by the Department of Mental Health, which plan will also be adopted by the Department of Housing and Community Development ("HCD") in conjunction with Governor's Homeless Initiative (GHI-PROP) funding.
- An executed Annual Housing Assistance Program ("AHAP") Contract between the Borrower and the Anaheim Housing Authority ("AHA") for a minimum 24 rental units at permanent loan close.
- An executed Memorandum of Understanding ("MOU") between the Borrower, the Property Manager and the Supportive Service Provider outlining roles and responsibilities, acceptable to the CalHFA.
- A description of the wait-list process from the Anaheim Housing Authority ("AHA").
- A Memorandum of Understanding b/b the County of Orange Health Care Agency ("COCHCA"), Jamboree Housing Corporation, H.O.M.E.S., Inc, which also defines each participants role and responsibilities.
- An updated first year service funding budget at permanent loan closing.

OTHER FINANCING

The Anaheim Housing Authority ("AHA") acquired the site from the Orange County Transportation Authority as part of a portfolio of vacant, blighted remnant parcels remaining after the widening of Interstate 5. The property has been valued at \$2,200,000. The property will be leased to the borrower for a term of 65 years. Payments for the ground lease will be from residual receipts.

The AHA ground lease and regulatory agreement have not been drafted. The terms and conditions of said documents shall be subject to the review and approval of the California Housing Finance Agency ("CalHFA"). The CalHFA Regulatory Agreement shall be in a priority position with respect to all regulatory constraints. In addition CalHFA may require that their Regulatory Agreement be recorded in a priority position against both the leasehold and the fee.

Construction Financing *					
Source	Type	Loan Amount	Term	Interest Rate	Repayment
Anaheim Housing Authority Ground Lease	Ground Lease	\$2,200,000	65 yrs		Residual Receipts
AHP (US Bank)	Loan	\$100,960	55 yrs	0%	

*Additional construction period funding will be from tax credit equity and deferred developer's fees.

- Persons who are chronically homeless are defined as an individual with a disabling condition (physical or mental disability, depression, alcohol or drug use, or chronic health conditions) who has continually homeless for one year or more, or who has experiences four or more episodes of homelessness within the past three years.
- An estimated 500 homeless persons annually would qualify for tenancy at the project.

Housing Supply and Demand

- There is only one small 29 unit facility that exists in Orange County that is the targeted to the same tenant pool as the subject project.
- There are no other projects currently in development in Orange County which are intended to serve the chronically homeless or the chronically homeless mentally ill.

PROJECT FEASIBILITY

Estimated Lease-up Period

The project is expected to be at least 95% occupied within one month of completion.

ENVIRONMENTAL

- A current Phase I Environmental Site Assessment is pending. A Phase I Environmental Assessment report was completed in March 2003 for the Anaheim Redevelopment Agency. No adverse environmental conditions warranting further investigation or remedial action were identified in the report.
- An acoustic study is also pending.

DEVELOPMENT TEAM

Borrower/Developer

Diamond Aisle, L.P. a California limited partnership

JHC-Diamond Aisle LLC, a California limited liability company, is the managing general partner, and H.O.M.E.S., Inc is a co-general partner. Jamboree Housing Corporation is the sole member of the LLC.

Jamboree Housing Corporation ("JHC") was incorporated in 1990 as a 501 (c)(3) public benefit non-profit housing development corporation to expand housing opportunities for low-income households. JHC has an ownership interest in over 30 residential properties totaling 3,517 units of affordable housing ranging from multi-family residential to senior communities to work force housing. JHC currently has 14 communities under construction/rehabilitation containing an additional 1,356 units. Development experience has included new construction, acquisition-rehabilitation, preservation of at-risk projects, and mobile home parks.

PROJECT SUMMARY

PROJECT NUMBER: 15-134-C/S

Final Commitment

Project:	Diamond Aisle Apts.	Developer:	Jamboree Housing Corp.
Location:	1232 W. Diamond St.	Partner:	H.O.M.E.S., Inc.
City:	Anaheim	Investor:	Enterprise Community Investment, Inc.
County:	Orange		
Zip Code:	92801-5917		

Project Type:	New Construction	No. of Buildings:	1
Occupancy:	Family	No. of Stories:	3
Total Units:	25	Residential Space	19,125 sq. ft.
Style Units:	Flats	Office Space	2,500 sq. ft.
Elevators:	Yes	Commercial Space	6,108 sq. ft.
Total Parking	31	Gross Area	27,733 sq. ft.
Covered	15	Land Area	36,962 sq. ft.
		Units per acre	29

CalHFA Construction Financing	Amount	Rate	Term (Mths)
CalHFA Construction Financing	\$5,400,000	6.75%	24

Permanent Sources of Funds	Amount	Rate	Years
CalHFA First Mortgage	\$770,000	1.00%	10
CalHFA Bridge Loan	\$0	0.00%	0
CalHFA Second Mortgage	\$0	0.00%	0
MHP	\$3,180,732	3.00%	55
City of Anaheim	\$2,200,000	0.00%	65
AHP	\$100,960	0.00%	55
CRS	\$180,000	0.00%	0
Source 6	\$0	0.00%	0
Source 7	\$0	0.00%	0
Source 8	\$0	0.00%	0
Source 9	\$0	0.00%	0
Source 10	\$0	0.00%	0
Source 11	\$0	0.00%	0
Source 12	\$0	0.00%	0
Income from Operations	\$0		
Developer Contribution	\$15,000		
Deferred Dev. Fee	\$58,903		
Tax Credit Equity	\$3,087,560		

Construction Valuation		Appraisal		Value Upon Completion	
Investment Value	\$5,080,000	Appraisal Date:	20-Nov-06	Restricted Value	\$1,790,000
Loan / Cost	59%	Cap Rate:	8.00%	Perm. Loan / Cost	8%
Loan / Value	107%			Perm. Loan / Value	43%

CalHFA Fees and Reserve Requirements

CalHFA Loan Fees	Amount	Required Reserves	Amount
CalHFA Construction Loan Fee	\$40,500	Rent Subsidy Reserve	\$180,000
CalHFA Permanent Loan Fees	\$3,850	Replacement Resv. Initial Deposit	\$0
Other Fee	\$0	Repl. Reserve - Per Unit/ Per Yr	\$500
Construction Loan - Guarantees and Fees		CalHFA Operating Expense Reserve-below	\$0
Completion Guarantee Fee	\$4,443,919	Rent Up Reserve	\$0
Contractors Payment Bond	\$4,443,919	CalHFA/HCD Operating Expense Reserve	\$59,000
Contractors Performance Bond	\$4,443,919	Tax-Exempt Bond Test (Min. 50%)	57.76%

Date: 1/12/2007

Senior Staff Date: 12/22/2006

Sources and Uses of Funds

Diamond Aisle Apts.

06-084-C/S

Final Commitment

SOURCES OF FUNDS:	Funds in during	Funds in at	Total Development Sources		
	Construction (\$)	Permanent (\$)	Total Sources of Funds (\$)	Sources per Unit	%
CalHFA Construction Financing	5,400,000				
Construction Only Source 2	-				
Construction Only Source 3	-				
CalHFA First Mortgage		770,000	770,000	30,800	8%
CalHFA Second Mortgage		-	-	-	0%
MHP		3,180,732	3,180,732	127,229	33%
City of Anaheim	2,200,000	-	2,200,000	88,000	23%
AHP	100,960	-	100,960	4,038	1%
CRS		180,000	180,000	7,200	2%
Source 6	-	-	-	-	0%
Source 7	-	-	-	-	0%
Source 8	-	-	-	-	0%
Source 9	-	-	-	-	0%
Source 10	-	-	-	-	0%
Source 11	-	-	-	-	0%
Source 12	-	-	-	-	0%
Income from Operations	-	-	-	-	0%
Developer Contribution	-	15,000	15,000	600	0%
Deferred Developer Fee	-	58,903	58,903	2,356	1%
Tax Credit Equity	1,458,173	1,629,387	3,087,560	123,502	32%
Total Sources	9,159,133	5,834,022	9,593,155	383,726	100%
(Gap)/Surplus	-	-	-	-	-

USES OF FUNDS:	Construction (\$)	Permanent (\$)	Total Development Costs		
			Total Uses of Funds (\$)	Cost per Unit	%
LOAN PAYOFFS & ROLLOVERS					
Construction Loan payoffs		\$5,400,000			
ACQUISITION					
Lesser of Land Cost or Value	2,200,000	-	2,200,000	88,000	23%
Demolition	-	-	-	-	0%
Legal - Acquisition Related Fees	-	-	-	-	0%
Subtotal - Land Cost / Value	2,200,000	-	2,200,000		
Existing Improvements Value	-	-	-	-	0%
Off-Site Improvements	-	-	-	-	0%
Other	-	-	-	-	0%
Total Acquisition	2,200,000	-	2,200,000	88,000	23%
REHABILITATION					
Site Work	-	-	-	-	0%
Rehab to Structures	-	-	-	-	0%
General Requirements	-	-	-	-	0%
Contractors Overhead	-	-	-	-	0%
Contractors Profit	-	-	-	-	0%
Contractor's Bond	-	-	-	-	0%
General Liability Insurance	-	-	-	-	0%
Environmental Mitigation Expense	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Rehabilitation	-	-	-	-	0%
RELOCATION EXPENSES					
Relocation Expense	-	-	-	-	0%
Relocation Compliance Monitoring	-	-	-	-	0%
Total Relocation	-	-	-	-	0%

(Continued on Next 2 Pages)

USES OF FUNDS (Cont'd):	Construction (\$)	Permanent (\$)	Total Development Costs		
			Total Uses of Funds (\$)	Cost per Unit per Unit	%
<u>NEW CONSTRUCTION</u>					
Site Work	716,477	-	716,477	28,659	7%
Structures (Hard Costs)	3,181,707	-	3,181,707	127,268	33%
General Requirements	258,459	-	258,459	10,338	3%
Contractors Overhead	57,455	-	57,455	2,298	1%
Contractors Profit	229,821	-	229,821	9,193	2%
Contractor's Perf. & Pymt Bond	-	-	-	-	0%
General Liability Insurance	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total New Construction	4,443,919	-	4,443,919	177,757	46%
<u>ARCHITECTURAL & ENGINEERING</u>					
Architectural Design	266,635	-	266,635	10,665	3%
Architect's Supv during Construction	-	-	-	-	0%
Total Architectural	266,635	-	266,635	10,665	3%
Engineering Expense	177,060	-	177,060	7,082	2%
Engineers Supv. during Construction	-	-	-	-	0%
ALTA Survey	-	-	-	-	0%
Total Engineering & Survey	177,060	-	177,060	7,082	2%
<u>CONSTRUCTION LOAN COSTS</u>					
Construction Loan Interest	365,422	-	365,422	14,617	4%
CalHFA Construction Loan Fee	40,500	-	40,500	1,620	0%
Other Construction Loan Fees	-	-	-	-	0%
CalHFA Outside Legal Counsel Fees	20,000	-	20,000	800	0%
Other Lender Req'd Legal Fees	-	-	-	-	0%
Title and Recording fees	-	-	-	-	0%
CalHFA Req'd Inspection Fees	27,000	-	27,000	1,080	0%
Other Req'd Inspection Fees	-	-	-	-	0%
Prevailing Wage Monitoring Expense	-	-	-	-	0%
Taxes & Insurance during construction	64,807	-	64,807	2,592	1%
Predevelopment Interest	-	-	-	-	0%
Cost for Completion Guarantee	-	-	-	-	0%
Other	-	-	-	-	0%
Total Construction Loan Expense	517,729	-	517,729	20,709	5%
<u>PERMANENT LOAN COSTS</u>					
CalHFA Perm Loan Fees	3,850	-	3,850	154	0%
CalHFA Bridge Loan Fees	-	-	-	-	0%
CalHFA Loan Application Fee	500	-	500	20	0%
Other Lender Perm. Loan Fees	-	-	-	-	0%
Title and Recording	-	-	-	-	0%
Perm. Bridge Loan Interest Expense	-	-	-	-	0%
Bond Origination Guarantee Fee	-	-	-	-	0%
Tax Exempt Bond Allocation Fee	600	-	600	24	0%
Other -Perm. financing costs??	-	-	-	-	0%
Total Permanent Loan Expense	4,950	-	4,950	198	0%
<u>LEGAL FEES</u>					
Borrower Legal Fee	75,380	-	75,380	3,015	1%
Other	-	-	-	-	0%
Total Attorney Expense	75,380	-	75,380	3,015	1%

USES OF FUNDS (Cont'd):	Construction (\$)	Permanent (\$)	Total Development Costs		
			Permanent of Funds (\$)	Per Unit per Unit	%
<u>CONTRACT/REPORT COSTS</u>					
Appraisal	6,500	-	6,500	260	0%
Market Study	6,500	-	6,500	260	0%
Physical Needs Assessment	-	-	-	-	0%
HUD Risk Share Environ. Review	-	-	-	-	0%
CalHFA EQ Waiver Seismic Review Fee	12,000	-	12,000	480	0%
Environmental Phase I / II Reports	5,000	-	5,000	200	0%
Soils / Geotech Reports	-	-	-	-	0%
Asbestos / Lead-based Paint Report	-	-	-	-	0%
Noise/Acoustical/Traffic Study Report	-	-	-	-	0%
Other	-	-	-	-	0%
Other	65,000	-	65,000	2,600	1%
Total Contract Costs	95,000	-	95,000	3,800	1%
<u>CONTINGENCY</u>					
Hard Cost Contingency	477,106	-	477,106	19,084	5%
Soft Cost Contingency	22,250	-	22,250	890	0%
Total Contingency	499,356	-	499,356	19,974	5%
<u>RESERVES</u>					
CalHFA Operating Expense Reserve	-	-	-	-	0%
Construction Defects Reserve	-	-	-	-	0%
Rent-Up Reserve	-	-	-	-	0%
Capitalized Operating Reserve-Other	-	59,000	59,000	2,360	1%
Rent Subsidy Reserve	-	180,000	180,000	7,200	2%
Total Reserves	-	239,000	239,000	9,560	2%
<u>OTHER</u>					
CTCAC App/Alloc/Monitor Fees	15,191	-	15,191	608	0%
Local Permit Fees	75,000	-	75,000	3,000	1%
Local Development Impact Fees	350,790	-	350,790	14,032	4%
Other Local Fees	-	-	-	-	0%
Advertising & Marketing Expenses	20,000	-	20,000	800	0%
1st Year Taxes & Insurance	-	-	-	-	0%
Furnishings	100,000	-	100,000	4,000	1%
Final Cost Audit Expense	15,000	-	15,000	600	0%
Miscellaneous Admin Fees	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Other Expenses	575,981	-	575,981	23,039	6%
SUBTOTAL PROJECT COSTS	8,856,010	5,639,000	9,095,010	363,800	95%
<u>DEVELOPER COSTS</u>					
Developer Overhead/Profit (5% Acq.)	268,123	195,022	463,145	18,526	5%
Developer Profit payable from Operations	-	-	-	-	0%
Developer Overhead/Profit (NC/Rehab)	-	-	-	-	0%
Consultant / Processing Agent	35,000	-	35,000	1,400	0%
Project Administration	-	-	-	-	0%
Broker Fees to a related party	-	-	-	-	0%
Construction Mgmt. Oversight	-	-	-	-	0%
Other	-	-	-	-	0%
Total Developer Fee / Costs	303,123	195,022	498,145	19,926	5%
Total Costs	9,159,133	5,834,022	9,593,155	383,726.2	100%

RESOLUTION 07-01

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Diamond Aisle LP, a California limited partnership (the "Borrower"), seeking a loan commitment, the proceeds of which are to be used to provide financing for a multifamily housing development located in Anaheim, Orange County, California, to be known as Diamond Aisle Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which prepared a report presented to the Board on the meeting date recited below (the "Staff Report"), recommending Board approval subject to certain recommended terms and conditions; and

WHEREAS, Section 1.150-2 of the Treasury Regulations requires the Agency, as the issuer of tax-exempt bonds, to declare its reasonable official intent to reimburse prior expenditures for the Development with proceeds of a subsequent borrowing; and

WHEREAS, on December 22, 2006, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

WHEREAS, based upon the recommendation of staff and due deliberation by the Board, the Board has determined that a final loan commitment be made for the Development;

1. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency is hereby authorized to execute and deliver a final commitment letter, in a form acceptable to the Agency, and subject to recommended terms and conditions set forth in the Staff Report, in relation to the Development described above and as follows:

<u>PROJECT NUMBER</u>	<u>DEVELOPMENT NAME/ LOCALITY</u>	<u>NUMBER OF UNITS</u>	<u>MORTGAGE AMOUNT</u>
06-084-C/S	Diamond Aisle Apartments Anaheim, Orange County, California	25	\$5,400,000 Construction \$ 770,000 Permanent

BAHP: Post-Closing

Units	Address	RC	Status	Loan Amount	Permit Submittal	Pre-Hard Cost Submittal	Construction Start	Construction Completion
1	Eden	SARC	Pre-hard cost preparation	\$ 1,821,000.00	11/29/2006	1/26/2007		
1	Northlake	SARC	Pre-hard cost preparation	\$ 1,837,000.00	11/29/2006	1/26/2007		
1	Baywood	SARC	Pre-hard cost preparation	\$ 2,008,000.00	11/22/2006	1/26/2007		
3	Vasonas	SARC	Permitting	\$ 5,428,000.00	12/12/2006			
1	Jasmine	RCEB	Pending HOA approval	\$ 1,694,000.00	12/14/2006			
1	Shadyspring	RCEB	Permitting	\$ 1,502,000.00	1/4/2007			
1	Wellington Park	SARC	Design	\$ 1,585,000.00	2/7/2007			
1	Vanessa	GGRC	Design	\$ 1,692,000.00	1/12/2007			
1	Mulberry	SARC	Manufactuer Bidding	\$ 2,086,000.00	TBD			
1	Olympiad	RCEB	Permitting	\$ 1,713,000.00	1/4/2007			
1	Oak Flat Rd	SARC	Permitting	\$ 1,697,000.00	1/5/2007			
1	Flora Ave	SARC	Manufactuer Bidding	\$ 2,071,000.00	TBD			
1	Sunnyside Dr.	GGRC	Design	\$ 1,646,000.00	1/15/2007			
1	Palm Ave	GGRC	Design	\$ 1,720,000.00	1/12/2007			
1	Sand Beach	RCEB	Permitting	\$ 1,576,000.00	1/4/2007			
1	Edna	GGRC	Design	\$ 1,914,000.00	1/12/2007			
1	Patricia	RCEB	Design	\$ 1,534,000.00	1/16/2007			
1	Fairfield	RCEB	Design	\$ 1,499,000.00	1/12/2007			
1	Pierce	GGRC	Permitting	\$ 1,660,000.00	12/28/2007			
1	Prague	GGRC	Design	\$ 1,689,000.00	1/12/2007			
1	Regent	RCEB	Permitting	\$ 1,756,000.00	12/8/2006			
23	Total			\$ 40,128,000.00				

Blue = Projected

California Housing Finance Agency

Coyote Run Apartments


Affordable Housing is our Business

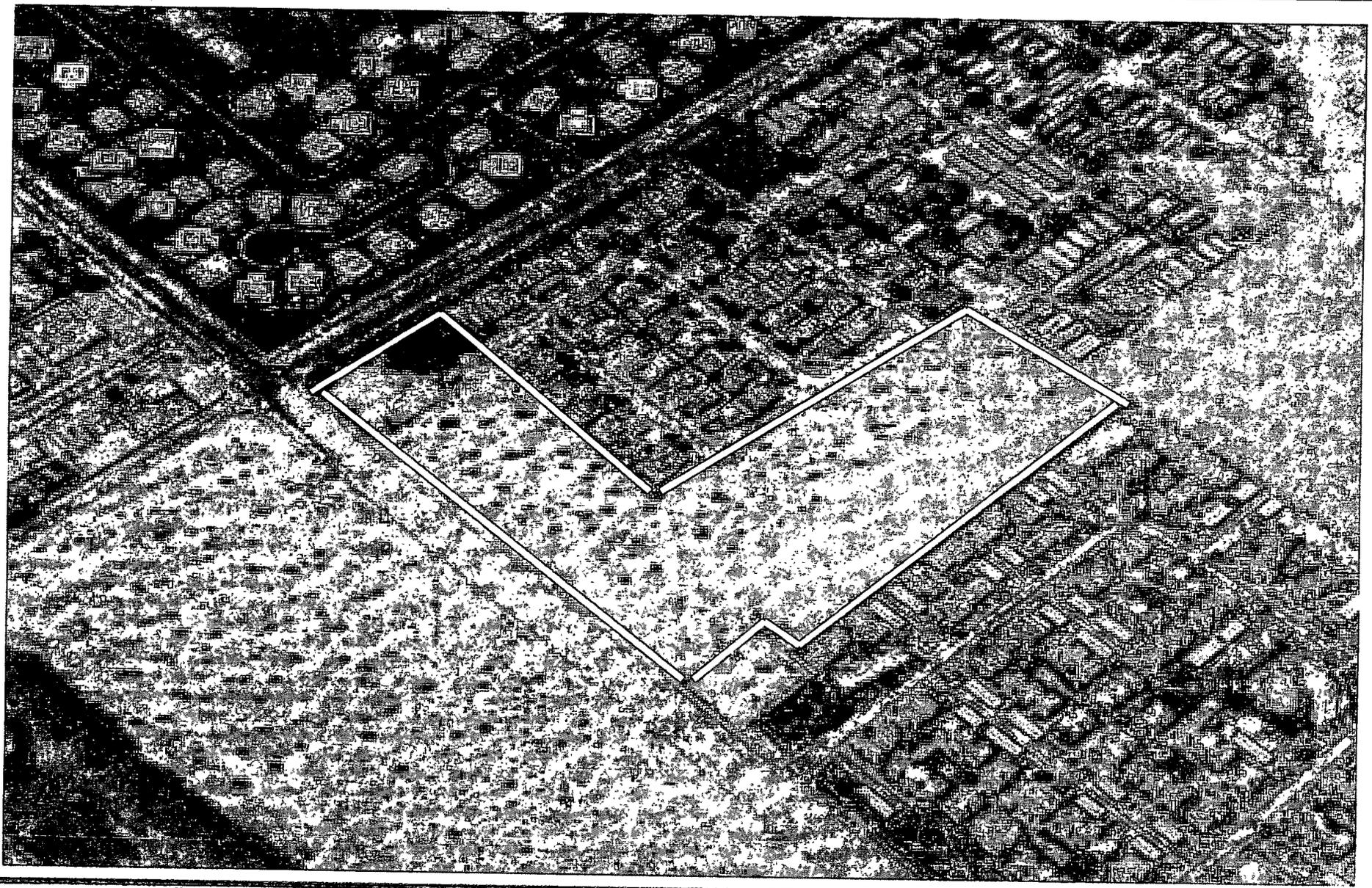
California Housing Finance Agency

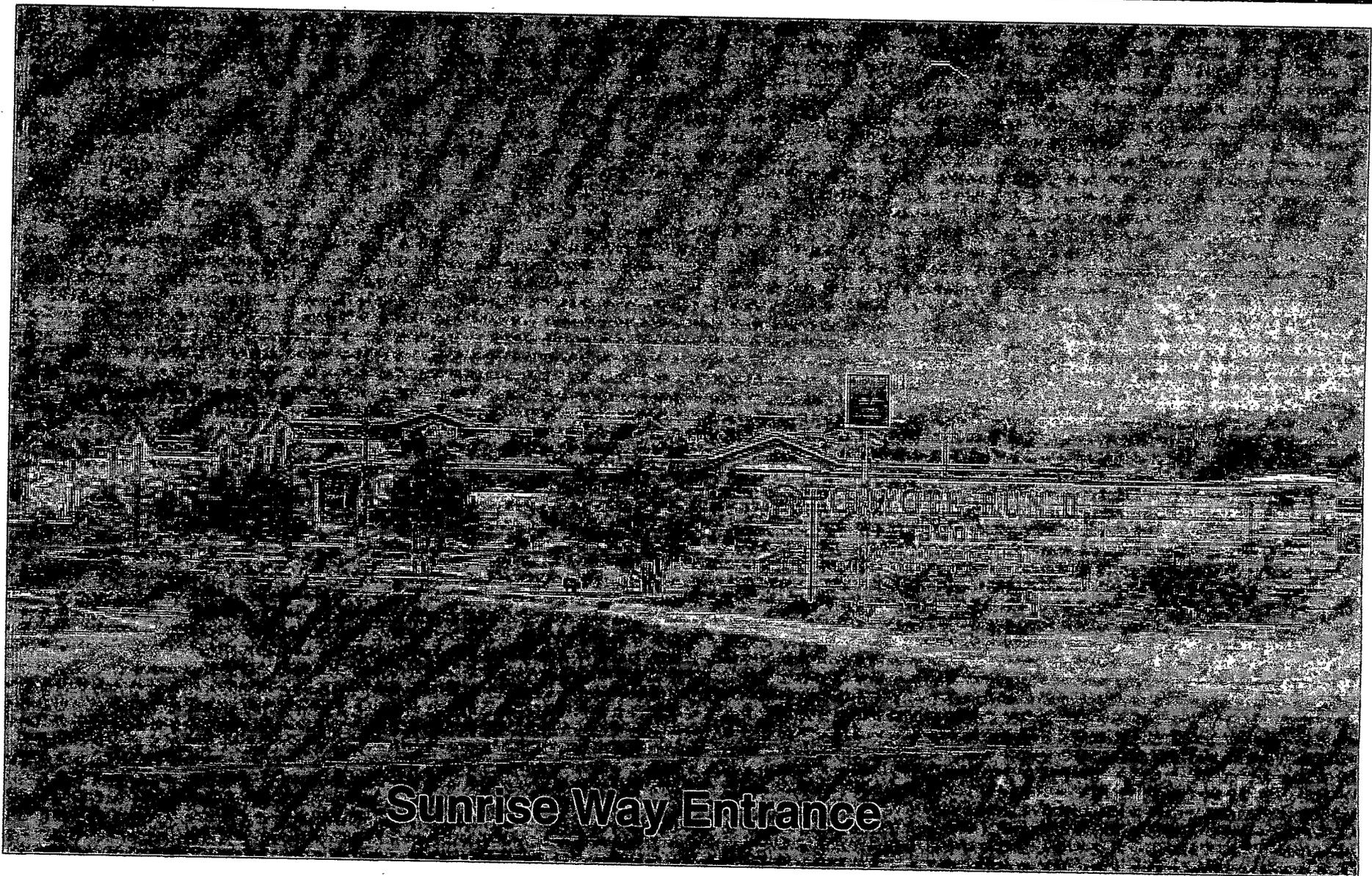
Coyote Run Apartments



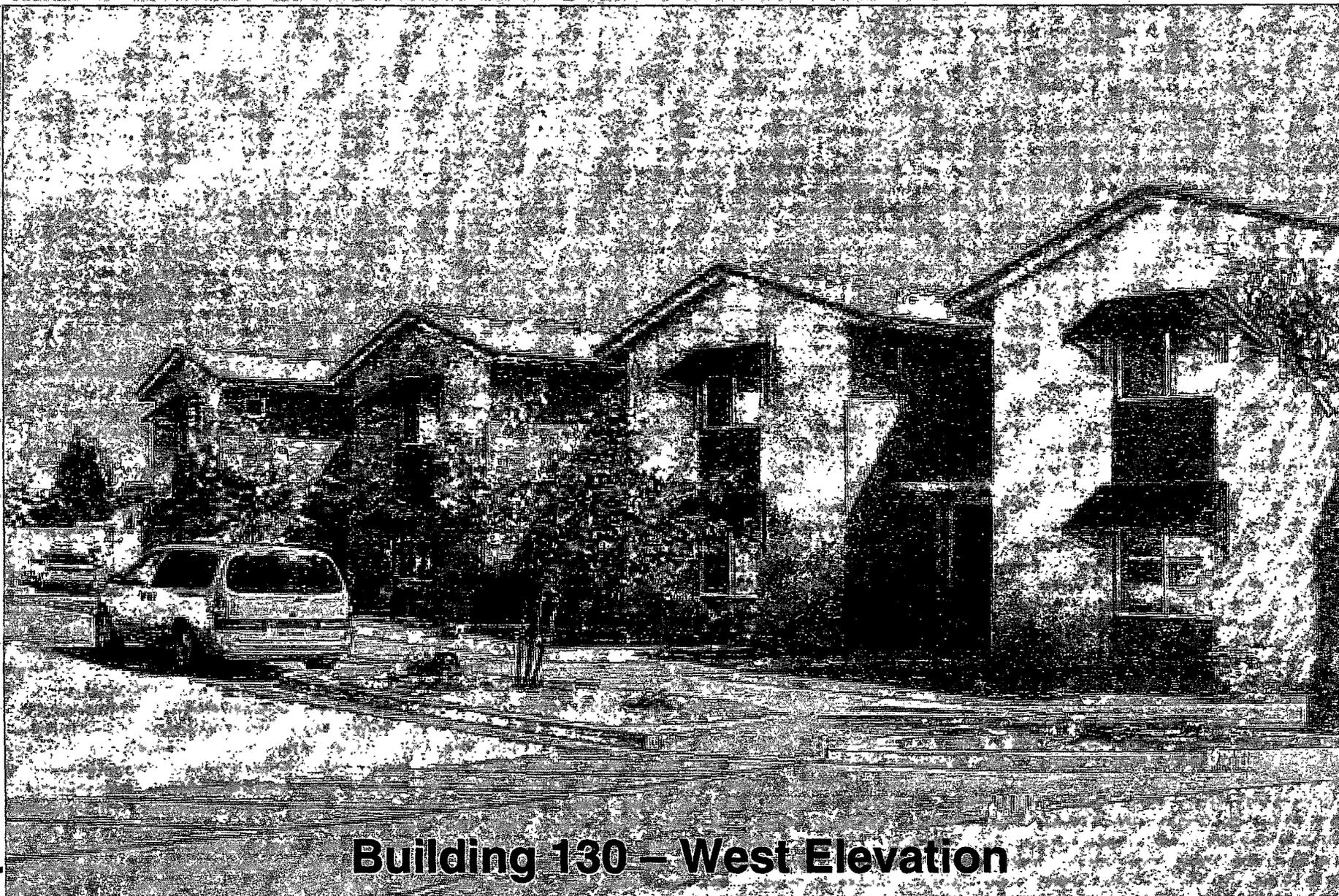
California Housing Finance Agency

Coyote Run Apartments





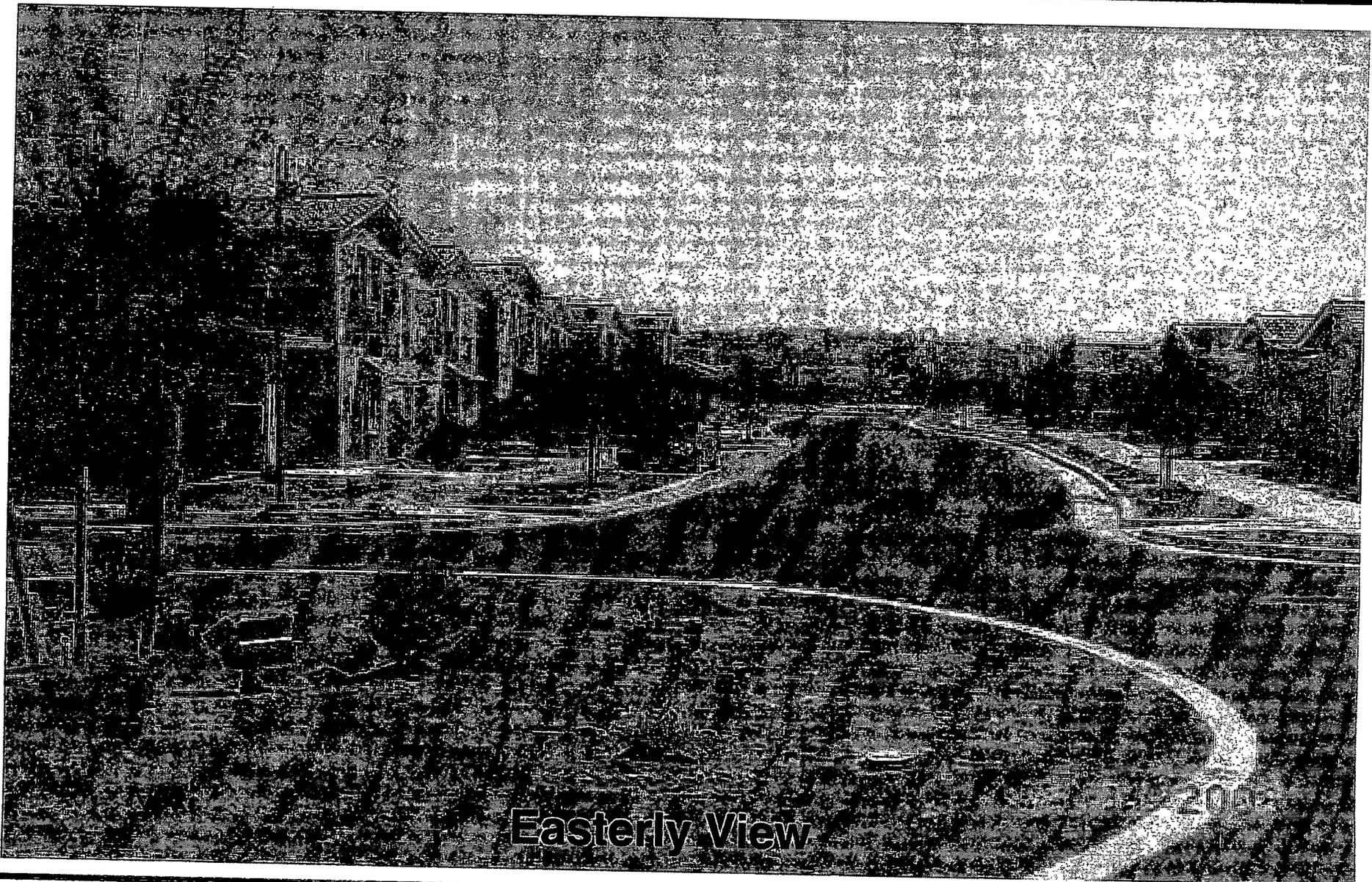
Sunrise Way Entrance



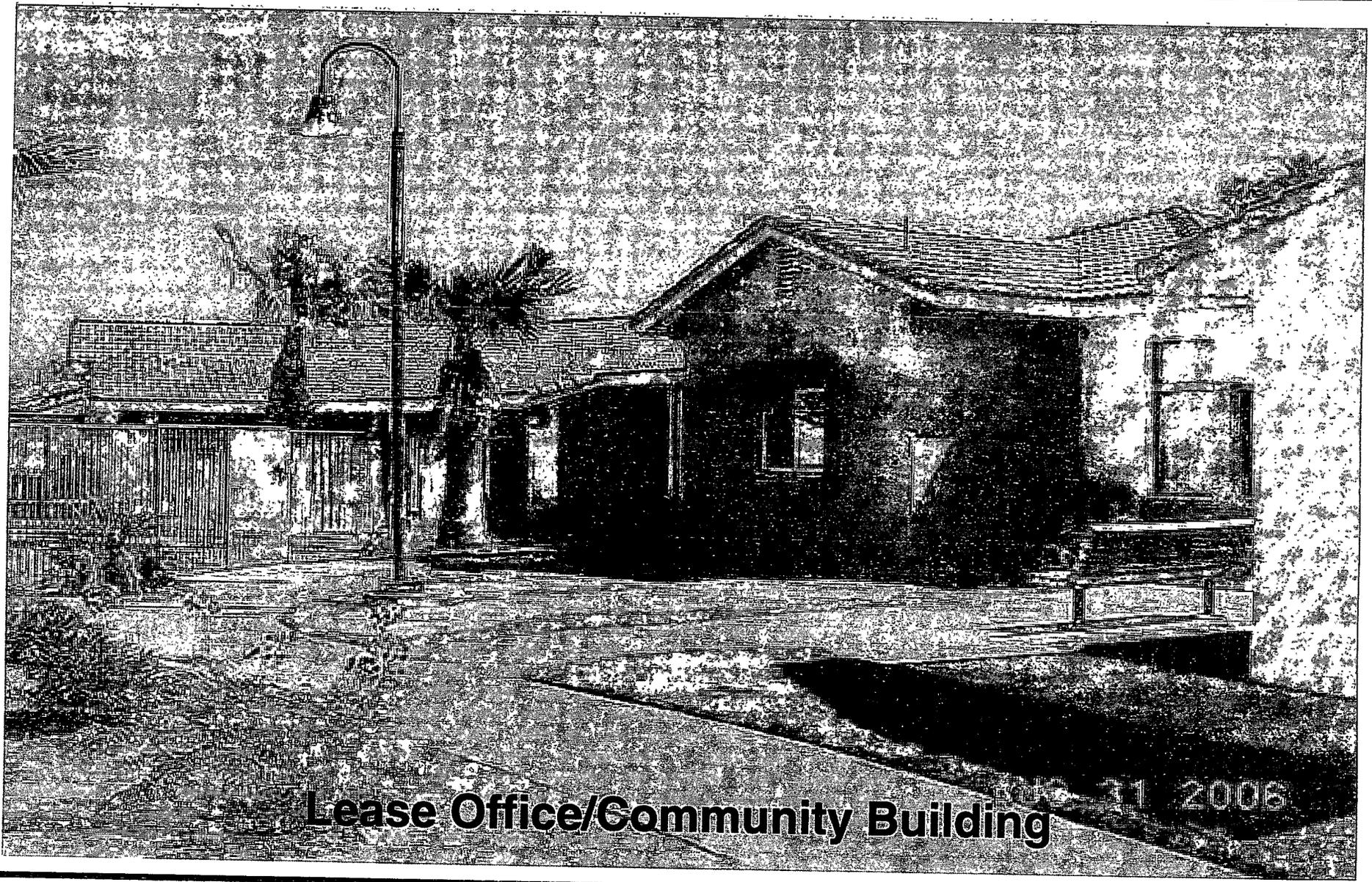
Building 130 – West Elevation

California Housing Finance Agency

Coyote Run Apartments

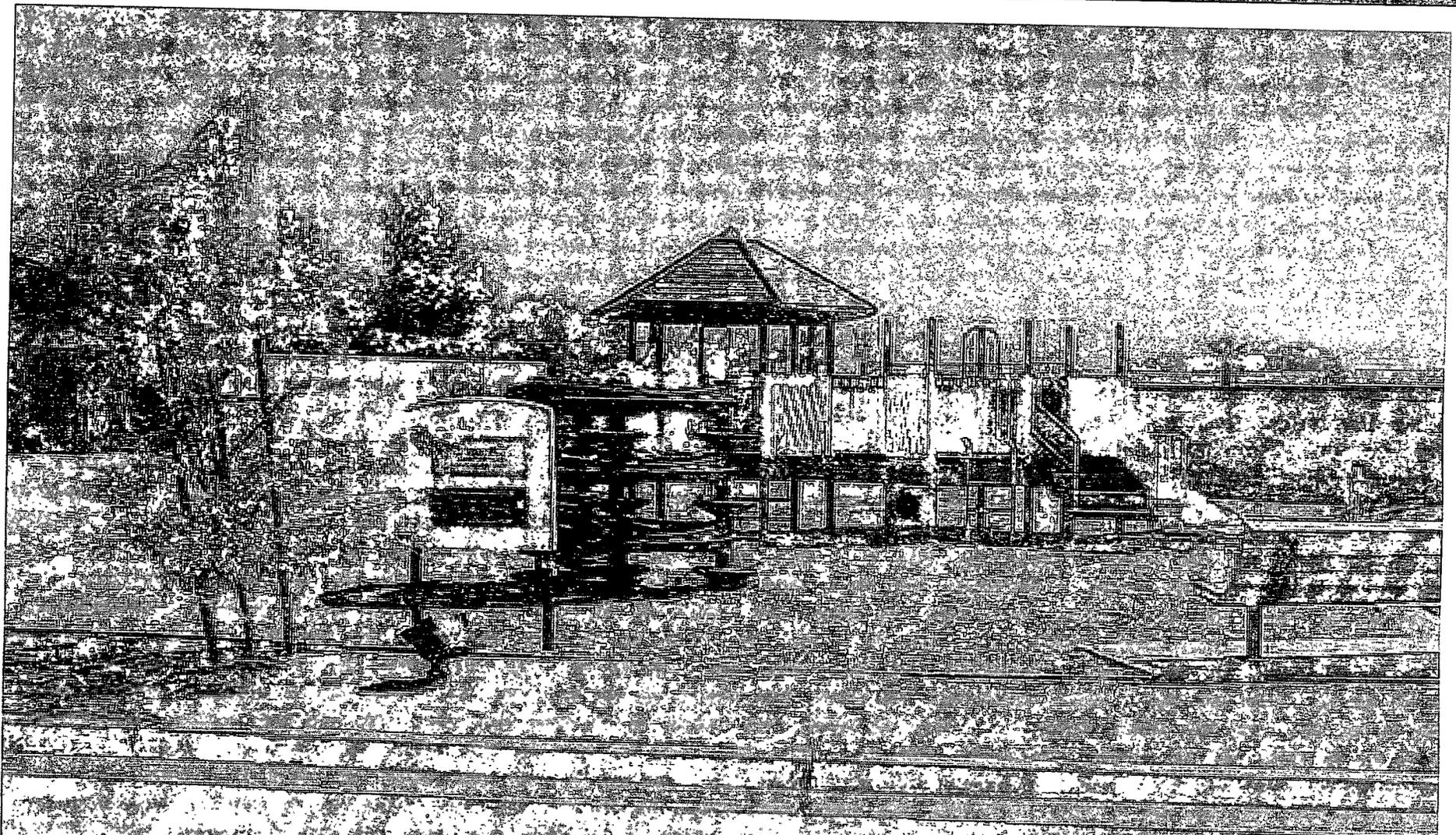


Easterly View

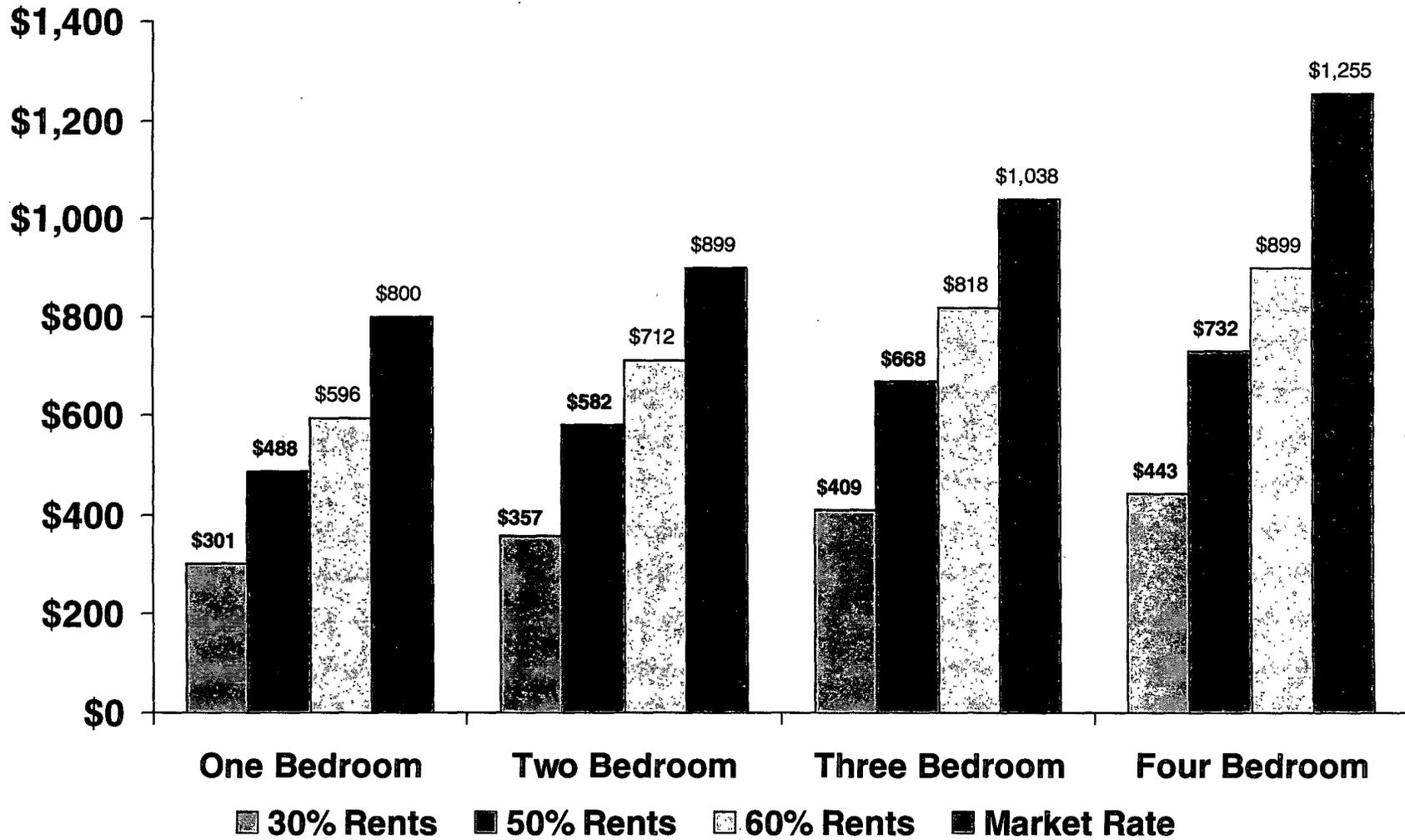


Lease Office/Community Building

01 11 2006



Tot Lot



California Housing Finance Agency

Diamond Aisle

Cal HFASM
Affordable Housing is our Business

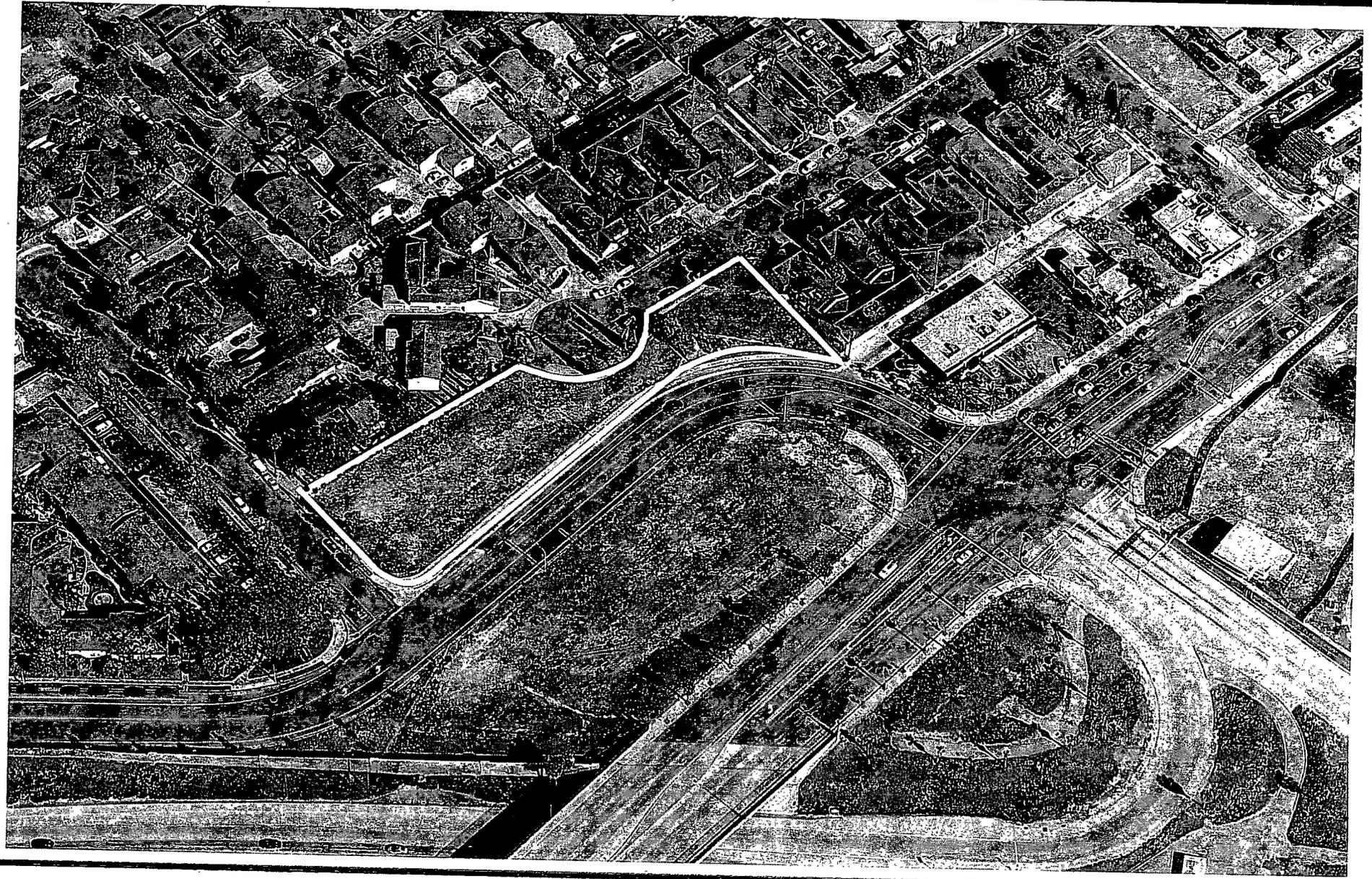
California Housing Finance Agency

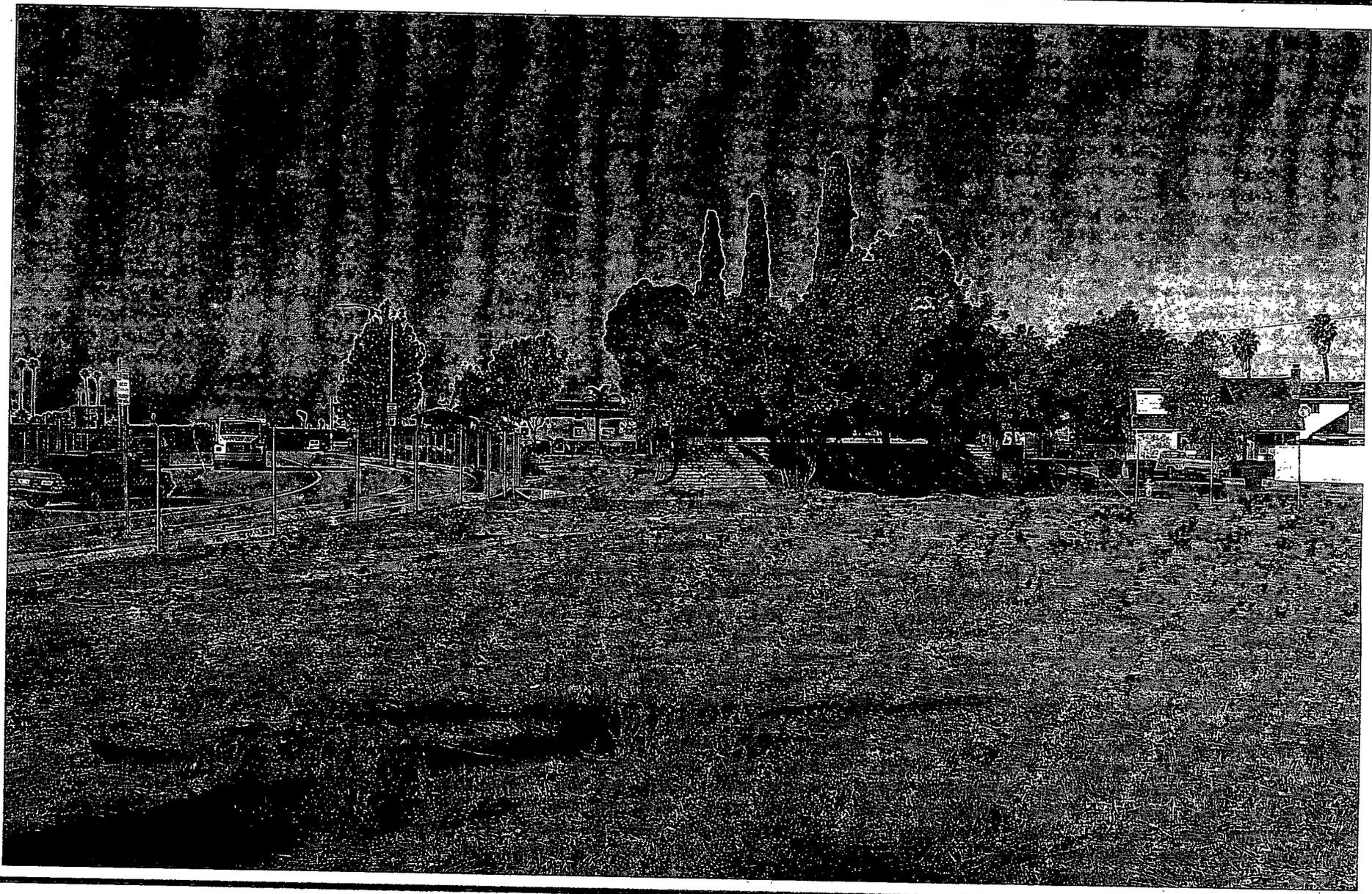
Diamond Aisle



California Housing Finance Agency

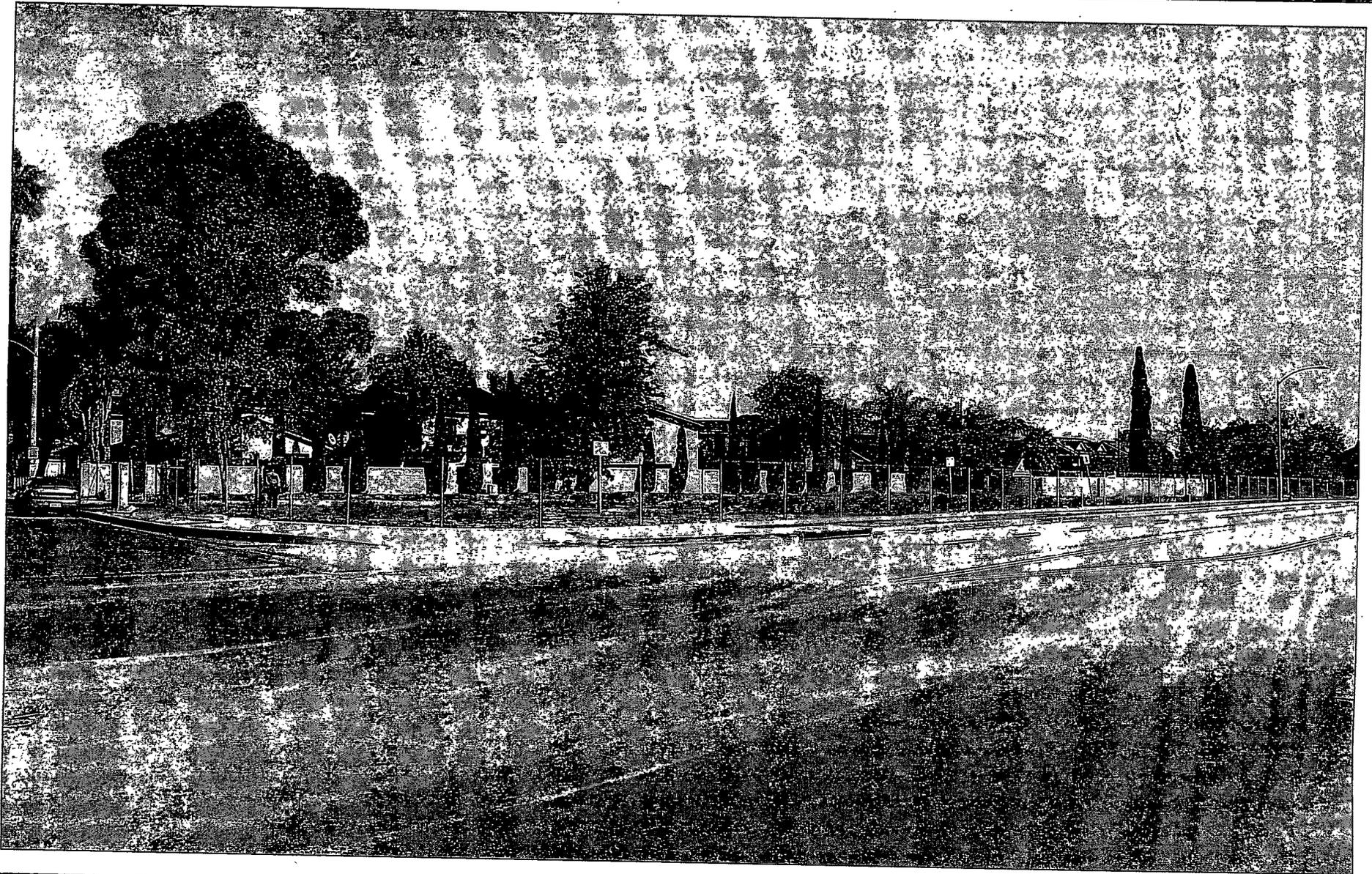
Diamond Aisle

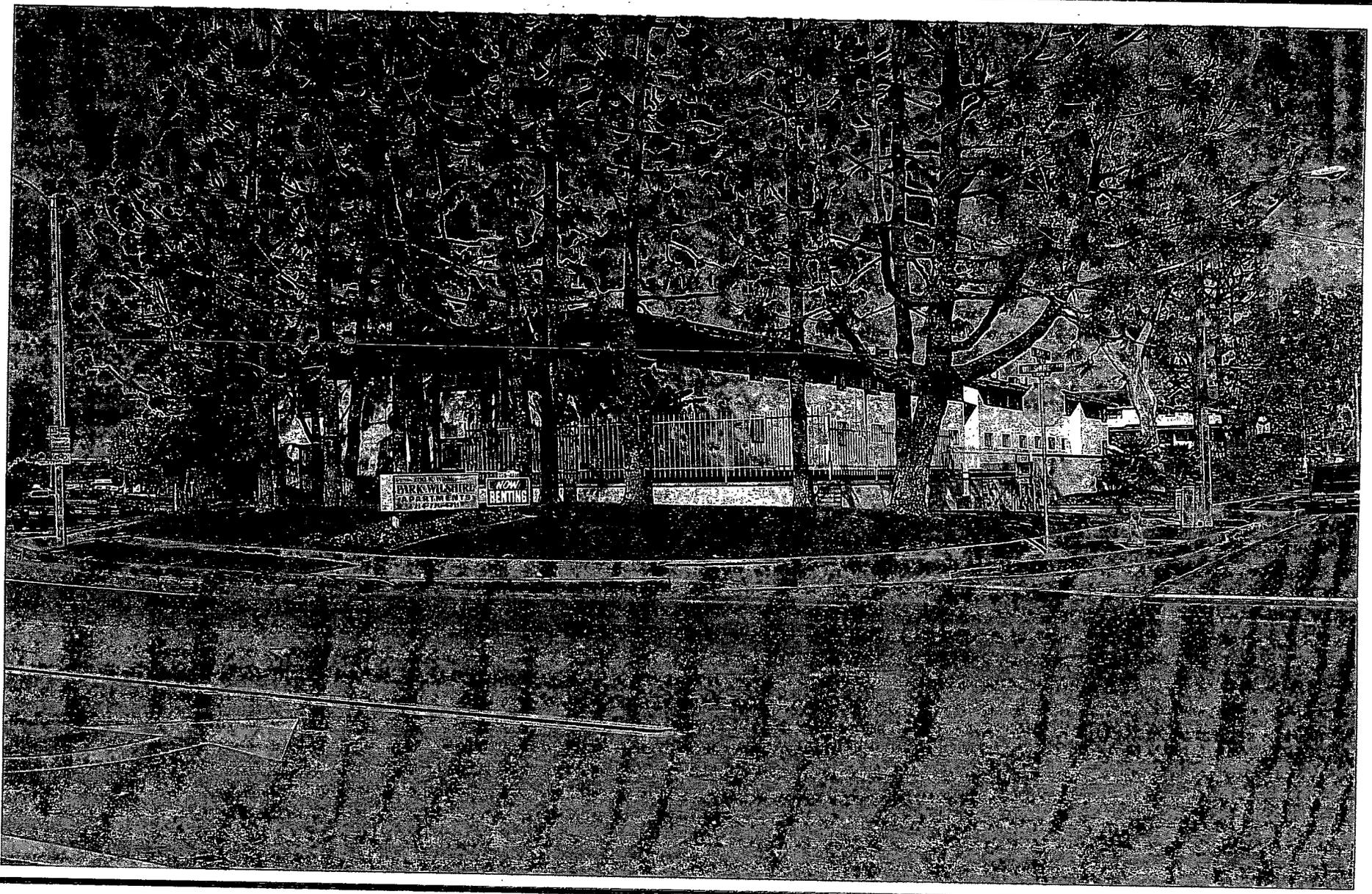




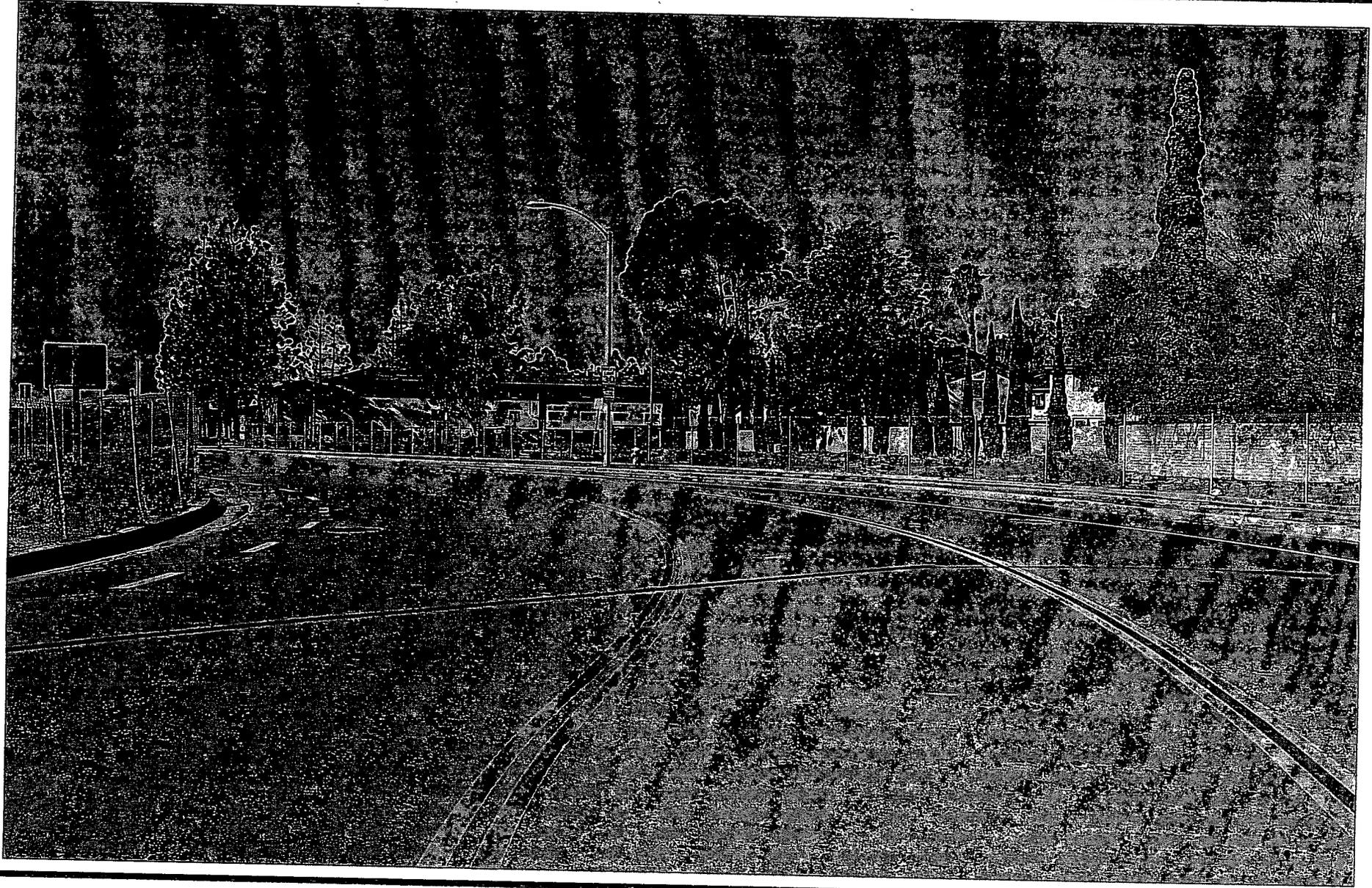
California Housing Finance Agency

Diamond Aisle





California Housing Finance Agency

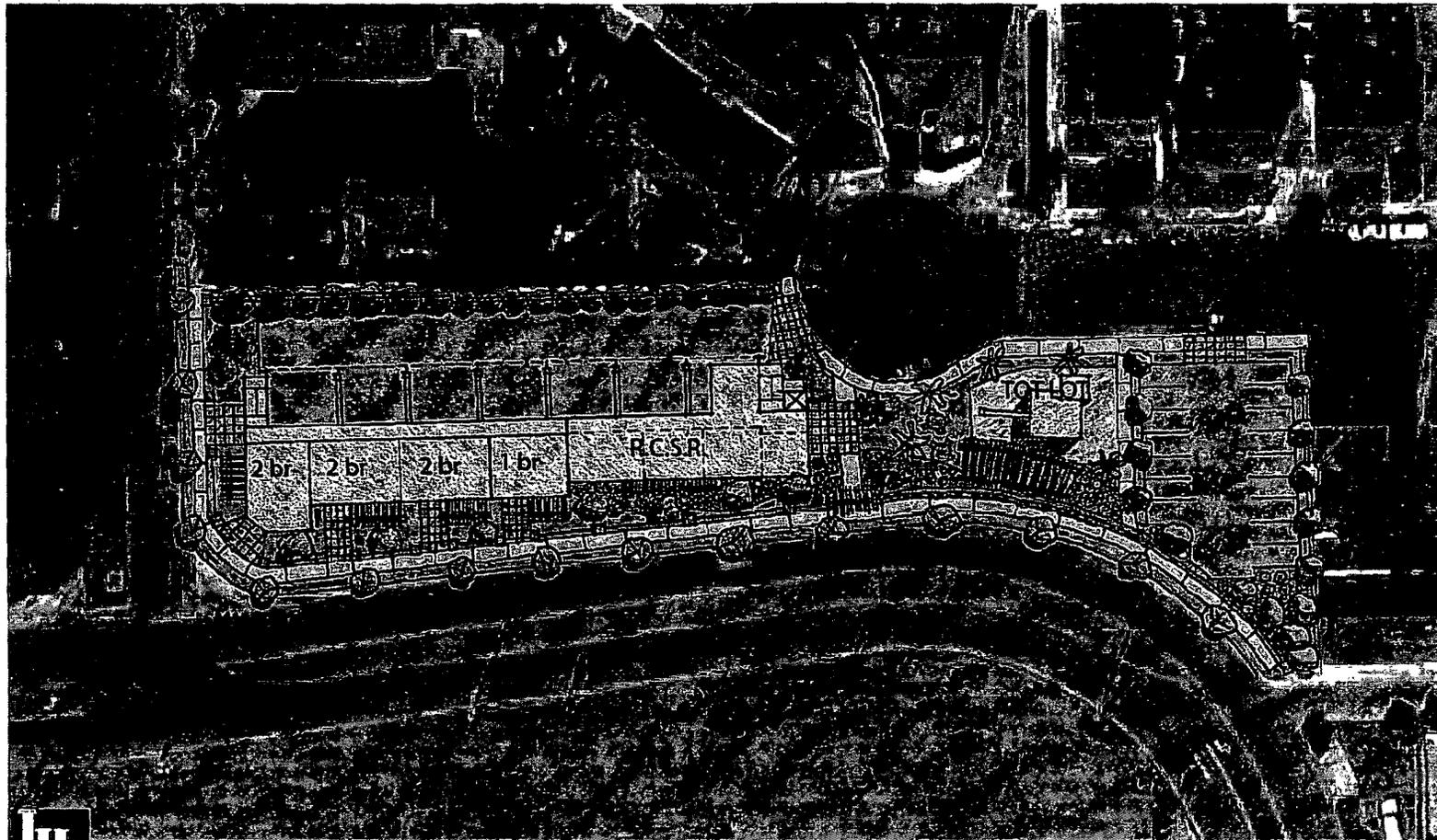




Scheme 1- (Wilshire Orientation)
Special Needs Housing Project

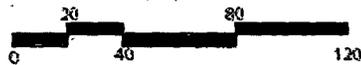
3 Story Apartments
Style "B"

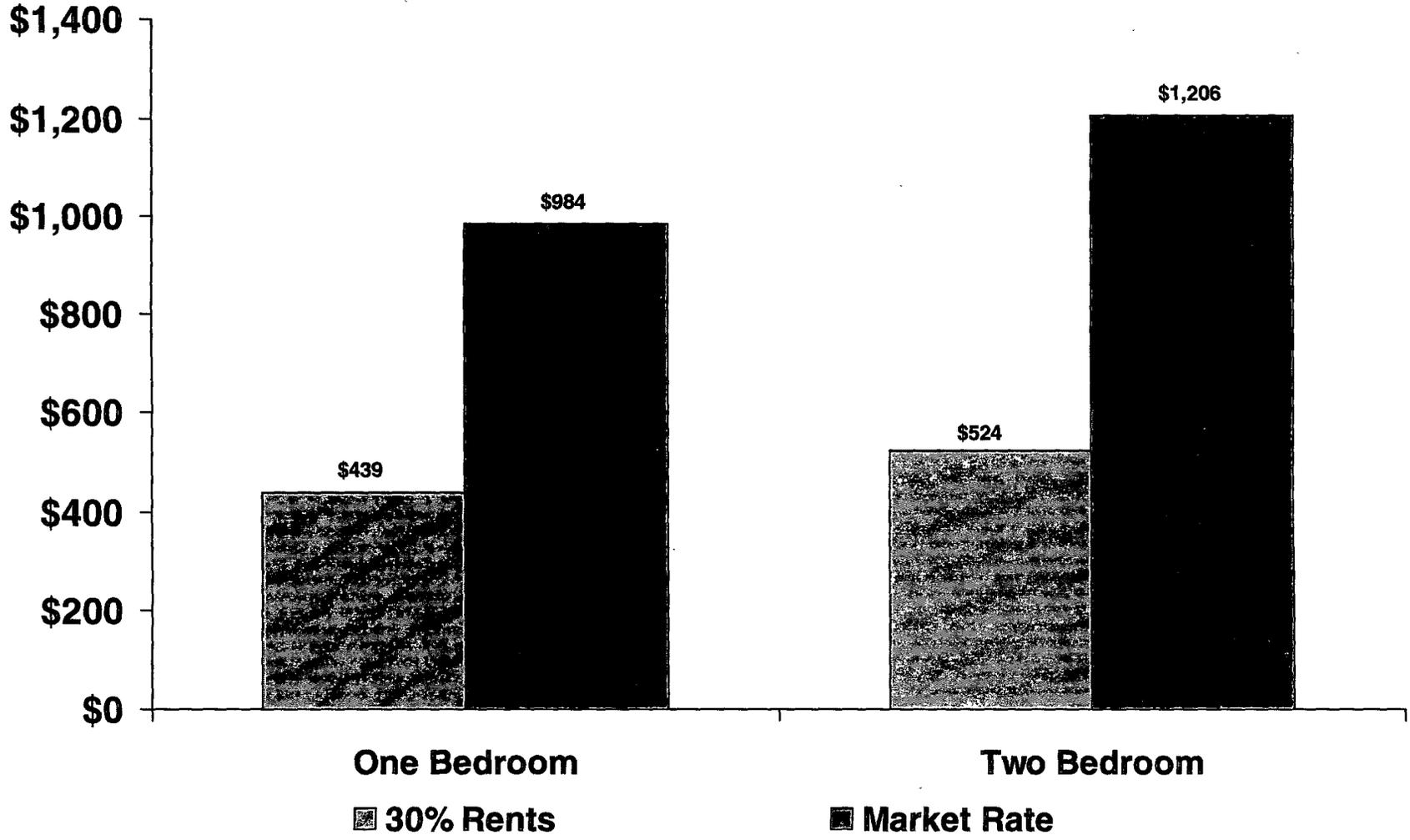




Unit Mix
One Bedrooms - 15
Two Bedrooms - 10
Total Units - 25
Parking Req'd - 30 spaces

Scheme 1- (Wilshire Orientation)
Special Needs Housing Project
3 Story Apartments





CalHFA's Preliminary Salary Structure

Established by Compensation Committee on 1/9/2007

Grade	Position(s)	Salary Range			Midpoint Increase	Min-to-Max Spread	Notes
		Minimum	Midpoint	Maximum			
1	Executive Director	\$150,000	\$200,000	\$250,000	11.1%	67%	Midpoint generally based on WW custom survey median salary, plus supplemental data from selected agencies. Max syncs with WW custom TCC 75th percentile.
2	Chief Deputy Director Dir. of Financing Dir. of Multifamily Programs Dir. of Homeownership	\$140,000	\$180,000	\$220,000	12.5%	57%	Midpoint generally based on WW custom survey median salary, plus supplemental data from selected agencies. (Committee not compelled to maintain 67% spread, which would create a range of \$135K to \$225K)
3	General Counsel Dir. of Mortgage Insurance	\$130,000	\$160,000	\$190,000	28.0%	46%	Midpoint generally based on WW custom survey median salary, plus supplemental data from selected agencies. (Committee not compelled to maintain 67% spread, which would create a range of \$120K to \$200K)
4	Chief Information Officer Risk Manager	\$100,000	\$125,000	\$150,000	25.0%	50%	Midpoint generally based on WW custom survey median salary, plus supplemental data from selected agencies. (Committee not compelled to maintain 67% spread, which would create a range of \$94K to \$156K)
5	Dir. of Legislation	\$75,000	\$100,000	\$125,000	N/A	67%	Midpoint generally based on WW custom survey median salary, plus supplemental data from selected agencies.

- **Grade:** encompasses positions of similar level
- **Salary Range:** incumbent's salary may fall anywhere within the range, depending on such factors as experience, time in position and current salary in relation to the range
- **Midpoint:** point around which a fully experienced, "good" performer might be paid. Often aligned with market reference point (e.g., market 50th percentile salary)
- **Midpoint Increase:** percentage increase from one grade midpoint to the next grade midpoint
- **Min-to-Max Spread:** percentage increase from minimum to maximum of a salary range. The spread often increases for higher grade levels

CalHFA Compensation Committee Recommendations

1/18/2007

Position	Current Salary	Proposed Salary Range			New Salary Realignment	Percent Increase Over Current Salary	Salary Realignment as % of Midpoint
		Minimum	Midpoint	Maximum			
Executive Director	\$ 138,338	\$ 150,000	\$ 200,000	\$ 250,000	\$ 200,000	44.6%	100.0%
Chief Deputy Director	\$ 148,500	\$ 140,000	\$ 180,000	\$ 220,000	\$ 175,000	17.8%	97.2%
Dir. Of Financing	\$ 122,424	\$ 140,000	\$ 180,000	\$ 220,000	\$ 170,000	38.9%	94.4%
Dir. Of Multifamily	\$ 122,424	\$ 140,000	\$ 180,000	\$ 220,000	\$ 180,000	47.0%	100.0%
Dir. Homeownership	\$ 122,424	\$ 140,000	\$ 180,000	\$ 220,000	\$ 180,000	47.0%	100.0%
General Counsel	\$ 130,664	\$ 130,000	\$ 160,000	\$ 190,000	\$ 170,000	30.1%	106.3%
Dir. Of Mortgage Insurance	\$ 145,000	\$ 130,000	\$ 160,000	\$ 190,000	\$ 160,000	10.3%	100.0%
Chief Information Officer	\$ 110,277	\$ 100,000	\$ 125,000	\$ 150,000	\$ 125,000	13.4%	100.0%
Risk Manager	\$ 115,680	\$ 100,000	\$ 125,000	\$ 150,000	\$ 137,500	18.9%	110.0%
Dir of Legislation	\$ 85,404	\$ 75,000	\$ 100,000	\$ 125,000	\$ 95,500	11.8%	95.5%

Financing Agenda Items

- Single Family Bond Reauthorization Resolution 07-03
- Multifamily Bond Reauthorization Resolution 07-04
- Authorization for Application to CDLAC Resolution 07-05

Single Family Bond Reauthorization Resolution 07-03

Volume Limits

- **\$ Amount of Bond Principal Being Retired**
 - **\$ Amount of New CDLAC Allocations**
 - **\$ 900 MM of Taxable Bonds**
-

Single Family Bonds Financing Plans in 2007

- **Continued Use of Aa2/AA- HMRB Indenture to finance whole loans**
 - **Use of new RMRB Indenture to purchase mortgage-backed securities**
 - **Short-Term Credit Facilities**
 - **Continued Borrowing from State Investment Fund and bank line of credit for Loan Warehousing**
-

Multifamily Bond Reauthorization Resolution 07-04

Volume Limits

- **\$ Amount Bond Principal Being Retired**
 - **\$ Amount of New CDLAC Allocations**
 - **\$ 800 MM for 501(c)(3) and Taxable Bonds**
 - **\$ 300 MM for Loan Acquisitions**
-

Multifamily Bonds Financing Plans in 2007

- **Continued Use of MFHRB III Indenture**
 - **Up to Three Pooled Issues of Bonds**
 - **Short-Term Credit Facility**
 - **Continued Borrowing from State Investment Fund and bank line of credit for Loan Warehousing**
-

**Authorization to Apply to the
California Debt Limit Allocation Committee
Resolution 07-05**

Single Family Bonds	\$900 Million
Multifamily Bonds	\$400 Million

Financing Reports

- Recent Bond Sales
 - Single Family Bonds
- Summary of 2006 Bond Financings
- Variable Rate Bonds and Swaps

Recent Bond Issues

<u>Date of Sale</u>	<u>Bond Series</u>	<u>\$ Amount</u>
12/15/06	Home Mortgage Revenue Bonds 2006 Series L & M	\$270,000,000

New Single Family Bonds

- **\$270 M HMRB 2006 LM**
 - **\$50.2 M Fixed-rate Insured Bonds**
 - **\$219.8 M Fixed-rate Uninsured Bonds**
 - **Proceeds for purchase of 1,000 new loans**
 - **\$191.6 M to finance Interest Only Plus (IOP) loans**
 - **\$30 M to finance 40-year Loans**
 - **\$11.5 M to finance zero percent loan participations**
-

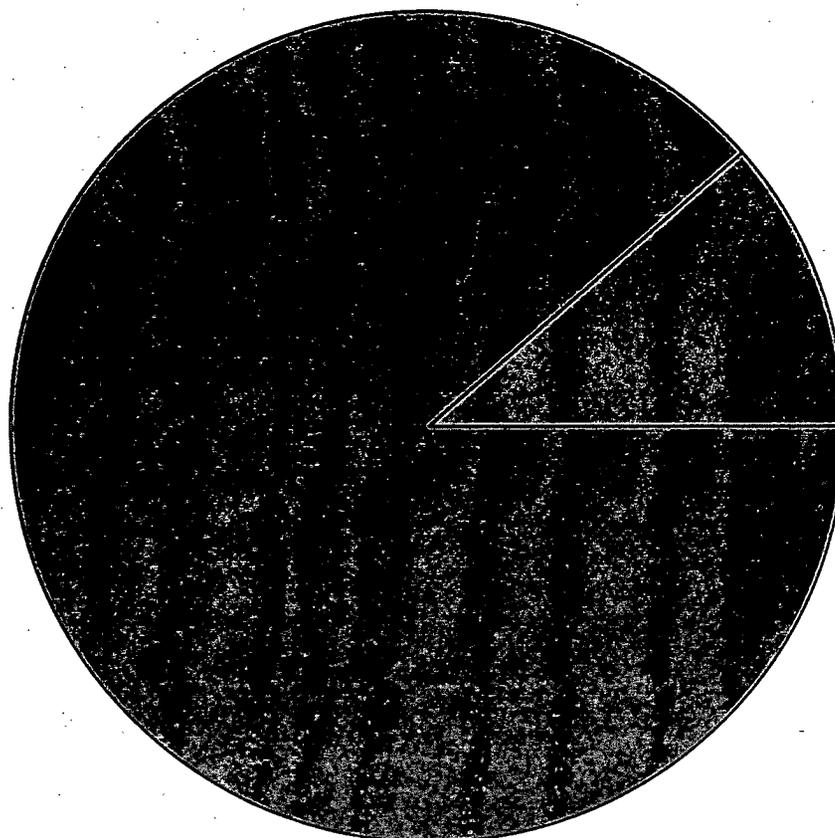
2006 Bond Financings

(\$ in Millions)

	<u>Single Family</u>	<u>Multifamily</u>	<u>Total</u>
Tax-Exempt	\$1,134.6	\$97.3	\$1,231.9
Taxable	<u>11.1</u>	<u>50.0</u>	<u>61.1</u>
TOTALS	\$1,145.7	\$147.3	\$1,293.0

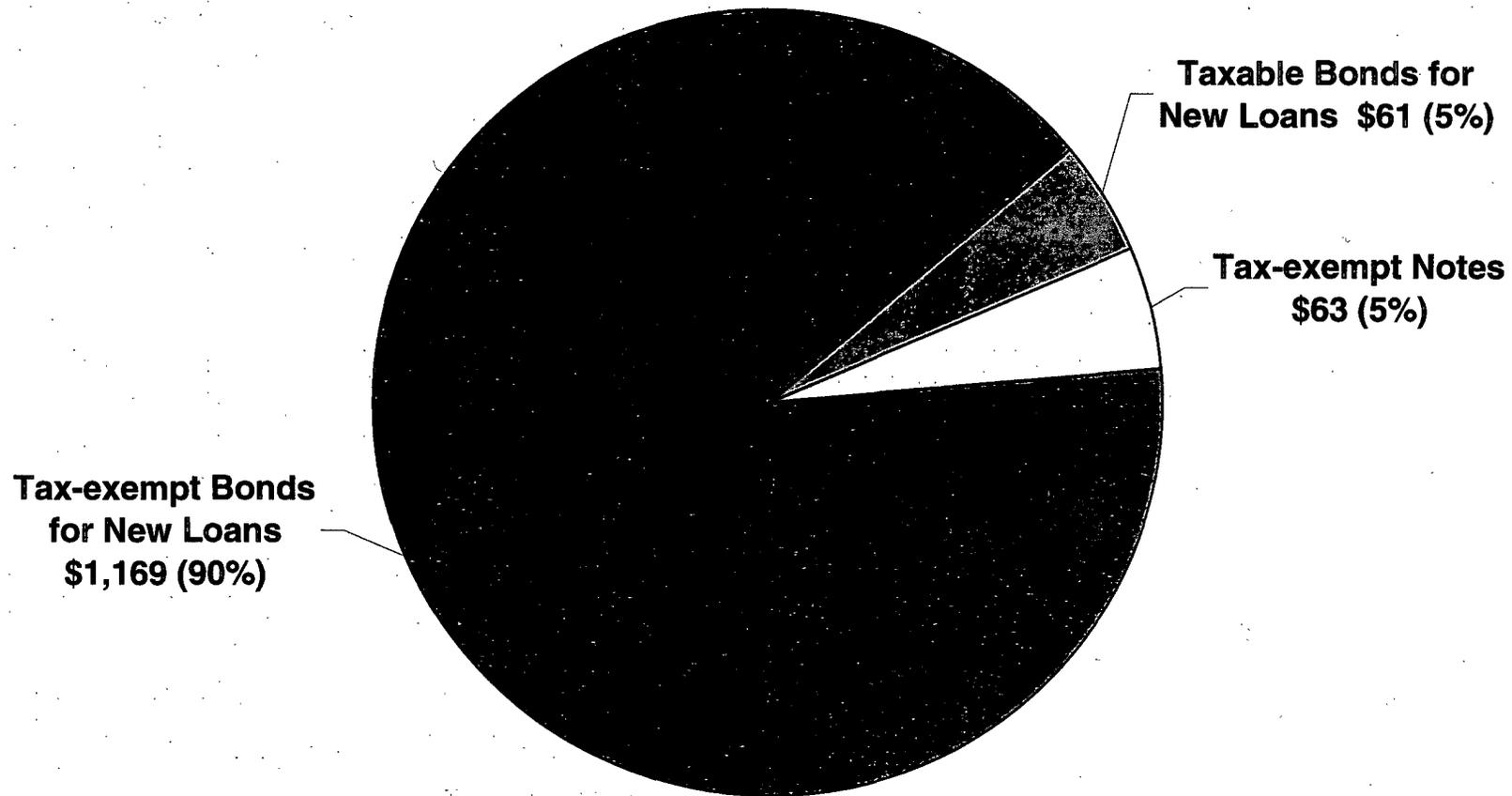
**CalHFA Bonds
2006 Calendar Year
(in millions)**

**Single Family
\$1,146**

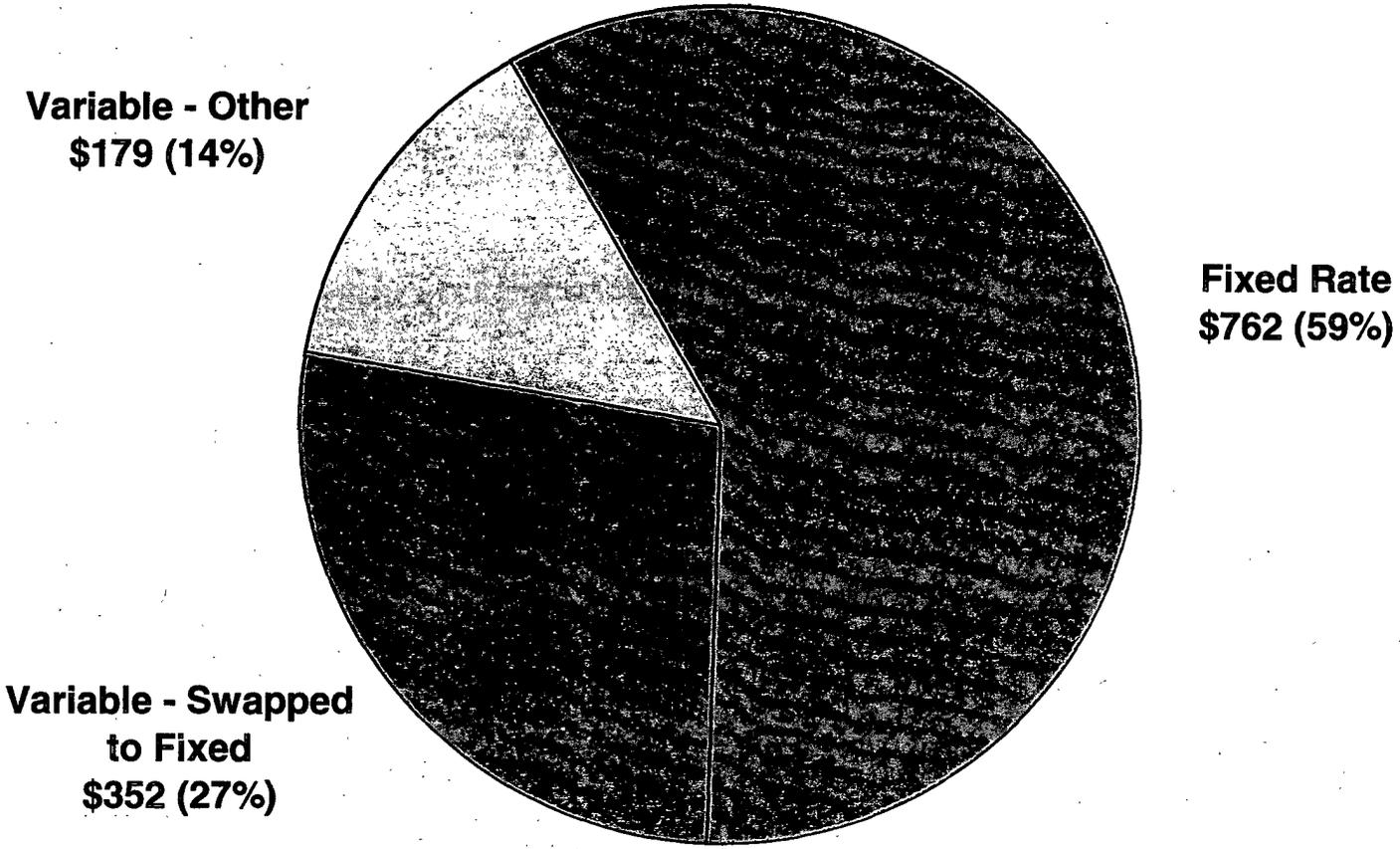


**Multifamily
\$147**

CalHFA Tax-exempt and Taxable Bonds Issued in Calendar Year 2006 (\$ in Millions)



CalHFA Fixed Rate and Variable Rate Bonds Issued in Calendar Year 2006 (\$ in Millions)



Report on Variable Rate Bonds and Swaps

Variable Rate Debt as of December 1, 2006

(\$ in Millions)

	Tied Directly to Variable Rate Assets	Swapped to Fixed Rate	Not Swapped or Tied to Variable Rate Loans	Total Variable Rate Debt
HMRB	\$ 3	\$ 3,889	\$ 485	\$ 4,377
MHRB	256	853	123	1,232
HPB	0	35	76	111
DDB	<u>256</u>	<u>0</u>	<u>0</u>	<u>256</u>
TOTALS	\$515	\$ 4,777	\$ 684	\$ 5,976

Types of Variable Rate Debt

(\$ in Millions)

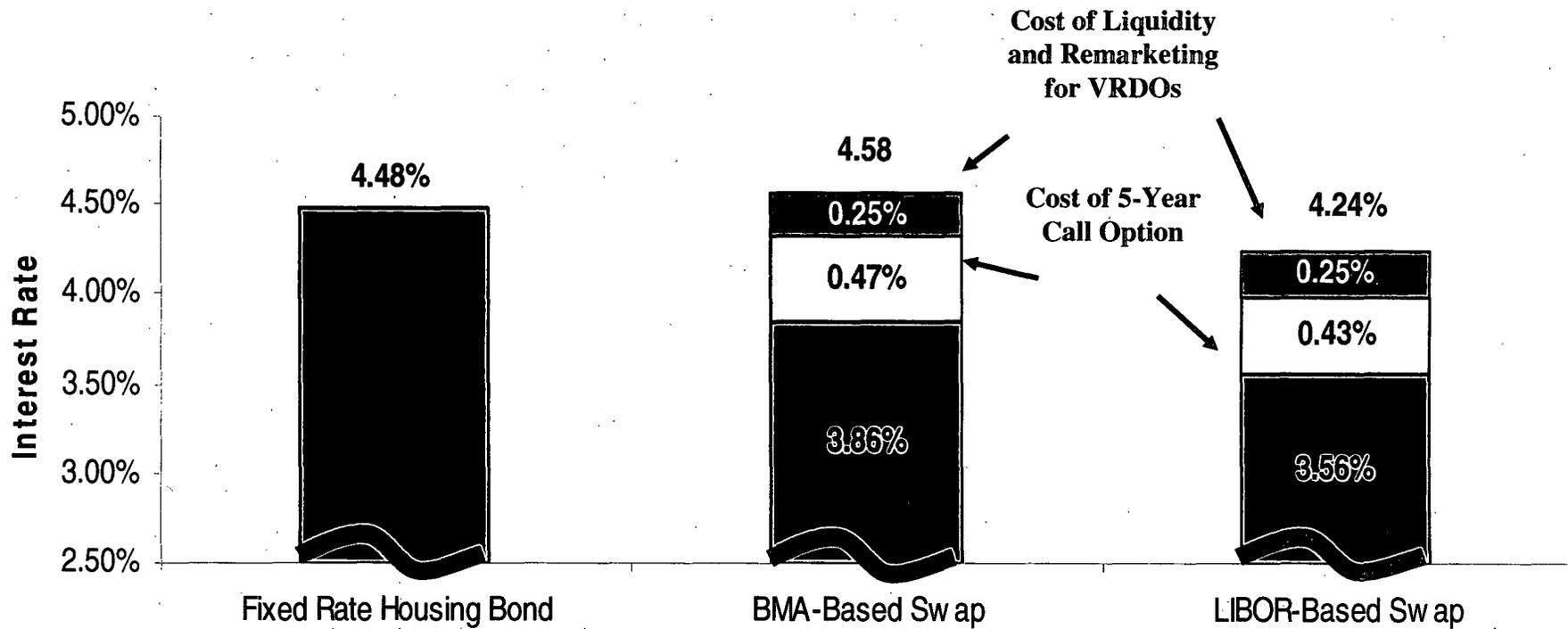
	<u>Auction Rate & Similar Securities</u>	<u>Indexed Rate Bonds</u>	<u>Variable Rate Demand Obligations</u>	<u>Total Variable Rate Bonds</u>
HMRB	\$ 162	\$ 1,043	\$ 3,172	\$ 4,377
MHRB	459	0	773	1,232
HPB	0	0	111	111
DDB	<u>0</u>	<u>256</u>	<u>0</u>	<u>256</u>
TOTALS	\$ 621	\$ 1,299	\$ 4,056	\$ 5,976

Fixed Payer Interest Rate Swaps

(\$ in Millions)

	<u>Tax-Exempt</u>	<u>Taxable</u>	<u>Totals</u>
HMRB	\$3,117	\$849	\$3,966
MHRB	853	0	853
HPB	<u>35</u>	<u>0</u>	<u>35</u>
TOTALS	\$4,005	\$849	\$4,854

Comparative Costs of Funds for Fixed-Rate Bonds and Synthetic Fixed-Rate Bonds (Variable Rate Bonds Swapped to Fixed) (All Rates as of December 27, 2006)



BMA-Based Swap: BMA Index x 101%

LIBOR-Based Swap: 64% LIBOR + 25 bps

2006 Custom Survey of Senior Management Compensation

Survey Code	Survey Job Title	Participant Job Title	# of Incumbents	Position Reports To (Job Title)	Position Directly Supervises (# of Employees)	Position Indirectly Supervises (# of Employees)	Strength of Match (- / = / +)	Average Base Pay (\$)	Salary Range Minimum (\$)
1001	Executive Director <i>Accountable for achievement of the organization's goals, objectives, and budget requirements. Leads all activities and functions of the organization.</i>	Executive Director	1	Board	7	319		\$ 227,600.00	\$ 188,022.00
1002	Chief Deputy Director <i>Works closely with the Executive Director to develop strategies and accomplish the organization's goals; represents the Executive Director as needed in all aspects of the organization. Manages the day to day operations of the organization. Assists the Executive Director in planning, organizing, directing and administering all strategic and operating activities and functions of the organization. Provides leadership to the management team.</i>	Deputy Director	1	Executive Director	7	243		\$ 204,840.00	\$ 170,482.00
1003	General Counsel <i>Chief legal officer of the organization, reporting to the Executive Director. The General Counsel acts as the legal advisor to the organization. Manages in-house legal division of attorneys and paralegals, as well as manages activities with external counsel. Provides ongoing advice on each of the organization's program areas. Responsible for overseeing all litigation.</i>	General Counsel	1	Executive Director	8	3		\$ 157,019.00	\$ 154,993.00
1004	Director of Legislation <i>Also known as Chief Governmental Affairs Officer, reporting to the Executive Director. Serves as the primary contact between the organization and the Legislature, Congress, public officials, policy makers, and other interested parties. Serves as a liaison, gaining approval for legislative initiatives and developing strategies for implementing these initiatives. Serves as a resource to congressional and state legislative staff on affordable housing issues. Requires a thorough understanding of organization programs and funding mechanisms, mortgage banking practices, bond financing, and mortgage insurance requirements.</i>	Government Affairs Manager	1	Executive Director	3	0		\$ 107,250.00	\$ 84,572.00
1005	Director of Homeownership Programs <i>Serves as the top lending executive in the organization for the single-family homeownership programs, reporting to the Executive Director. Plans, organizes, and directs lending and down payment assistance programs. Develops relationships with home lenders, who provide the foundation for the organization's lending delivery systems. Develops partnerships with stakeholders on combined initiatives to promote affordable homeownership opportunities. Ensures programs remain competitive.</i>	Director of Home Ownership	1	Deputy Director	4	37		\$ 165,586.00	\$ 121,849.00

2006 Custom Survey of Senior Management Compensation

Survey Code	Survey Job Title	Participant Job Title	# of Incumbents	Position Reports To (Job Title)	Position Directly Supervises (# of Employees)	Position Indirectly Supervises (# of Employees)	Strength of Match (- / = / +)	Average Base Pay (\$)	Salary Range Minimum (\$)
1006	Director of Financing <i>Chief financing director of the organization, reporting to the Executive Director. Responsible for issuance of bonds and notes, managing outside debt obligations, financial risk, the investment portfolio, and maintaining relationships with financing partners. Advises top management on financial matters and strategic business decisions. Requires thorough understanding of various interest rate markets, fixed and variable rate bond products, and factors influencing the credit rating of the organization.</i>	Chief Financial Officer	1	Executive Director	6	41		\$ 180,000.00	\$ 154,993.00
1007	Director of Multifamily Programs <i>Serves as the top multifamily housing program executive in the organization, reporting to the Executive Director. Plans, organizes, and directs multi-family housing programs. Develops and implements the organization's multi-family underwriting procedures. Reviews proposals to determine if operating plans and expenses are realistic; recommends the projects to be financed. Liaison with other agencies to provide leadership and coordination of public and private efforts in the housing finance field.</i>	Director of Rental Management	1	Deputy Director	9	97		\$ 176,613.00	\$ 121,849.00
1008	Director of Insurance <i>Serves as the top mortgage insurance executive in the organization, reporting to the Executive Director. Plans, organizes and directs all mortgage insurance operations. Recommends annual objectives; oversees the fund managers and interacts with mortgage and insurance market organizations/institutions to accomplish business objectives. Directs the creation and development of new insurance products. Directs the strategies and negotiations with lenders for direct mortgage insurance business. Directs the purchase and sale of reinsurance with qualified insurance companies.</i>	Director of Mortgage Insurance Fund	1	Deputy Director	13	0		\$ 164,944.00	\$ 121,849.00
1009	Chief Information Officer/IT <i>Top information technology executive in the organization, reporting to the Executive Director. Identifies and promotes new and creative IT opportunities and solutions. Initiates, governs, develops and deploys strategic IT initiatives. Responsible for oversight of day to day IT operations to keep all systems and infrastructure available to users. Develop and implement appropriate security and privacy safeguards required by federal and state law. Directs the design, development, deployment and maintenance of custom built software applications.</i>	Director of Information Technology	1	Managing Director of Administration	3	24		\$ 131,040.00	\$ 154,993.00
1010	Director of Financial Risk Management								

2006 Custom Survey of Senior Management Compensation

Survey Code	Survey Job Title	Participant Job Title	# of Incumbents	Position Reports To (Job Title)	Position Directly Supervises (# of Employees)	Position Indirectly Supervises (# of Employees)	Strength of Match (- / = / +)	Average Base Pay (\$)	Salary Range Minimum (\$)
	<i>Reports to the Director of Financing. Evaluates and makes recommendations concerning the various complex financing risks involved in the organization's assets and liabilities. Evaluates debt issuance and structuring strategies in the context of portfolio-wide asset and liability management. Oversees the management of the organization's debt portfolio. Directs the development of financial risk management function and tools. Directs the construction of cash flow projection and tax compliance models. Recommends the choice and level of risk augmentation in the use of new financial products. Requires expertise in the private sector financial marketplace.</i>	Manager of Capital Planning	1	Chief Financial Officer	0	0		\$ 115,030.00	\$ 84,572.00

California Housing Finance Agency

California Housing Loan Insurance Fund

January 18, 2007


Affordable Housing is our Business

Mortgage Insurance Comparison

	CalHFA MIS	PMI	MGIC	Radian
30 , 40-Year Fixed Rate				
Mortgage Insurance Coverage	35%	35%	35%	35%
<u>Automated Approval:</u>				
LTV	100%	100%	100%	100%
Automated Underwriting level of approval	DU- approved/eligible or ineligible or LP-accept/eligible	DU- approved/eligible or LP-accept/eligible	DU- approved/eligible or LP-accept/eligible	DU- approved/eligible or LP-accept/eligible
FICO Minimum	620			
Total Debt to Income Ratio Cap	55%			
Cost	0.85	0.96	0.96	0.96
<u>Manual Underwrite:</u>				
LTV	100%	100%	100%	100%
FICO Minimum	620	680	700	620
Total Debt to Income Ratio Cap	45%	45%	45%	41%
Cost	0.85	0.96	0.96	0.96

Mortgage Insurance Comparison

	CalHFA MIS	PMI	MGIC	Radian
Interest Only (not MyCommunity Mortgage)				
Mortgage Insurance Coverage	20%	20%	20%	20%
<u>Automated Approval:</u>				
LTV	100%	95%	95%	95%
level of approval	DU-approved/eligible or ineligible or LP-accept/eligible	DU-approved/eligible	DU-approved/eligible	DU-approved/eligible
FICO Minimum	620			
Total Debt to Income Ratio Cap	55%			
Cost	0.59 / 50 if 95% LTV	0.59	0.59	0.59
<u>Manual Underwrite:</u>				
LTV	100%	95%	95%	95%
FICO Minimum	620	680	700	640
Total Debt to Income Ratio Cap	45%	45%	33%/41%	41%
Cost	0.59 / 50 if 95% LTV	0.59	0.59	0.59

Mortgage Insurance Comparison

	CalHFA MIS	PMI	MGIC	Radian
Fannie Mae MyCommunity Mortgage (30,40-Year and Interest-Only Options)				
Coverage	20%	20%	20%	20%
LTV	100%	100%	100%	100%
Automated Approval:				
DU-approved/eligible or ineligible- 20% coverage	0.59	0.59	0.59	0.59
DU expanded approval 1 or 2 FICO 620 +	0.59	0.97	0.97	0.97
DU expanded approval 1 or 2 FICO 600-619	0.59	1.37	1.27	1.27
DU expanded approval 1 or 2 FICO 575-599	0.59	1.86	1.74	1.74
DU expanded approval 1 or 2 FICO < or = 575	0.59	3.03		2.82
Manual Underwrite:				
FICO Minimum	620	620	620	620
Total Debt to Income Ratio Cap	45%	43%	43%	43%

CalHFA Mortgage Insurance Premium Rates

- The Zero Upfront Monthly Mortgage Insurance is provided by CalHFA Mortgage Insurance Services and is required on the first loan in excess of 80% LTV as follows:
- For all CalHFA 30-Year Fixed, 40-Year Fixed and Non-Conforming *interest only* PLUS (for 2007, loans > \$417,000)**

LTV:	Coverage:	Premium:
• 95.01% - 100%	35%	.85%
• 90.01% - 95%	35%	.75%
• 85.01% - 90%	35%	.55%
• 80.01% - 85%	35%	.40%

- For GSE Conforming 30-Year, 40-Year and Conforming *interest only* PLUS (for 2007, conforming loans <= \$417,000)**

LTV:	Coverage:	Premium:
• 97.01% - 100%	20%	.59%
• 95.01% - 97%	18%	.50%
• 90.01% - 95%	16%	.46%
• 85.01% - 90%	12%	.34%
• 80.01% - 85%	6%	.23%

January 17, 2007

CALIFORNIA HOUSING FINANCE AGENCY
2006/07
DETAILS OF EXPENDITURES
(DOLLARS IN THOUSANDS)

<u>EXPENDITURE ITEM</u>	Budgeted 2006-07	MIS Actual 12/31/2006	CalHFA Actual 12/31/2006
PERSONAL SERVICES	\$22,934	*Information Not Available	\$10,769
OPERATING EXPENSES AND EQUIPMENT			
General Expense	750		265
Communications	660		275
Travel	502		251
Training	155		70
Facilities Operation	2,885		1,318
Consulting & Professional Services	6,062		1,523
**Central Admin. Serv.	1,428		712
Information Technology	830		197
Equipment	450		37
TOTALS, Operating Expenses and Equipment	\$13,722		\$4,648

TOTALS, EXPENDITURES	<u>\$36,656</u>	\$881 *	<u>\$15,417</u>	<u>\$16,298</u>
----------------------	-----------------	---------	-----------------	-----------------

*MIS estimated expenditures based on average monthly expenditures

**Central Administrative Services: These are service costs (e.g., Finance, Controller, Personnel Board, Treasurer, Legislature, etc.) incurred by the Agency. These charges are calculated by the Department of Finance using a formula that takes three budget years into consideration.

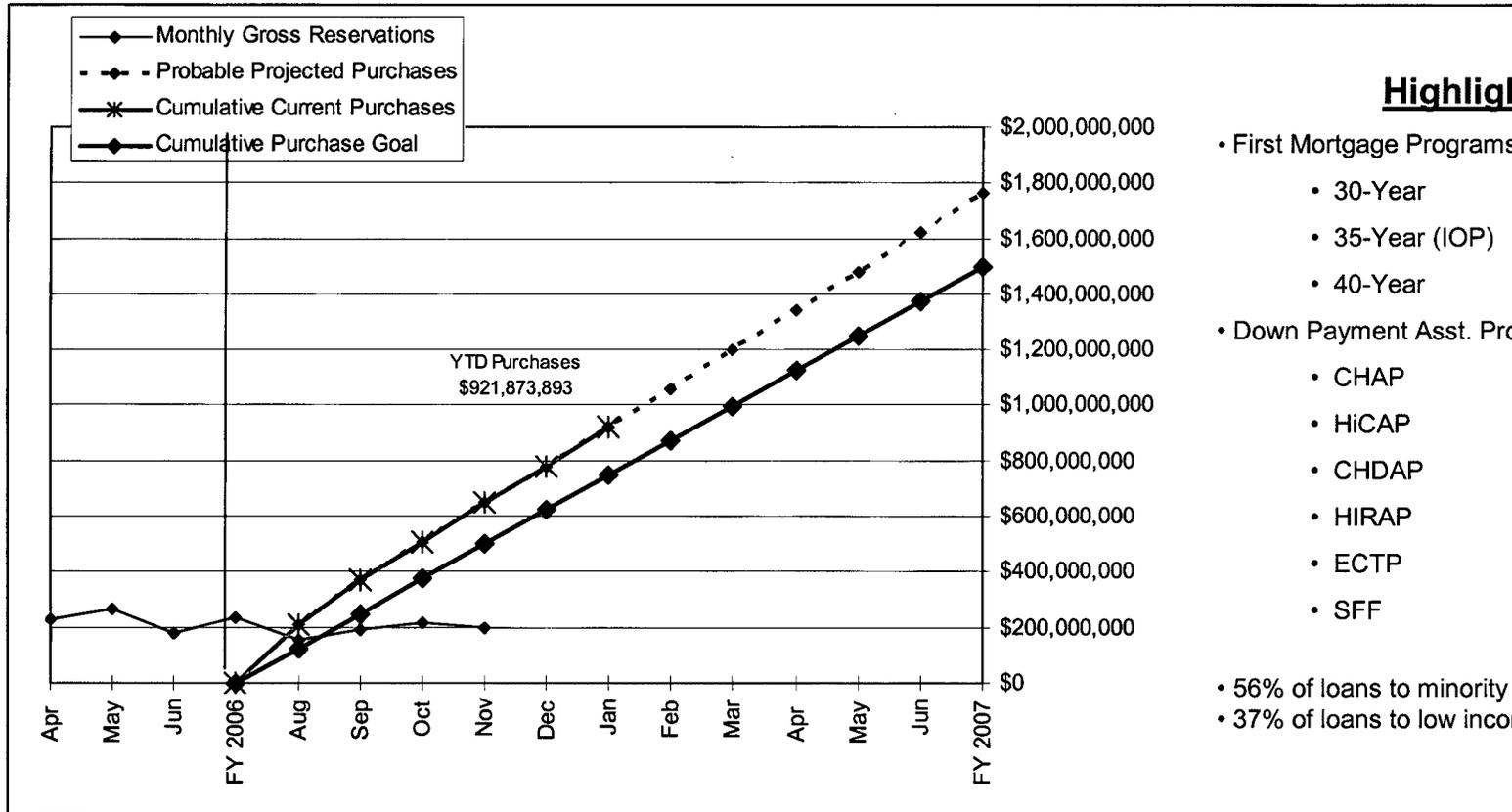
California Housing Finance Agency

Business Plan Mid-Year Review

January 2007


Affordable Housing is our Business

Homeownership Program Production Highlights As of 12/31/06



Highlights

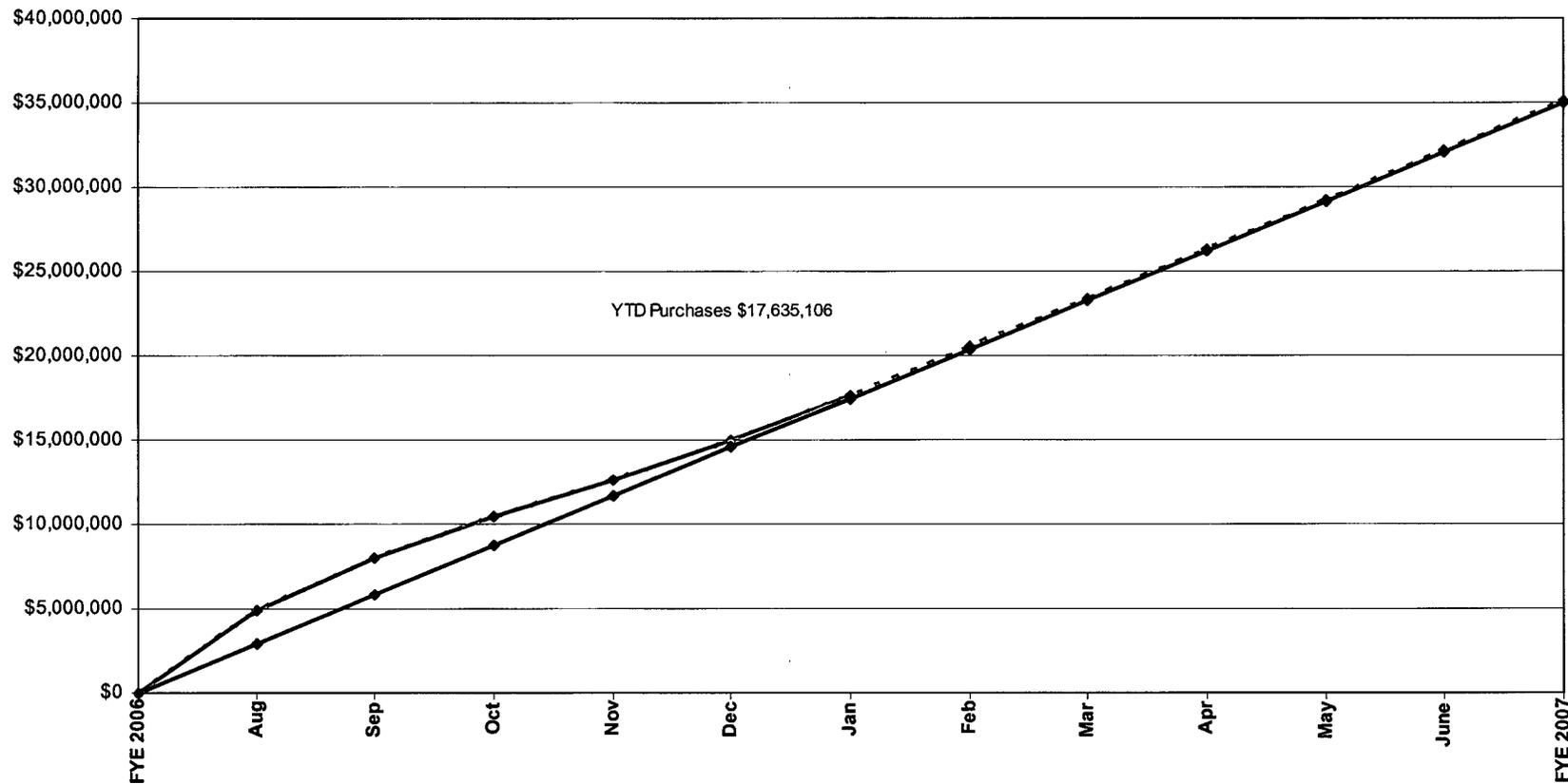
- First Mortgage Programs, 123% of Goal:
 - 30-Year 49%
 - 35-Year (IOP) 45%
 - 40-Year 6%
- Down Payment Asst. Programs % of Goal:
 - CHAP 111%
 - HiCAP 98%
 - CHDAP 129%
 - HIRAP 76%
 - ECTP 76%
 - SFF 79%
- 56% of loans to minority homebuyers.
- 37% of loans to low income homebuyers.

Accomplished:

- Sold 6,000 subordinate loans to Fannie Mae
- Selected master servicer for MBS Program
- Significantly expanded Lender, Realtor, and Locality outreach and training.

Housing Trust Fund Down Payment Programs HiCAP and CHAP – As of 12/31/06

—●— Cumulative Current Purchases - -●- - Projected Purchases —●— Purchase Goal



Homeownership Prop. 46 Program Statistics As of 12/31/06

Program	Allocation*	Funded		Recycled Funds/Interest	Available Balance
SFF	\$47,500,000	\$13,737,580	3,831 grants	\$1,098,916	\$34,861,336
ECTP	\$23,750,000	\$12,750,736	1,088 loans	\$1,719,733	\$12,718,997
CHDAP	\$114,833,262 ¹	\$110,326,060	14,558 loans	\$23,081,301	\$27,588,503
HIRAP	\$11,900,000 (2/26/03)	\$2,502,349	161 loans		\$0.00 (Bal. transferred to CHDAP)
	\$6,000,000 (5/6/05)	\$3,486,232	193 loans	\$229,786	\$2,743,554
RDLP	\$75,000,000	\$0	0 loans		\$75,000,000

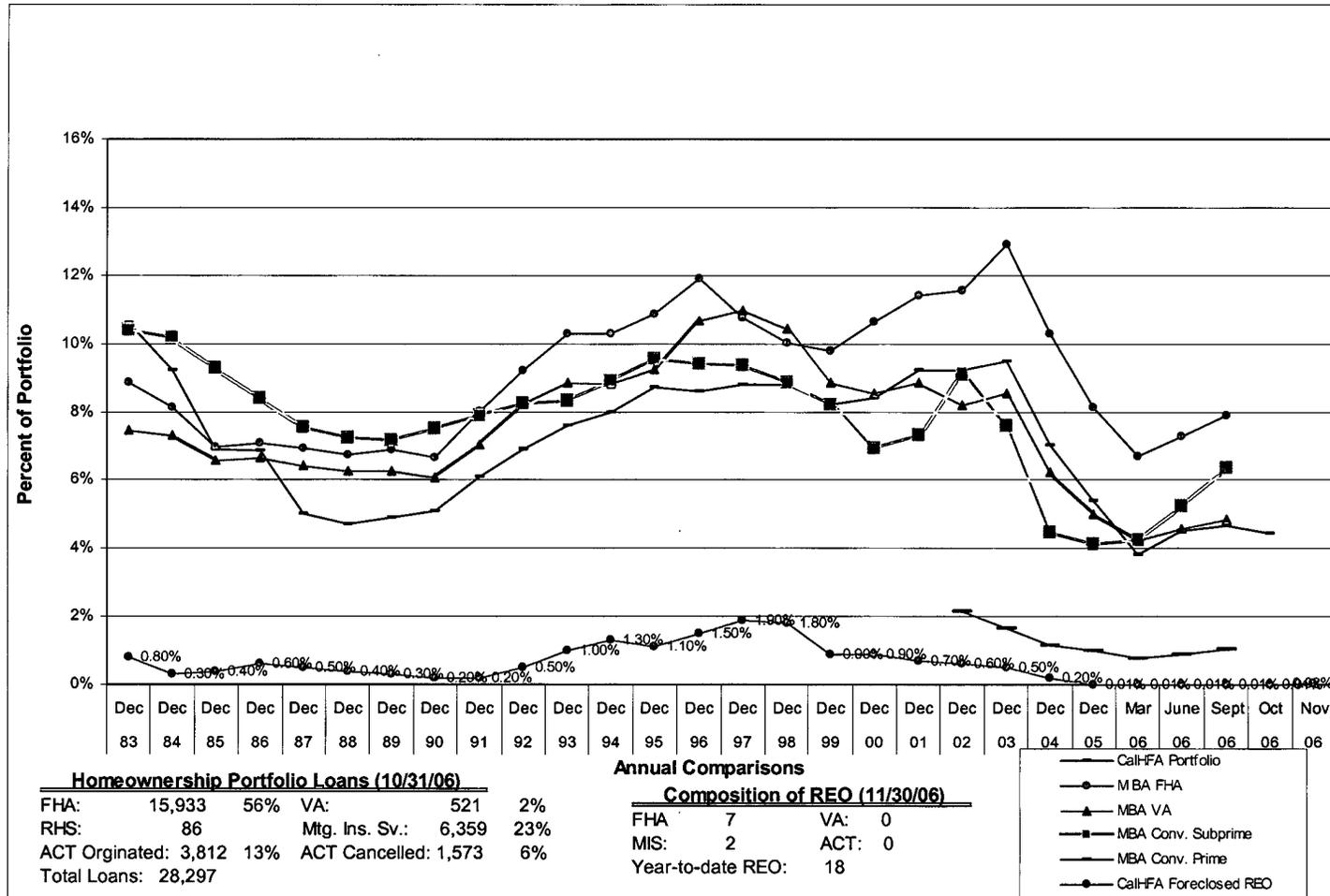
*Allocation amount is original Allocation amount less a 5% administration fee.

¹Total amount includes:

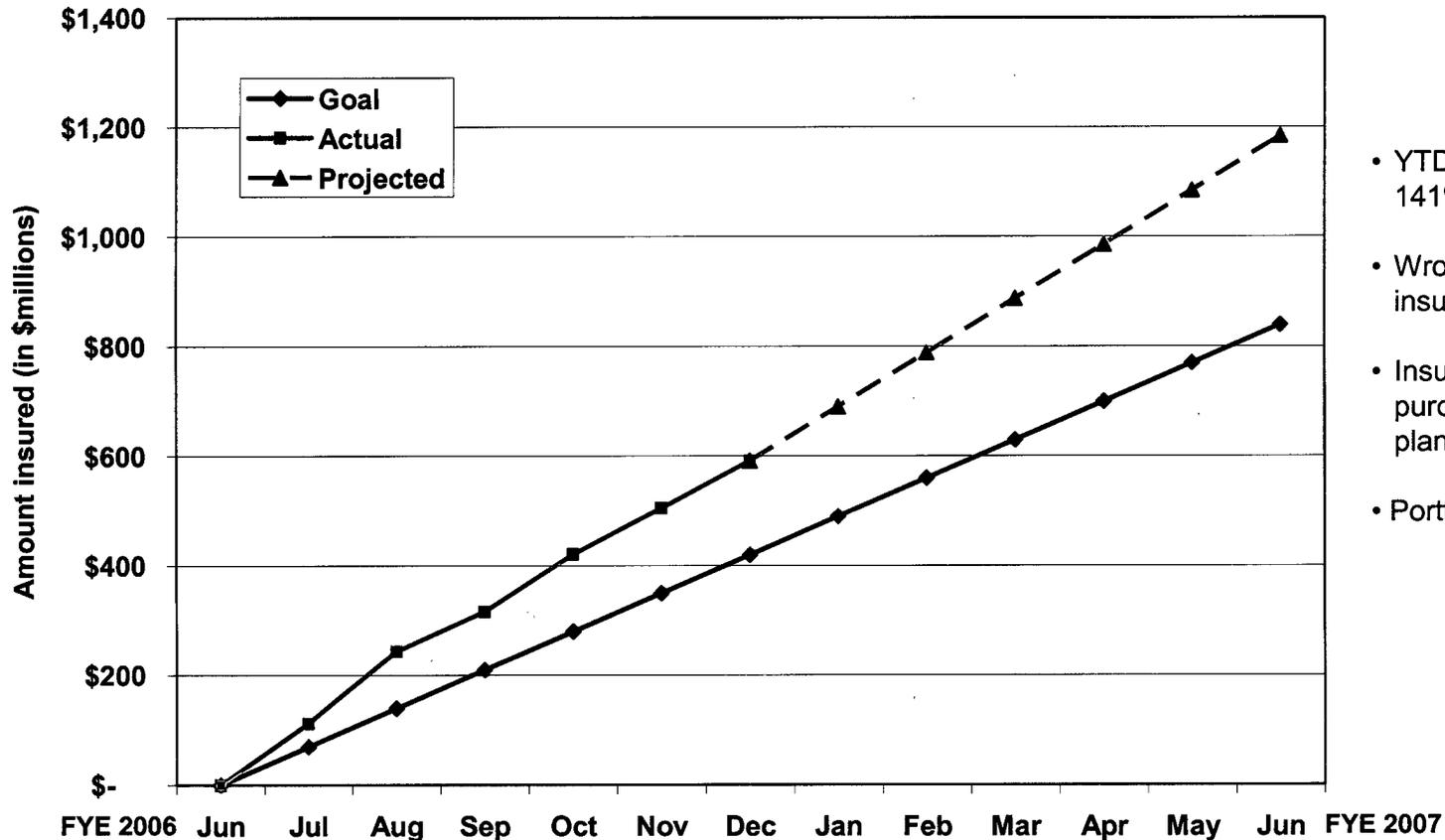
- Original allocation of \$111,600,000
- Under the terms of SB1227, on 5/6/05, the remaining unencumbered HIRAP funds less a new \$6 million set-aside reverted to CHDAP
- Under the terms of SB1227, on 6/1/05, the remaining \$75,332,097 unused funds from MIS reverted to CHDAP
- Pursuant to AB1512 on 1/1/06, \$75 million of CHDAP funds became available for the Residential Development Loan Program

Recycled Funds/Interest is through 9/30/06.

Portfolio Delinquency & REO vs. Mortgage Bankers Association (MBA)



Mortgage Insurance Highlights As of 12/31/06



Highlights

- YTD Insured 2,030 loans, 141% of goal.
- Wrote \$592MM of new insurance.
- Insured 59% of CalHFA loans purchased, 3% higher than plan.
- Portfolio reached 7,457 loans:
 - \$2B insurance-in-force
 - \$767MM risk-in-force

Accomplished:

- Increased quality assurance focus and resources.
- Added underwriting quality assurance staff.
- Adjusted underwriting guidelines to market conditions.
- Improved Lender account service levels.

Multifamily Programs Highlights As of 12/31/06

MULTIFAMILY PROGRAMS (in millions)	FY 2006/07 Bus. Plan Goal	FY 2006/07 YTD Committed	FY 2006/07 YTD Closings	Estimated Closings By 6/30/07	Estimated Committed Loans by 6/30/07
Total Loans	\$330.0	\$ 26.9	\$126.0	\$202.4	\$ 67.0
Construction Loans	170.0	0	85.2	94.0	10.0
Perm Loans/Loan to Lender/Acq/Rehab	70.0	.8	37.2	102.0	2.5
Preservation Opportunity Program	5.0	0	0	2.0	2.0
HAT	10.0	1.1	3.6	4.4	2.5
BAHP	75.0	25.0	--	--	50.0
Total Units	n/a	36	1,552	3,179	488
Total Projects	n/a	2	19	41	7

Accomplished:

- Processed \$153 in financing: \$27M in commitments and \$126M in closings.
- Bay Area Housing Plan (BAHP): \$70M in special financing approved for housing developmentally disabled: 55 commitments and 31 purchases anticipated by FY end.
- Developing new Multifamily database and integrated underwriting system: ProLink.
- Managing disbursement in financing for: 24 construction projects totaling \$277.8M (1,653 units) and 12 Loan-to-Lender & and Rehabilitation projects totaling \$73M (841 units).
- Working on Mental Health Fund (Governor's Homelessness Initiative): Application to be released first quarter 2007.

Asset Management

Preservation of CalHFA Section 8 Properties

- Exploring ways to recapitalize and preserve at-risk properties:
 - All 20+ year old properties
 - One third of S/8 loans expire between now and 2015
 - Concentrating efforts on 30-year loans (total 45 loans)
 - 67% are financially and/or physically at-risk projects (total 30 loans)
 - Analyzing financial impact
 - Owner and Agency goals/objectives may not be compatible
 - HUD approval needed for each proposed financing plan
-

Asset Management REO Sales All Financed Outside CalHFA

Project	Sales Price
Kingsley	\$11.3M
N. Hollywood	\$14M
Dorjil II	\$7.3M
Sunrise	\$14.5M
Olive Tree	\$2.25M
TOTALS	\$49.35M

Evergreen Property currently being marketed for sale.

Special Lending FY 2006/07 As of 12/31/06

- Residential Development Loan Program (RDLP)
 - Initial funding announcement late FY 2005/06:
One \$10 million round
 - Committed \$7.75 million to three localities
 - Funding announcements FY 2005/06:
Two \$10 million rounds
 - Reviewed applications for first funding round
 - Second round to be announced March 2007

 - Housing Enabled by Local Partnerships (HELP)
 - Funding announcements FY 2006/07:
Two \$7.5 million rounds
 - Issued first round commitments to nine localities
 - Second round to be announced February 2007
-

Special Lending FY 2006/07
As of 12/31/06

- Habitat for Humanity Loan Purchase Program (HFH)
 - Funding for FY 2006/07 \$5 million
 - Issued \$3.1 million in funding commitments to seven HFH affiliates in FY 2005/06; To date purchased \$1.6 million
-



January 18, 2007

Mr. Brent Owen
Rural Housing II
P.O. Box 2483
Redding, CA 96099-2483

Re: Boles Creek, CalHFA Loan #80072N

Dear Mr. Owen:

Thank you for taking the time to attend our Agency's board of directors meeting last November to discuss your concerns about the financing of Boles Creek.

I understand you have made a request that the Agency consider either lowering the interest rate for the last seven years remaining on the loan or allowing a prepayment of the loan. Currently the balance of your Section 8 loan is approximately \$950,000 and has an interest rate of 9.15%. The loan matures on March 1, 2013.

California Housing Finance Agency's primary mission is creating affordable housing for the long term and our financing decisions are based on this mission. The Agency is also self-funding which means that we must make decisions which are fiscally sound for the long term. We are very consistent with our policies so that what we are willing to do for one borrower we are willing to do for another. Because of our primary mission all our loan documents include a "no prepayment" feature. Boles Creek is a Section 8 property, so in addition to the Agency's documents, we are also required to monitor the conditions set forth in HUD's documents. Any change affecting the financing of a Section 8 property must have HUD's approval in addition to our own.

In November 2006 you and Mr. John Dunlap met with several members of the Asset Management Division to discuss your concerns that current operating capital was not keeping up with the operating expenses, and that you were unable to collect the annual owner distribution due to you as a condition of the Section 8 HAP contract. It was your proposal that the agency decrease the interest rate for the remaining term of the loan or allow you to prepay your CalHFA note.

During that meeting you were told that the policy of the Agency is to not accept prepayment of loans except in situations where there is a sale of the property and a new financing arrangement is made with the Agency. This new arrangement generally includes rehabilitation of the property. It was also discussed that the HUD HAP contract includes a provision that links the interest rate of the loan with the HAP contract rents.

Therefore, if the interest rate of your loan was reduced, the HAP contract rents would be reduced in a commensurate amount which would not change your current situation. In any financing revision, HUD approval would have to be sought.

The staff also discussed refinance options with you and Mr. Dunlap. The staff offered to consider a proposal for a new lower rate loan in exchange for a new loan term to extend 20 years beyond 2013 when the current loan terminates. It is the agency's long standing policy to require a quid-pro-quo for an interest rate modification. If refinance tied to an extended term of affordability was not what you sought, it was also suggested that you consider selling the property, possibly to a non-profit. It is my understanding that both options, to refinance for a longer term or to sell, were unacceptable to you. It was expressed by you and Mr. Dunlap that your ownership goal is solely to obtain a lower interest rate for the remaining term of your loan.

The asset management staff also discussed the funding level of the existing Reserve Fund for Replacements (RFR) account used for capital improvements as a way to solve the cash flow problem at Boles Creek. It is the agency's conclusion that the RFR is already funded to a level that would provide needed capital through the remainder of the loan term. The asset management analysis indicated that if the monthly RFR deposits were reduced by 50%, the project's operating capital would cash flow sufficiently for you to maintain the physical needs of Boles Creek and provide you with your allowable owner distribution each year. It is my understanding you disagreed with asset management's evaluation of the reserve adequacy and wish not to reduce the funding amount of the RFR.

We appreciate the long term relationship we have had with you as a borrower. We believe we have offered three viable solutions to the cash flow problems at Boles Creek. All three remain available to you. Please contact either Margaret Alvarez or Chris Penny if you wish to pursue one of them.

Sincerely,

Theresa A. Parker
Executive Director, CalHFA

Cc: Margaret Alvarez, Director of Asset Management, CalHFA
Chris Penny, Asset Management Chief, CalHFA

MEMORANDUM

JAN 03 2007

TO: All Members of the Board of Directors –
California Housing Finance Agency (“CalHFA”)
FROM: Coalition of Concerned CalHFA Employees
RE: **Executive Compensation** - The Truth About CalHFA’s Executive
Director, and Her Special Agenda to Increase Her Salary, Her State
Retirement Pension, and the Salaries of Her “Favorites”
DATE: January 3, 2007

Happy New Year. We are a group of long-term CalHFA employees calling ourselves a Coalition of Concerned CalHFA Employees (“CCCE”) who can no longer continue to be silent about the self-serving, immature and misguided management of CalHFA’s Executive Director, Terri Parker (“TP”). We made a New Year’s resolution to shine a light on TP, but must do so without identifying the authors of this document or the members of the CCCE. This is because TP has launched numerous witchhunts over many years whenever a CalHFA staff member has been bold or candid enough to be openly critical of TP, or TP has perceived (or misperceived) an employee of CalHFA as being disloyal to her. Even though the CCCE members will remain anonymous, everything in this document is accurate.

The Orchestrated and Unremitting Push for Higher Pay for TP and Certain “Favored” CalHFA Employees

TP has continually pressed you for your support in raising her salary and the salaries of her closest allies and “favorites” at CalHFA. Your Board Compensation Committee has been examining this, and will make a report and salary recommendations to the full Board at an upcoming Board meeting. **We ask that you make our points a part of the CalHFA Board record when you discuss and vote on executive compensation enhancements.**

But the CCCE knows, and the Board must know, that almost all of TP’s arguments for the salary increases are without support or are fabricated. Abraham Lincoln said that “you can’t fool all of the people all of the time”. It appears that TP does not believe that adage, and believes that she can fool all of the CalHFA Board all of the time by shading the truth or lying outright.

All of you should know about the passage late last year of Senate Bill 257 (SB 257) by Senator Wesley Chesbro. What you probably were not aware of is that TP was able to surreptitiously obtain a “friendly amendment” to SB 257, well after the bill was introduced, adding her special salary enhancement language, because she convinced Senator Chesbro’s Chief of Staff, Annette Porini, a friend of TP’s, that TP could not recruit or retain qualified people in the roles of Chief Deputy Director, General Counsel, Director of Financing, Director of Homeownership Programs, Director of Multifamily Programs, Director of Mortgage Insurance, and Director of Financial Risk Management.

TP even went so far as to misrepresent to Ms. Porini, a group of so-called “Women in Housing”, some Board members, and to a reporter for the Sacramento Bee, that CalHFA had stopped making loans on multifamily affordable housing projects

because the agency could not recruit a qualified head of the multifamily program. That was never the truth.

The only reason TP has taken up the matter of salary increases is to sweeten her own retirement pension. She is a lifelong State bureaucrat who will be termed out of her current position in 2008. The CalPERS pension program of which she is a participant determines retirement pension payments based upon years of State service, age at retirement, and a percentage of the highest twelve months of salary. The latter (the highest twelve months of salary) becomes the denominator against which the percentage is calculated. That is why TP is most desperate to have you substantially increase her salary for her last twelve months at CalHFA.

With TP's years of work with the State and her age, she will be eligible to receive about 78% (or more) of her highest twelve months of compensation, as well as full medical and dental insurance. If she were to continue to receive her salary of \$127,000 per year (and we in the CCCE think she is overpaid at that salary), she would get (applying the 78% figure) \$99,060 per year for the rest of her life following retirement (plus the other insurance mentioned above). TP would much rather receive 78% of a much larger number. For instance, **if the Board foolishly raised TP's salary to \$300,000 per year (which she will try to convince you she is worth), she would receive \$234,000 per year for the rest of her life following retirement, plus the insurance.**

TP's claims to Senator Chesbro, Ms. Porini, the Women in Housing group, and to you is that she needs to substantially increase the pay of certain key subordinates, and that she, as their boss and the head of "the nation's largest affordable housing bank", needs even greater pay. But her claims are not true.

TP, the General Counsel, and the Director of Financing are all current and multi-year employees of CalHFA and the State, with unspectacular resumes, and there is nothing to suggest that any of them will or could leave CalHFA.

TP -

TP herself is a lifelong State employee, with no private sector experience, who has a very basic and unimpressive educational background. She holds, according to her information on CalHFA's website, a B.A. degree from California State University, Sacramento (known as Sacramento State College when she attended there). She only began to "move up" in State government with the help of her mentor, Russ Gould, who served under Governor Pete Wilson as Secretary of the Health and Human Services Agency and as the Director of Finance. TP served as Mr. Gould's Undersecretary at the Health and Human Services Agency, and as a Program Budget Manager and Chief Deputy of Policy for Mr. Gould at the Department of Finance. Because TP had no substantive or working knowledge of housing issues, it was Mr. Gould who convinced Governor Wilson to appoint TP as Executive Director of CalHFA in 1997. We in the CCCE were told that TP's reappointment by Governor Gray Davis was in jeopardy. In order to support her reappointment by Governor Davis, TP called on Bruce Karatz, the Chief Executive Officer of KB Homes, and promised that CalHFA would increase its purchase of mortgages of what we at CalHFA knew to be substandard KB Homes loan products, if Mr. Karatz would wield his influence with Gray Davis and urge TP's

reappointment. Mr. Karatz made the call to Mr. Davis and then CalHFA purchased millions of dollars worth of underperforming or non-performing KB Homes' mortgages. Mr. Karatz was recently forced to resign his position with KB Homes because of his role in the backdating of stock options. While Executive Director at CalHFA, TP has applied for and interviewed for a number of other positions, including that of the Executive Director of the County of Orange and the Director of Finance, but her efforts have not been successful.

The General Counsel –

Tom Hughes has been the General Counsel of CalHFA since February 2001. He attended the State University of New York for his Bachelor's degree, and McGeorge School of Law (of the University of Pacific) for his law degree. He worked as a lawyer in two Sacramento law firms before joining CalHFA as General Counsel. Mr. Hughes previously applied as a Staff Counsel at CalHFA, but his application was deemed to be lacking the requisite experience to be considered to do legal work at the agency.

The Director of Financing –

Bruce Gilbertson has been the Director of Financing since August 2004. Before that he was the Comptroller, a Financing Officer and the Mortgage Loan Accounting Administrator for CalHFA. He has been a bureaucrat for the State since 1978, and worked with the State's Department of Transportation from 1978 to 1988. He graduated with a Bachelor's degree from the same college as TP.

The Chief Deputy Director or "Deputy Executive Director" (currently "Special Advisor to the Director" since TP and he have not been able to obtain a Gubernatorial Appointment for him) –

Steve Spears graduated from Southern Adventist University, and then received an MBA from the University of Tennessee. In 1984 he earned a law degree from McGeorge, where Tom Hughes graduated. He was a State employee and Deputy Treasurer under Matt Fong, and that is where he met TP.

Now contrast the unremarkable biographies of the people above whom TP wants you to compensate at elevated levels with Russell Read, the new Chief Investment Officer of CalPERS. Mr. Read joined CalPERS following a global search. He has more than 20 years in the investment management business, and a string of impressive academic degrees: a Doctorate in political economy, two Master's in economics and political science – all from Stanford University (not unimpressive Sacramento, New York or Southern schools); plus a Master's in finance and international business, and a Bachelor's in economic statistics – from the University of Chicago.

Or look at the biography of James Lockhart III, the Director of the Office of Federal Housing Enterprise Oversight. He graduated from Yale University with a Bachelor's degree, and received a Master's degree from Harvard Graduate School of Business Administration.

TP likes to highlight her "strong management team", but what she fails to say is that most, if not all, of the heavy lifting is done by CalHFA's many highly paid

consultants, who receive many millions of dollars per year. CalHFA has attorney consultants, "swap" and financing consultants, and mortgage insurance and multifamily loan consultants. Also, CalHFA still retains and pays its former Chief Deputy Director.

The Governor's Signing Message for SB 257 –

We hope that TP has provided you with a copy of the Governor's signing message for SB 257. In case she did not (TP sometimes forgets to share important information that is inconvenient to her), we are attaching a copy of the signing message. The Governor's Office says it uses signing messages to explain to constituencies interested in a bill what the Governor believes to be the effects of its adoption, and to direct subordinate officers in the State's Executive Branch how to interpret and administer the enactment.

It is clear by reading the message of the Governor that he and his office desired to move forward with the special needs housing covered by the bill, but were not pleased with TP's clandestine efforts to increase her salary and those of her confederates at CalHFA.

The Governor wrote that "I am signing this measure because it is essential for CalHFA to move forward in 2007 with efforts to finance special needs housing. However, in signing this bill, I instruct CalHFA to work closely with the Department of Personnel Administration to develop and implement an appropriate salary setting methodology that will improve CalHFA's ability to recruit and retain qualified investment professionals while maintaining salary levels comparable with other state and local housing finance entities. In addition, I would support legislation next year to limit salaries for top administrative personnel in the same way that salaries for other exempt employees are now limited". (Emphasis has been added).

The most interesting thing about the signing message is that **CalHFA has no "qualified investment professionals", as does CalPERS**, despite TP's efforts to say that it does. TP is definitely not a qualified investment professional. She barely has an "inch deep" understanding of housing, and has never developed, created or conceived of one of the agency's many programs. She definitely does not understand the complicated "swaps" transactions, the complexity of the agency's debt burden, or risk-based capital standards. CalHFA's "qualified investment professionals" are all non-employee consultants. Nor does TP have the complicated direct lending portfolio of other housing finance agency executive directors.

TP and those whom she is attempting to enrich would fall under the phrase of "top administrative personnel" as the Governor used it in his signing message, and they should be paid in the "limited" way that others in State service are, to borrow from the Governor's message.

Your Obligation is to be Independent (Not the Usual "Rubber Stamp" for What TP Wants) and to Not to be Fooled Again by TP

As Board members, you have a responsibility to act independently, to have the guts to ask the right questions, and to make certain that the agency's money is spent wisely. One of your obligations is to prohibit excessive executive compensation. You

cannot simply say that you approved a decision because TP and/or management likes it and some others say it is fair.

You need to get and scrutinize all information and ask all of the inconvenient questions. TP only gives you partial truths and manipulated facts and figures. When the vote on the salary enhancements is completed, you should carefully look into the “hows and whys” regarding the millions of dollars stolen from CalHFA by its former Directors of Mortgage Insurance and General Counsel, right under TP’s nose, the thefts of laptop computers containing confidential personal financial information, and TP’s manipulations of records to create the picture that CalHFA is well managed. The image that CalHFA is one of the lowest risk housing finance agencies and “best in class” agencies was and is a facade. Talk with the current and former senior managers of the agency to learn the real truth about TP’s emotionally immature, dysfunctional and vindictive management style.

The bottom line is that the Board needs to make top-to-bottom changes in CalHFA’s culture, financial reporting procedures and ways of managing risk.

TP has been obsessed with increasing salaries (hers in particular), achieving independence from and deflecting any real oversight, and has attempted to use SB 257 as a vehicle to get you to forget your obligation to be independent. She wants you to believe that the Legislature and the Governor want you to increase her salary and those of her loyalists. Nothing could be further from the truth – see the Governor’s Signing Message!

TP has obviously forgotten that she is supposed to be a public servant, and has systematically created a false picture and illusions for you and others regarding the salary needs of herself and her special favorites. She is putting her own future financial needs, and those of her loyalists, above the interests of a very special agency whose wonderful core mission it is to assist those of low to moderate incomes with housing choices.

Because TP is personally financially interested in this undeserved salary increase matter, she should not be permitted to participate in the discussion or the vote.

We in the CCCE ask (or should we say demand?) that you do the right thing, do your duty (and not just “go along to get along”), and protect the agency’s bond money and reserves from TP’s attempts to enrich herself and those other CalHFA personnel who have curried her favor. **Your actions will be followed by us, the Governor’s Office, members of the Legislature and the media.**

Attached - the Governor’s Signing Message for SB 257

cc: Theresa Ann Parker, Executive Director
Governor Arnold Schwarzenegger
Senator Wesley Chesbro
Annette Porini, Chief of Staff to Senator Chesbro
Other Interested People



Office of the Governor

ARNOLD SCHWARZENEGGER
THE PEOPLE'S GOVERNOR

To the Members of the California Senate:

I am signing Senate Bill 257, which will enhance the ability of the California Housing Finance Authority (CalHFA) to make loans and issue revenue bonds to finance affordable housing for the mentally and physically disabled. This measure also gives the California Housing Finance Authority the ability to better manage its bond financing and ensure a favorable bond issuer credit rating by exercising salary setting authority for key investment personnel.

I am signing this measure because it is essential for CalHFA to move forward in 2007 with efforts to finance special needs housing. However, in signing this bill, I instruct CalHFA to work closely with the Department of Personnel Administration to develop and implement an appropriate salary setting methodology that will improve CalHFA's ability to recruit and retain qualified investment professionals while maintaining salary levels comparable with other state and local housing finance entities. In addition, I would support legislation next year to limit salaries for top administrative personnel in the same way that salaries for other exempt employees are now limited.

Sincerely,

Arnold Schwarzenegger