



BOARD OF DIRECTORS

(AMENDED)

*California Housing Finance Agency
Board of Directors*

Thursday, January 17, 2008

The Westin
San Francisco Airport
Millbrae, California
(650) 692-3500

9:30 a.m.

1. Roll Call.
2. Approval of the minutes of the November 15, 2007 Board of Directors meeting.
3. Chairman/Executive Director comments.
4. Discussion, recommendation and possible action relative to final loan commitment for the following projects: (Bob Deaner/Laura Whittall-Scherfee/Jim Liska)

<u>NUMBER</u>	<u>DEVELOPMENT</u>	<u>LOCALITY</u>	<u>UNITS</u>	
07-014-A/S	Grand Plaza	Los Angeles/ Los Angeles	302	
Resolution 08-01				171
07-015-A/N	Villa Springs	Hayward/ Alameda	66	
Resolution 08-02				193
5. Discussion, recommendation and possible action relative to the adoption of a resolution authorizing the Agency's single family bond indentures, the issuance of single family bonds, short term credit facilities for homeownership purposes, and related financial agreements and contracts for services. (Bruce Gilbertson)				
Resolution 08-03				217

6. Discussion, recommendation and possible action relative to the adoption of a resolution authorizing the Agency's multifamily bond indentures, the issuance of multifamily bonds, short term credit facilities for multifamily purposes, and related financial agreements and contracts for services. (Bruce Gilbertson)
Resolution 08-04.....231
7. Discussion, recommendation and possible action relative to the adoption of a resolution authorizing applications to the California Debt Limit Allocation Committee for private activity bond allocations for the Agency's homeownership and multifamily programs. (Bruce Gilbertson)
Resolution 08-05.....243
8. Update on Bay Area Housing Plan Financing. (Kathy Weremiuk)
9. Update on Mental Health Services Act Housing Program. (Kathy Weremiuk)
10. Business plan and budget mid-year review. (Terri Parker).....251
11. Discussion and possible action regarding potential CalHFA involvement in programs related to the subprime lending crisis. (Terri Parker)
12. Discussion and possible action regarding contributions of CalHFA for homeowner counseling programs. (Terri Parker)
13. Report of the Chairman of the Audit Committee regarding Audit Committee review of practices, procedures and contracting authority of the Executive Director; as well as issues relating to salary survey, compensation process, and compensation committee, and possible recommendations to and action by Board. (Jack Shine)
14. Update on Board Retreat Planning. (Terri Parker)
15. Reports.....275
16. Discussion of other Board matters.
17. Public testimony: Discussion only of other matters to be brought to the Board's attention.

****NOTES****

HOTEL PARKING: Parking is available as follows: 1) overnight self-parking for hotel guests is \$14.00 per night; and 2) rates for guests not staying at the hotel is \$1.00 per hour.

FUTURE MEETING DATE: Next CalHFA Board of Directors Meeting will be March 19, 2008, at the Clarion Hotel Sacramento, Sacramento, California.

STATE OF CALIFORNIA
CALIFORNIA HOUSING FINANCE AGENCY

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BOARD OF DIRECTORS
PUBLIC MEETING

--o0o--

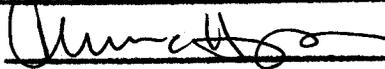
Burbank Airport Marriott Hotel & Convention Center
2500 Hollywood Way
Burbank, California

Thursday, November 15, 2007
10:51 a.m. to 2:46 p.m.

Minutes approved by the Board
of Directors at its meeting held:

01-17-08

Attest: _____



--o0o--

ORIGINAL

Reported By: YVONNE K. FENNER, CSR #10909, RPR

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ORIGINAL

Minutes approved by the Board
of Directors at its meeting held

Attest: _____

STATE OF CALIFORNIA
CALIFORNIA HOUSING FINANCE AGENCY

--oOo--

BOARD OF DIRECTORS
PUBLIC MEETING

--oOo--

Burbank Airport Marriott Hotel & Convention Center
2500 Hollywood Way
Burbank, California

Thursday, November 15, 2007
10:51 a.m. to 2:46 p.m.

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A P P E A R A N C E SDirectors Present:

JOHN A. COURSON, Chairperson
President
Central Pacific Mortgage

PETER N. CAREY
President/CEO
Self-Help Enterprises

EDWARD M. CZUKER
President
E.M.C. Financial Corporation

JEFF DAVI
for Dale E. Bonner
Secretary
Business, Transportation and Housing Agency

CARLA I. JAVITS
President
REDF
(formerly Roberts Enterprise Development Fund)

ELLIOTT MANDELL
for LYNN L. JACOBS
Director
Department of Housing and Community Development

JOHN G. MORRIS
President
John Morris, Inc.

THERESA A. PARKER
Executive Director
California Housing Finance Agency

WILLIAM J. PAVAO
for Bill Lockyer
State Treasurer

TERRY ROBERTS
For Cynthia Bryant
Director
Office of Planning and Research

JACK SHINE
Chairman
American Beauty Development Co.

--o0o--

CalHFA Staff Present:

MARGARET ALVAREZ
Director
Asset Management

Robert Deaner
Director
Multifamily

BRUCE D. GILBERTSON
Director of Financing
Fiscal Services

THOMAS C. HUGHES
General Counsel

CARR KUNZE
Multifamily Loan Officer

CHARLES K. McMANUS
Director
Mortgage Insurance Services

DENNIS MEIDINGER
Comptroller

JIM MORGAN
Loan Officer
Asset Management

JOJO OJIMA
Office of the General Counsel

JERRY SMART
Deputy Director
Homeownership Programs

L. STEVEN SPEARS
Chief Deputy Director

KATHY WEREMIUK
Multifamily Loan Officer

LAURA WHITTALL-SCHERFEE
Chief
Multifamily Programs

--o0o--

Speakers from the Public:

Gustavo Lamanna
Attorney at Law
Kane, Ballmer & Berkman

--o0o--

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1 BE IT REMEMBERED that on Thursday, November 15,
2 2007, commencing at the hour of 10:51 a.m., at the Burbank
3 Airport Marriott Hotel and Convention Center, Academy One
4 Conference Room, 2500 Hollywood Way, Burbank, California,
5 before me, YVONNE K. FENNER, CSR #10909, RPR, the
6 following proceedings were held:

7 --o0o--

8 CHAIRMAN COURSON: I'm sorry, can everyone hear
9 me? I'm sorry for the late start of our meeting. We had
10 a lengthy Audit Committee meeting this morning and then
11 some other matters, so I want to thank everybody for your
12 indulgence. And we'll start by calling the roll.

13 --o0o--

14 **Item 1. Roll call**

15 MS. OJIMA: Thank you.

16 Mr. Davi for Mr. Bonner.

17 MR. DAVI: Here.

18 MS. OJIMA: Mr. Carey.

19 MR. CAREY: Here.

20 MS. OJIMA: Mr. Czucker.

21 MR. CZUKER: Here.

22 MS. OJIMA: Ms. Galante.

23 (No response.)

24 MS. OJIMA: Mr. Mandell --

25 MR. MANDELL: Here.

1 MS. OJIMA: -- for Ms. Jacobs.
2 MR. MANDELL: Yes.
3 MS. OJIMA: Ms. Javits.
4 MS. JAVITS: Here.
5 MS. OJIMA: Mr. Pavao for Mr. Lockyer.
6 MR. PAVAO: Here.
7 MS. OJIMA: Mr. Morris.
8 MR. MORRIS: Here.
9 MS. OJIMA: Mr. Shine.
10 MR. SHINE: Here.
11 MS. OJIMA: Ms. Roberts for Ms. Bryant.
12 MS. ROBERTS: Here.
13 MS. OJIMA: Thank you.
14 Mr. Genest.
15 (No response.)
16 MS. OJIMA: Ms. Parker.
17 MS. PARKER: Here.
18 MS. OJIMA: Mr. Courson.
19 CHAIRMAN COURSON: Here.
20 MS. OJIMA: We have a quorum.
21 CHAIRMAN COURSON: Okay.
22 --o0o--
23 **Item 2. Approval of the minutes of the September 12,**
24 **2007 Board of Directors meeting**
25 CHAIRMAN COURSON: And as normal, our first order

1 of business, in your binders you have the minutes of the
2 September 12th, 2007 Board of Directors meeting. Having
3 had an opportunity in your Board package to look at
4 those, is there a motion to approve the minutes?

5 MR. CZUKER: Move approval.

6 MR. DAVI: So moved.

7 CHAIRMAN COURSON: Mr. Czucker moves and Mr. Davi
8 seconds.

9 Is there any discussion, correction to the
10 minutes?

11 Seeing none, let's call the roll.

12 MS. OJIMA: Mr. Davi.

13 MR. DAVI: Aye.

14 MS. OJIMA: Mr. Carey.

15 MR. CAREY: Aye.

16 MS. OJIMA: Mr. Czucker.

17 MR. CZUKER: Yes.

18 MS. OJIMA: Mr. Mandell.

19 MR. MANDELL: Yes.

20 MS. OJIMA: Ms. Javits.

21 MS. JAVITS: Yes.

22 MS. OJIMA: Mr. Pavao.

23 MR. PAVAO: Yes.

24 MS. OJIMA: Mr. Morris.

25 MR. MORRIS: Yes.

1 MS. OJIMA: Mr. Shine.

2 MR. SHINE: Yes.

3 MS. OJIMA: Mr. Courson.

4 CHAIRMAN COURSON: Yes.

5 MS. OJIMA: The minutes have been approved.

6 --o0o--

7 **Item 3. Chairman/Executive Director Comments**

8 CHAIRMAN COURSON: Thank you. I have a couple,
9 three things I'd like to mention during the Chairman's
10 comments. One is that I am going to ask -- I guess the
11 older I get the crankier I get. But starting at our
12 January meeting if it is imperative that we use
13 Blackberries during the meeting, if they buzz, I'm going
14 to ask that you please excuse yourself and use your
15 Blackberry. I have finally reached, I think, the top of
16 Blackberry Hill in some meetings I've been in in
17 Washington and finally was in a meeting where the
18 chairman suggested that, so in January I'll ask your
19 indulgence, if we may.

20 Let me mention one other thing. I've been
21 thinking and talking and you're going to have a
22 presentation today on financing and the markets as they
23 affect CalHFA and, as you know, we're obviously a
24 substantially large financial institution. And I think
25 it was about four years ago, and I know many, many on

1 this Board were not on the Board four years ago, we went
2 through an educational session that we had in Sacramento
3 where we brought in outside -- our outside advisors, our
4 bond counsels, some of our banks, swap advisers and so on
5 and went through about a half a day of educational
6 sessions.

7 And based on the markets and what my perception
8 is that those markets aren't going to self-correct
9 themselves anytime in the near future in our substantial
10 holdings, that I would ask the Board's thought about
11 trying to schedule that kind of a session along with -- I
12 just was -- I've been at two meetings with this
13 individual, a fellow by the name of John Anderson, who is
14 with counsel of a firm called Kutak Rock, and not that --
15 I have no -- they're bond counsel. I have no thoughts
16 about using them for bond counsel, but John does a half a
17 day training on Board training.

18 He's written a large very, very well-done report
19 on -- manual on Board training, talking about
20 specifically HFA's. And he's taken his experience with
21 other HFA's and talked about the kinds of policies they
22 have, the kinds of committees they have, how they compose
23 their committees, how the Board interacts with staff and
24 the executive director and compensation. It's really
25 quite, quite extensive, and I found it quite good.

1 And so my thought is, is if it's the Board's
2 desire, if in fact we could couple those two items
3 together in terms of dealing with sort of a tutorial on
4 our roles as fiduciaries and at the same time couple that
5 with some presentation by this fellow of what he sees in
6 other HFA's and how they do their business. So I am
7 certainly open to suggestions, but it is a thought that
8 with both of those things and with the number of new
9 Board members that we have, what the Board's feeling
10 would be.

11 A resounding no comment.

12 Mr. Pavao.

13 MR. PAVAO: I, for one, think that would be very
14 helpful, so I would endorse the idea of bringing in that
15 kind of training and informative session.

16 CHAIRMAN COURSON: Mr. Carey.

17 MR. CAREY: I agree. The financial and fiduciary
18 responsibilities of this Board continue to grow, and
19 having been through earlier Board training and feel the
20 need perhaps to be held back, I think it would be great
21 to have some additional training.

22 CHAIRMAN COURSON: Ms. Javits.

23 MS. JAVITS: I agree.

24 CHAIRMAN COURSON: The question would be should
25 we try to wrap this around a previously scheduled Board

1 meeting, which likely to get this put together we would
2 not get done in January. It's too short a time frame to
3 schedule these people to come in. So that would put it
4 over to March and would cause an overnight, a two day, do
5 one one day and the Board meeting the next. Or would you
6 want to see if we could find a mutually agreeable date in
7 February and try to wedge it in as an extra meeting? Or
8 would you like us to check on dates in February of
9 availability and see what's practical to happen, too?

10 Mr. Pavao.

11 MR. PAVAO: I'd vote for plan B, which is a
12 separate meeting.

13 CHAIRMAN COURSON: Mr. Mandell.

14 MR. MANDELL: My specific thought is this: Since
15 I'm here representing my director, my thought is who
16 should be the priority for the training. There are
17 several members of the Board who often, I would think,
18 have other representatives, and how to schedule whether
19 you want the specific Board member or their
20 representative or maybe more than one person to
21 participate in that training.

22 CHAIRMAN COURSON: Right. Well, that's a good
23 thought. Let us do this: Having heard that, I think one
24 of the -- in due respect to Jojo, is seeing about
25 logistics because we are already in an alternate site for

1 our March Board meeting. So let's see about logistics
2 and potential dates and then perhaps we can get something
3 out to the Board with some alternatives for you and see
4 where everybody's schedule lies. Okay. Thank you.

5 MR. DAVI: Mr. Chairman.

6 CHAIRMAN COURSON: Yes.

7 MR. DAVI: Just to kind of echo what Mr. Mandell
8 said, I do agree, because I serve for Secretary Bonner.
9 I have an alternate, Heather Peters, and, of course, if
10 possible I'd like to invite at least Heather to be at
11 that training as well.

12 CHAIRMAN COURSON: There would be no reason why
13 we certainly couldn't have more than just the person.
14 And if the people who -- I mean several of you are here
15 on a regular basis, and I think that would be important
16 that we could have as many as we really want, because
17 this is going to be an educational session, not a Board
18 meeting. Thank you.

19 Let me -- the last thing I want to mention and I
20 didn't know I wanted to or not, but I think I want to.
21 Since the last Board meeting, I don't know who of you
22 have or have not received or seen two additional letters
23 that -- from the CCC group that we received previous
24 letters from. There was one that was shortly after the
25 last Board meeting, and then the last letter was

1 received, I think, about two weeks ago -- last week, I'm
2 sorry. It was last week.

3 And these letters, if you haven't seen them, we
4 have copies. I, to my house, had the previous letter
5 received at my home. I did not receive the last letter.
6 But we do have copies of them.

7 And frankly these letters contain now pretty
8 personal attacks on the Executive Director. And so I
9 just thought the Board ought to be aware of that. It's
10 once it's received, if the Board has it, it becomes sort
11 of public. If you haven't, I thought you ought to be
12 entitled to know that. I'm concerned about the tone in
13 some of the -- the tone that these letters are now
14 taking. The first couple of letters, as we know, dealt
15 with issues, and we dealt with those and we had a process
16 for that. And these letters, frankly, have taken on a
17 very different character, and I have some concerns. So
18 we have those. If you want them, I don't think we'll
19 pass them around, but we're more than happy to share
20 them, and they're there for you to look at as members of
21 the Board or representatives.

22 Ms. Javits.

23 MS. JAVITS: I received one of the letters, and
24 it got me thinking. I'd like to put a suggestion forward
25 to the Board, and I'd also like to put some thoughts on

1 the record related to the stream of letters that we've
2 received.

3 In the face of the stream of unsigned letters
4 that have come to us, I wanted to ask the Board to join
5 me in affirming our confidence in and support for our
6 director, Terri Parker. I've known Terri for more than
7 20 years. I have worked with her professionally for much
8 of that time. I have found her to be among the most
9 talented, dedicated professionals I've met in the public
10 or private sectors, and I found that she has a very high
11 level of integrity.

12 Not only that, but Terri has the unusual quality
13 that we need today, a willingness to stick her neck out
14 in order to do the right thing and advance causes that
15 don't give her much in the way of publicity or notice,
16 but are critically important for the most vulnerable
17 people in our state. Too few people are willing to do
18 that, Terri is one of them and she deserves our support
19 for having done so.

20 I'd like to make a comment to the individual or
21 individuals who are writing us letters about Terri and
22 others in the Department and on this Board. We've
23 thoroughly investigated all specific allegations and
24 while finding them legally groundless did decide that we
25 could and should make some specific improvements. We're

1 taking steps to address those cases where the
2 investigation suggests that our practices could improve.

3 I'd like to note that one area where the
4 investigation suggested improvements in removing Terri
5 even more fully from some salary determinations, the
6 investigation noted also that Terri had already, during
7 the time cited in the allegation, taken several steps in
8 the right direction. The report simply suggested that we
9 go a step further.

10 Several of the letters I received made no
11 specific allegations and instead made unsubstantiated
12 derogatory personal comments. I would like to suggest
13 that this has no positive value whatsoever to me, to this
14 Board, this Agency or the people we're here to serve. If
15 whoever is writing these letters has specific allegations
16 to make, I would hope they would stand behind them
17 sufficiently to make them under their name directly to
18 their manager, CHFA's management or if appropriate to the
19 Board.

20 If it's a whistleblower case, we have specific
21 procedures for that, and I suggest they follow them. The
22 worst times in American political life have been
23 characterized by unsubstantiated anonymous personal
24 attacks. These do not serve the public interest in any
25 way, and they serve to degrade those who make them,

1 rather than those who are the subject of them.

2 I'd like to move for consent of the Board to
3 affirm our support for and confidence in the leadership
4 of CHFA's director.

5 MR. DAVI: Second.

6 CHAIRMAN COURSON: Mr. Davi seconds.

7 Other discussion from the Board?

8 Mr. Morris.

9 MR. MORRIS: I think we ought to just move on. I
10 wouldn't even -- you know, there were earlier letters
11 that we all know that were specific. There were previous
12 letters which we dealt with specific issues, which we've
13 dealt with, and I wouldn't even, you know -- as long as
14 people are given the letters, I don't think there's any
15 need to even -- I would move on with the agenda.

16 CHAIRMAN COURSON: I believe there is a
17 resolution, at least a suggestion of a resolution, and a
18 second.

19 MR. DAVI: If I could speak to it, Mr. Chairman.

20 CHAIRMAN COURSON: Sure.

21 MR. DAVI: We could move on, but I think that
22 everything Ms. Javits said is completely accurate and
23 true, and I agree with it, and I see nothing wrong with
24 affirming it. You know, you can't stop people from doing
25 what they're doing. It's unfortunate that they now have

1 disintegrated to personal attacks, that's how I see those
2 today, and I would say the questions were asked and
3 answered. We did take care of this through
4 investigation, and we've taken the steps that need to be
5 taken.

6 It's unfortunate these letters continue, but
7 nothing wrong with affirming our support and affirming
8 our confidence today, and then we can move on.

9 CHAIRMAN COURSON: Let's call the roll.

10 MS. OJIMA: Mr. Davi.

11 MR. DAVI: Yes.

12 MS. OJIMA: Mr. Carey.

13 MR. CAREY: Yes.

14 MS. OJIMA: Mr. Czucker.

15 MR. CZUKER: Yes.

16 MS. OJIMA: Mr. Mandell.

17 MR. MANDELL: Yes.

18 MS. OJIMA: Ms. Javits.

19 MS. JAVITS: Yes.

20 MS. OJIMA: Mr. Pavao.

21 MR. PAVAO: Yes.

22 MS. OJIMA: Mr. Morris.

23 MR. MORRIS: Abstain.

24 MS. OJIMA: Mr. Shine.

25 MR. SHINE: Yes.

1 MS. OJIMA: Mr. Courson.

2 CHAIRMAN COURSON: Yes.

3 MS. OJIMA: The resolution has been approved.

4 CHAIRMAN COURSON: Ms. Javits, thank you very
5 much.

6 That completes my report. I'll turn it over to
7 our executive director.

8 MS. PARKER: Thank you, Mr. Chairman.

9 I have a couple of items to bring to the Board's
10 attention. The first one that I just want to do is a
11 little bit of housekeeping.

12 We have been asked by the Legislature when we did
13 our budget last fiscal year to provide the committee with
14 more information than what we have done in the past
15 30-plus years that the Agency has existed. Since the
16 Board does not adopt our budget until May, when the
17 Governor's budget is printed in January, the past
18 practice has been to give the Department of Finance for
19 the current year and the budget year the budget that the
20 Board adopted in May for that current fiscal year.

21 It's footnoted in there that the Board has not
22 adopted a budget and won't do it until the spring of the
23 year. There was concern raised by the chair of the
24 Senate committee about whether or not there should be
25 more information provided.

1 We've had discussions with the committee staff
2 and pointed out that, unfortunately, in our case in order
3 to be able to be most current with giving the Board the
4 information to do its planning for our budget, and that
5 is to have the most recent audited financials, our best
6 understanding of where we are with our reserves in our
7 Housing Trust Fund, and all of these documents are
8 prepared with the idea in mind to meet the rating
9 agencies' meetings that we have every summer.

10 If we were in a situation of doing that, we would
11 either have to do it twice or essentially be giving
12 rating agencies information that was six months old. So
13 what the Department of Finance has asked of us, and I
14 want to alert you all to this, is that they want to have
15 our budget submitted in the January budget that will be
16 increased by price.

17 These are adjustments that every state
18 department's budget year, they're usually called baseline
19 adjustments, that our budget is increased for price, it's
20 increased for any annualization of compensation that has
21 been given or has been -- or is required to be given
22 under collective bargaining, and that these calculations
23 that are ones that we usually bring to you in our May
24 Board meeting would be put in as baseline adjustments.

25 It will be footnoted that the Board has not

1 adopted it, because I don't want to reflect anything that
2 the Board was not agreed to. But for purposes of the
3 committees, they will at least see a beginning budget
4 that is more in keeping with having some baseline
5 adjustments made for compensation, price, some of the
6 normal things that all state budgets are adjusted for.
7 So I want to bring that to your attention so that if
8 the budget -- the budget comes out, you'll be aware that
9 there will be numbers in there that did not reflect
10 action on your part, but they are essentially an
11 agreed-upon way for the Budget Committee to at least have
12 an idea of a beginning number for their consideration.

13 Clearly, we, again, as we do every year, report
14 to the budget committees and the full Legislature on the
15 action of the Board for the budget, and we do follow
16 internally a process that other state agencies do to
17 justify any additional positions or contracting that we
18 ask for you to put in the budget.

19 The second item I want to bring to your attention
20 is that we had been asked by our national trade
21 association, the National Council of State Housing
22 Agencies, to participate in a salary survey that they are
23 asking all HFA's to participate in and help finance. I
24 have made some copies of the document that we have been
25 asked to participate in to give that to the members of

1 the Compensation Committee and anyone else that would be
2 interested among you.

3 So, Jojo, if you would please give this out, and
4 anybody else.

5 They -- each participant is to pay \$750 to
6 participate in this. I do want to bring this just to
7 your attention because of the sensitivity of anything
8 around compensation. But it is a survey that will
9 compare HFA's. The Board can choose, the Compensation
10 Committee can choose, whether or not it wants to utilize
11 what information is in this for any future compensation
12 considerations. But I did want to report that we thought
13 this was a ministerial activity and that we were going to
14 participate in it.

15 So the third item I want to just bring to your
16 attention, I've been asked -- we intend to be giving some
17 briefings to you all today. Many of you have asked
18 what's happening across the country with our sister state
19 HFA's with respect to subprime rescue programs. We --
20 I'm going to do an introduction of that before we then
21 give you an idea by our homeownership staff, our MI staff
22 and our director of financing on what the status is of
23 CalHFA and our own internal lending and financial status.

24 The last two items I want to just bring to your
25 attention, one of them is it has been our tradition, I

1 think we have pointed out -- I just want to do this in a
2 public setting -- that we have three members of our Board
3 whose terms have expired. The Governor's Office is aware
4 that there is consideration about reappointment, but this
5 is a public opportunity for us among our colleagues to
6 salute those individuals who have served. I don't want
7 it to be a situation that in the interim something
8 happens and we as a group do not have the opportunity to
9 honor people who have essentially given their own
10 personal time to serve this Board.

11 And I on behalf of my staff want to, irrespective
12 of what -- I cannot speak for the Governor's Office, but
13 I don't want to let this opportunity to pass without
14 saluting Mr. Czucker, Mr. Shine and Mr. Carey for their
15 participation, particularly Mr. Czucker's long
16 participation in CalHFA's operations, and for their time
17 and their consideration to staff. So I would ask my
18 colleagues to stand and applaud them.

19 (Applause.)

20 MS. PARKER: And while we are celebrating staff's
21 accomplishments, the last item I have, Mr. Chairman, is I
22 have put together what I refer to as a little award to be
23 presented in situations where staff have stepped up above
24 and beyond the call of duty, and I refer to this as No
25 Good Deed Should Go Unrecognized. And I am asking the

1 Board to essentially recognize we have two of the people
2 who I would like to present this to: Laura
3 Whittall-Scherfee and Edwin Gipson. Edwin is not with us
4 today. This is a surprise. They do not know this.

5 But it basically recognizes the work that Edwin
6 and Laura did for the last two years in providing
7 leadership to the Multifamily Division until we found a
8 Director of Multifamily. I want to thank Laura on the
9 record and Edwin and ask you all to recognize that they
10 stepped up, took over leadership of this, they weren't
11 compensated for it, they certainly took grief for it, and
12 that they should be recognized.

13 (Applause.)

14 CHAIRMAN COURSON: I'd just say on behalf of the
15 Board that between Laura and Edwin, we've seen a
16 remarkable continued performance over the last 15 to
17 18 months in the quality of presentations and the data
18 that we were given as Board members, and we appreciate
19 that.

20 MS. PARKER: Mr. Chairman, that concludes my
21 remarks.

22 CHAIRMAN COURSON: Thank you.

23 --o0o--

24 **Item 4. Resolution 07-29, Rubicon Homes**

25 CHAIRMAN COURSON: Let's move to some projects

1 now.

2 Back to work, Laura.

3 We'll move to some projects, and the first one is
4 the Rubicon Homes.

5 MS. WHITTALL-SCHERFEE: Okay. Thank you very
6 much for the award and the recognition, Terri and
7 Mr. Courson and Members of the Board.

8 Today we're here to discuss Rubicon Homes.
9 Rubicon Homes is going to be a little bit of a different
10 presentation for us, because in the last two to three
11 Boards we have primarily presented to the Board requests
12 for approval for portfolio sales. This is not a
13 portfolio loan. And some of you may have noticed that
14 the loan amount is, in fact, below the \$4-million
15 threshold that can be approved at the senior staff level.

16 The reason this is being presented to the Board
17 of Directors for approval today is because that
18 \$4-million limit did not include special needs financing,
19 and Rubicon Homes is a request for a special needs loan.
20 That's the purpose for our presenting it to you today.

21 In addition, I wanted to take this opportunity to
22 introduce Carr Kunze to the Board. He has been with us
23 as a loan officer in the Sacramento office for two and a
24 half years, but for a variety of reasons he has not
25 presented in front of you, so I just wanted to take this

1 opportunity to introduce Carr.

2 CHAIRMAN COURSON: Welcome. It's nice they let
3 you out in public.

4 MS. WHITTALL-SCHERFEE: He's been helping us out
5 behind the scenes quite a bit.

6 Rubicon Homes is a ten-unit project located in
7 Richmond in Contra Costa County. It is currently a
8 Section 202 project, and it was first constructed in
9 1983. We're here today to ask you for approval for
10 permanent financing using our special needs program.

11 Currently the ten households that live in Rubicon
12 Homes include at least one adult with chronic mental
13 illness. The project is in dire need of rehabilitation.
14 In fact, it just -- not just recently, but it did fail
15 within the last year its HUD REAC inspection, and HUD has
16 basically told them that if they do not rehabilitate the
17 project, that they will lose their HUD Section 8
18 vouchers. All ten units of this project have Section 8.

19 So we are requesting permanent funding in the
20 amount \$1.2 million using our special needs rate of 1 and
21 a half percent, because all of the units will be special
22 needs units. And that would be a 20-year loan fully
23 amortizing using 501(c)(3) bonds.

24 When we wrote this proposal, we were still trying
25 to fine-tune a little bit of the specifics, so we did say

1 tax-exempt 501(c)(3) bonds or Agency funds. We use
2 Agency funds to buy down the rate and initially fund the
3 deal, and we will be financing it through 501(c)(3)
4 eventually. But we also want to keep our options open.
5 So that's also the reason if we should choose to change
6 our minds down the road, we want that option that we can
7 use whatever source of funds makes the most sense for the
8 Agency.

9 The borrower will remain Rubicon Homes. Rubicon
10 Homes is a California nonprofit benefit corporation, and
11 they have a huge service provider history through Rubicon
12 Programs, Incorporated. And Carr is going to go into a
13 lot more detail about the services that they provide.

14 At this point in time I'd also like to just have
15 Carr walk you through the project, show you the slides.
16 I promise you won't see them pixel by pixel like you did
17 at the last Board meeting. We know it works this time.

18 MR. KUNZE: Thank you. Mr. Chairman, Members of
19 Board, thank you very much.

20 Rubicon Homes is actually one of 12 prototypes
21 that was begun back in the 1980s, uniquely putting
22 together the HUD 202 program with the Section 8 program
23 in order to serve special needs. It will continue to
24 serve special needs, as Laura has identified, serving
25 households with disabilities, including in particular

1 those with mental illness disabilities as well as the
2 elderly.

3 In addition to financing the balance due on the
4 202 loan, the loan provides for \$402,000 in hard costs
5 rehabilitation, about \$40,000 per unit. And the total
6 development costs are going to work out to about \$134,000
7 per unit.

8 It will be Section 8, project based Section 8.
9 The Section 8 is being provided through a 20-year HAP
10 contract. And the scope of work is being defined by the
11 physical needs assessment that was recently updated.

12 The initial slide here shows you the project, the
13 ten-unit project, in the westerly end of Richmond.
14 Immediately to its west is an industrial area, and
15 immediately surrounding the development are mixed
16 residential, single family, multifamily and duplexes.
17 Also, immediately to the east of the project is a park
18 area.

19 The rehabilitation, parts of the rehabilitation
20 program are going to include a complete reroofing of all
21 of the four structures, as well as a -- in some cases a
22 structural corrections in some of the roofing systems,
23 complete repainting of the exteriors, replacement of an
24 amount of deteriorating wood trim, replacement of damaged
25 doors. Interiors, replacement of cabinetry and

1 countertops, flooring and related areas there,
2 replacement of wall heaters as well as some of the failed
3 greenhouse windows that you saw on the prior slide.

4 The security, there will be security improvements
5 as well, some of the gate areas had lost their locking
6 capability. The exteriors will also include some
7 resealing and restriping of the paving, as well as
8 corrections of flatwork that is the sidewalks where there
9 are tripping hazards.

10 Rubicon -- there will be relocation, but it will
11 be all handled on-site during the construction period.

12 Rubicon Homes is licensed to provide Mental
13 Health Rehabilitation Act Medi-Cal services for the
14 tenants, and they serve as well as a broader nonresident
15 population.

16 Rubicon Programs was established back in 1973.
17 They were formed out of a concern for the
18 deinstitutionalized mentally ill. They have developed
19 and operate 136 units, four projects. CalHFA has
20 previously financed one other Rubicon project known as
21 Idaho Apartments.

22 Rubicon has received local as well as national
23 recognition for their social entrepreneurship. For
24 example, they operate a bakery serving some 300 retail
25 outlets, they have landscaping services that serve some

1 35 sites, and these programs are part of their workforce
2 services program and their other programs that serve over
3 3,000 clients annually with mental health money
4 management, reduction of homelessness amongst the
5 mentally ill and providing legal aid.

6 Their services program is a provision of this
7 type of loan, that they must have a services program
8 tailored to the needs of the residents. Their program,
9 Rubicon's program, has been going on now at the site for
10 25 years is a program of independent living, is focused
11 upon developing socially -- social functioning with the
12 least restrictive environment.

13 And then as such, the services are available as
14 needed, and they are not a condition of tenancy. This is
15 a -- they provide structured day rehabilitation services
16 for adults with persistent psychiatric disabilities.
17 They have independent living services. These -- those
18 services are providing life skills classes, counseling,
19 as well as case management.

20 They also provide substance abuse treatment, and
21 a service plan acceptable to the Agency will be agreed
22 upon and incorporated into our regulatory agreement prior
23 to closing. And in this case, the services plan will be
24 structured similar to that that has already been
25 developed for the Idaho Apartments.

1 The rent structure, if I can get over to that
2 now, is one whereby the -- you can see that the
3 one-bedroom rents are running at some \$455 per month.
4 You will note that the Section 8 rents are running at
5 \$1,287 per month. That is over the market rent. In
6 fact, this project is receiving this project based
7 Section 8 with an operating cost adjustment factor.

8 And I'll proceed ahead and note that the property
9 management is being provided by the John Stewart Company,
10 which, in addition to their substantial experience with
11 managing affordable housing in Northern California, has
12 worked extensively with supportive and special needs
13 housing in this state.

14 MS. WHITTALL-SCHERFEE: In addition, I just
15 wanted to remind Board members that we did indicate in
16 the package U.S. Bank is going to provide the
17 rehabilitation loan, and we are going to be the permanent
18 financing. Part of the reason we're not doing the
19 construction rehab loan is because of prevailing wage
20 issues.

21 And with that, we'd be happy to answer any
22 questions you might have, and we request approval for
23 this project.

24 CHAIRMAN COURSON: Any questions on the project?

25 No questions?

1 Mr. Czuker.

2 MR. CZUKER: I'm just curious, what's the range
3 of interest rates that are available for these type of
4 financings?

5 MS. WHITTALL-SCHERFEE: Currently our interest
6 rates are 1 and a half percent if you are a hundred
7 percent special needs. It's 2 and a half if it's -- all
8 of sudden, I blanked. It's 3 and a half percent if
9 you're 35 percent, 1 and a half if you're a hundred, and
10 I think it's 2 and a half if you're 65 percent.

11 MR. CZUKER: Thank you.

12 CHAIRMAN COURSON: Other questions from the
13 Board?

14 Mr. Carey.

15 MR. CAREY: Is it -- I have this sense that it's
16 been lacking in maintenance a little bit, is that
17 accurate, given that it failed its inspections?

18 MR. KUNZE: Yes, that is correct. It's been
19 carrying, in fact, a 9 and a quarter percent interest
20 rate loan now since its inception. That's quite clearly
21 been one of the factors that has corroded its ability to
22 keep up the maintenance.

23 MR. CAREY: So you have confidence in their
24 ability to maintain it effectively after this?

25 MS. WHITTALL-SCHERFEE: Yes. In our project

1 summary page, we are -- we are requiring an initial
2 deposit after the completion of the rehab as part of our
3 permanent loan that will be funded with \$43,000. And
4 then after that in order to meet the needs over time, we
5 are setting aside every year per unit \$710 a unit. So
6 it's going to have replacement reserves that far exceed
7 anything that had previously been set aside under the HUD
8 202 program.

9 MR. CAREY: Great. Thank you.

10 CHAIRMAN COURSON: Questions from the Board?

11 There is a resolution on page 169 of our Board
12 book, if there is a motion to approve that.

13 MR. SHINE: So moved.

14 CHAIRMAN COURSON: Mr. Shine moves.

15 MR. CZUKER: Second.

16 CHAIRMAN COURSON: Mr. Czucker seconds.

17 Is there any further discussion? Any comments
18 from the public?

19 Call the roll.

20 MS. OJIMA: Thank you.

21 Mr. Davi.

22 MR. DAVI: Yes.

23 MS. OJIMA: Mr. Carey.

24 MR. CAREY: Yes.

25 MS. OJIMA: Mr. Czucker.

1 MR. CZUKER: Yes.

2 MS. OJIMA: Mr. Mandell.

3 MR. MANDELL: Yes.

4 MS. OJIMA: Ms. Javits.

5 MS. JAVITS: I'm going to recuse myself from this
6 on appearance, not a legal matter, because the
7 organization I work with provides a grant to this entity,
8 Rubicon.

9 MS. OJIMA: Thank you, Ms. Javits.

10 MR. HUGHES: Just to clarify for the Board,
11 Ms. Javits and I had discussed this previously and
12 determined that there's not a legal conflict of interest,
13 it's a recusal just for appearances.

14 CHAIRMAN COURSON: Thank you.

15 MS. OJIMA: Mr. Pavao.

16 MR. PAVAO: Yes.

17 MS. OJIMA: Mr. Morris.

18 MR. MORRIS: Yes.

19 MS. OJIMA: Mr. Shine.

20 MR. SHINE: Yes.

21 MS. OJIMA: Mr. Courson.

22 CHAIRMAN COURSON: Yes.

23 MS. OJIMA: Resolution 07-29 has been approved.

24 CHAIRMAN COURSON: Thank you.

25 And now we'll move to the Alexis Apartments.

1 rehabilitation and during the term of the permanent loan.
2 And the permanent loan will be in the amount of
3 \$9,600,000 at a 5-percent interest rate for 30 years.

4 It will also be financed from tax-exempt bonds.
5 There's no other sources of financing anticipated, and
6 Jim is going to explain the financing structure and the
7 scope of the rehab that's going to be completed.

8 MR. MORGAN: Good morning. The Alexis
9 Apartments, as Laura mentioned, is a 501(c)(3) wholly
10 owned by the St. -- by the Alexis Apartments of the
11 St. Patrick's Parish. They're a single asset entity.

12 And with our funds, we are paying off our
13 existing acquisition loan that we funded in September of
14 '07 and we're going to provide construction funds for the
15 rehab.

16 This picture is just a direct view looking south.
17 You can see the Bay Bridge, Interstate 80 and the Bay, a
18 beautiful view from the 14th floor.

19 More of a direct picture there. You'll see the
20 two towers, each tower containing 103 units apiece,
21 connected by a second floor corridor. And direct shot
22 there from the ground up on a cloudy day.

23 You'll see one of the entrances, the garage and
24 entrance, and one of the entrances to the building there
25 at Clementina, and then we have a shot there at the

1 second floor roof terrace that connects both buildings.

2 The exercise room with those two beautiful pieces
3 of equipment and our existing recessed kitchen area which
4 is a prefabricated kitchen. We love showing you the
5 kitchens. And our bathroom, with the existing bathroom
6 as well.

7 I just want to give you a picture of the floor
8 plan when I go through the construction numbers here.
9 The typical one-bedroom there is 472 square feet, and
10 there's 48 one-bedrooms. The studios, there's 158
11 studios, those average about 300 square feet.

12 Our total construction budget, rehab budget, for
13 this project is \$5,833,000 or about 20 -- a little over
14 \$28,000 per unit. Forty percent of that, approximately
15 40 percent of that budget or 2.2 million is allocated for
16 the building. And out of that 2.2, 1.3 are going to be
17 used just for windows alone, with about 400,000 for
18 painting, and the remaining funds for aesthetics.

19 Fifty percent of that \$5.8 million or 2.9 --
20 \$2,970,000 will be for the interior, with 2.1 million
21 allocated for kitchens, cabinets, counters, sinks,
22 faucets, lights and electrical upgrades. The remaining
23 10 percent of the budget here, or 593,000, is going to be
24 for the emergency generator, roof-mounted fans, and some
25 control shutoff valves.

1 We've built into that \$5,833,000 approximately
2 15-percent contingency or \$975,000. In addition we have
3 allocated \$441,000 for interest reserve. Interest on the
4 acquisition piece, the 18-month piece, will be paid out
5 of cash flow, but we've cushioned that a little bit with
6 \$441,000 in case of any emergency.

7 We've also allocated \$125,000 for relocation. A
8 portion of those funds will be used to furnish a couch, a
9 bed, a table, chair, refrigerator, small TV for the
10 existing vacant units. Right now we have about nine or
11 ten. Our goal is to be at 12.

12 In Alexis' case, these will be considered the
13 resting units so while the tenant's apartment is being
14 constructed or worked on or rehabbed during the hours of
15 8:00 to 5:00, they have a facility in which they can go,
16 a similar unit. Their unit will be cleaned up by 5:00
17 o'clock, and they will be allowed to return.

18 Found out in Alexis, in with speaking to the
19 management company and the consultants, is that most of
20 the seniors don't want to be away from their unit at all.

21 They don't even want to leave the area. So they feel
22 comfortable having a vacant unit similar to their type
23 near their domain. However, if they feel that they need
24 to -- if for some reason there are unforeseen repairs
25 that need to be done that may take overnight, they can

1 stay at that resting unit, which will be provided with a
2 bathroom, shower, bed, or they have the option of going
3 to a hotel. But we've allocated funds for that.

4 You can see the rent chart. We have the
5 50-percent rents and the HUD 236 rents listed at \$590.
6 Our actual 50-percent CalHFA rents would be \$831. And
7 80 -- and so I didn't list those there for the -- for the
8 studio and one bedrooms. I just wanted to show you what
9 we -- where we are at now.

10 A budget-based rent increase for capital repairs
11 with a 20-year HAP renewal became effective September 1st
12 of this year and it will go on for 20 years expiring
13 August 30, 2027. Sixty-four percent of the units or 132
14 are Section 8, 113 studios and 19 one bedrooms.

15 Also, a hundred percent of the units are HUD 236
16 restricted, meaning that rents cannot exceed the 80
17 percent AMI. Even with the budget -- even with the
18 budget-based rent increase, our Section 8 rents are still
19 below market.

20 We also have a transition operating reserve of
21 \$657,000 for this project, which represents one year of
22 subsidy. We also have a \$500 replacement reserve per
23 unit per year, an initial deposit of \$1,000 per unit to
24 the replacement reserve or \$206,000, and an operating
25 expense reserve of \$202,837.

1 And one last item that's not in the write-up.
2 The management company and the ownership provides the
3 residents with a shuttle bus. There is the -- the Alexis
4 Apartments has its own bus stop. And that shuttle goes
5 seven days a week, and it's for anything and all things,
6 grocery, banking, medical appointments, hospital -- which
7 is three miles away -- and even Sunday for church and
8 mass.

9 So with that, any questions?

10 CHAIRMAN COURSON: Are there questions on the
11 Alexis Apartments project?

12 Ms. Javits.

13 MS. JAVITS: Thank you.

14 I had three questions. One, on page 176 it says
15 that the occupancy rate for low income housing tax credit
16 properties is generally 99 percent, and I see this
17 property's occupancy rate is 95 percent. And I see that
18 we did the numbers basically based on a 5-percent
19 occupancy rate -- or 5-percent vacancy rate. Why is
20 that?

21 MR. MORGAN: We're purposely holding the units
22 vacant so when we do the rehab, we'll have those
23 resting -- those units available for the tenants to come
24 in and out.

25 MS. JAVITS: Right, but the long-term --

1 MR. MORGAN: The long-term --

2 MS. JAVITS: -- numbers are 5-percent vacancy.

3 MS. WHITTALL-SCHERFEE: Five-percent vacancy is
4 our traditional vacancy level that we underwrite to. So
5 even if it was 99 percent, we still would use the
6 5-percent vacancy as our normal underwriting.

7 MS. JAVITS: I was more curious, it just seems
8 like the historical vacancy rate there is a bigger
9 vacancy rate than other --

10 MS. WHITTALL-SCHERFEE: But that's because we are
11 intentionally -- with HUD's concurrence, the borrower is
12 intentionally keeping units off-line. They could be
13 rented. We could have 99 percent --

14 MS. JAVITS: Historically it was higher? Or
15 we're not sure.

16 MR. MORGAN: Historically we're at a hundred
17 percent.

18 MS. JAVITS: Okay.

19 MR. MORGAN: We're a hundred percent occupied.

20 MS. JAVITS: And then the second question, so the
21 property was built in '73. Do you have any idea if the
22 average age of the tenants has changed?

23 MR. MORGAN: No. I think it's approximately 70
24 years and up as far as -- not high frail senior, but
25 it's --

1 MS. JAVITS: It's just something maybe to keep an
2 eye on with the elderly projects. As I've understood it,
3 the older projects started with people who are in their
4 60s and now have people in their 80s and they're facing
5 some specific issues with that. And I don't know if
6 they're addressing them through services or additional
7 service space or anything like that, but it might be
8 something worth looking at as future older senior
9 projects come online because I think tenant population is
10 changing.

11 MR. MORGAN: The aging population.

12 MS. JAVITS: And then my last question is not --
13 you probably maybe not have an answer today, but I just
14 wanted to raise it here and maybe it's for future
15 thinking. But it seems like at this point we have a lot
16 of data on property management costs in affordable
17 housing, all kinds of different affordable housing. And
18 as I look at the property management numbers that we get,
19 they're all over the map. I mean, some projects are, you
20 know, \$500 a month per tenant, some projects are \$200 a
21 month per tenant, and I just wanted to at least raise for
22 perhaps thinking on the staff's part is there anything we
23 have learned about property management costs and the
24 relationship between the costs we see and the quality of
25 the buildings that we are financing?

1 MR. MORGAN: I can speak on behalf of this
2 project. This project, since it's owned by the parish,
3 they really have no expertise in running a 206-unit
4 senior project, so they look to John Stewart for their
5 maintenance staff, for their operational staff, for
6 payroll, for almost everything.

7 MS. JAVITS: Right.

8 MR. MORGAN: So it may be slightly higher in this
9 case.

10 MS. JAVITS: And we see a lot of third-party
11 management. I mean so far, as I've been on the Board, we
12 see lots of third-party management. I'm raising it more
13 as a question, not for an answer today but just for
14 consideration. Is there anything we're learning about
15 property management costs, given the size of our
16 portfolio, and the relationship between those costs and
17 the building maintenance that might be instructive or
18 useful going forward?

19 MS. PARKER: Ms. Javits, perhaps I can ask
20 Margaret Alvarez, our director of asset management, for
21 her to consider the question. She could come up and
22 respond today or if you want -- Margaret, do you have
23 some sense of --

24 MS. JAVITS: It's partly because I don't know how
25 to judge. We're approving financing based on certain

1 standards around the management budgets, and I don't feel
2 like we have much of a yardstick for determining whether
3 those are reasonably sized budgets or not.

4 MS. ALVAREZ: I guess I would just respond that
5 our two groups, Programs and Asset Management, work hand
6 in hand on these, and we do have really good data, 30
7 years worth of it. A lot of it depends. Family is more
8 costly generally -- these are gross generalizations --
9 than elderly housing. High-rises are more expensive than
10 garden style apartments. It depends if the utilities are
11 included with operating costs or if it gets built into
12 the rent or if it's a separate payment by the tenants.
13 Age of the building, construction of the building, single
14 pane or dual pane windows, climate, rural, city, there's
15 a zillion factors.

16 But whenever Programs has an operating budget, it
17 goes through my unit also and the staff looks at that and
18 compares it to other operating costs of like buildings in
19 our portfolio, and we arm-wrestle and talk about that all
20 the time.

21 MS. JAVITS: Perhaps it would be useful just a
22 sentence sometimes in these reports that say this budget
23 is higher or lower or similar to others for some specific
24 reason, because I just noticed they're dramatically
25 different.

1 CHAIRMAN COURSON: Mr. Czuker.

2 MR. CZUKER: While we're going down that line of
3 thinking, I have two questions and comments for staff.
4 First, as it relates to senior projects where we see the
5 average age rising given the age of the product and where
6 the tenant base may be in their 80s and 90s, we have life
7 cycle issues that then arise which we, in terms of
8 management and in terms of asset management, may or may
9 not be tracking. And those life cycle issues include
10 nursing, include people being able to be ambulatory and
11 get out of bed in the morning or medication, and you
12 start moving into assisted living, skilled nursing, other
13 services that may be beyond the scope of our financing or
14 beyond the scope of the original underwriting in terms of
15 property management.

16 And while I encourage us to continue to provide
17 affordable housing and especially senior housing, how as
18 on a staff level, as on an Agency level are we dealing
19 with sort of these life cycle issues that are going to
20 require capital, staffing, management, which may or may
21 not be online or on budget. And I'm not sure if we're
22 adequately tracking and recognizing the services that
23 will be required for that aging population. And that's
24 one train of questions I want to ask.

25 And then the second part, which takes us in a

1 slightly different direction, relates to the fact that,
2 you know, we start seeing some of the same names over and
3 over again as both borrowers and management companies.
4 And so I want to bring up a different subject, which is
5 can we get some statistics that help us understand from a
6 portfolio basis what risk are we taking from a
7 concentration in the hands of perhaps only a few parent
8 companies. Despite the fact that they're a
9 single-purpose borrower, you may have the same management
10 company or the same borrowing parent entity on many, many
11 loans. And if you aggregate dollars or numbers, does
12 that pose a risk that we should be evaluating
13 independently in terms of concentrations in certain hands
14 versus diversification.

15 MS. WHITTALL-SCHERFEE: In fact, we have been
16 taking a look at our database and streamlining it so that
17 we could look exactly at the issue of how many loans we
18 have outstanding to any one parent company. And we have
19 been trying -- what we're developing is a system where we
20 can identify who's behind the limited partnership so we
21 can do -- we can run reports.

22 From my banking years, that was just called our
23 loans to one borrower report, and that's something we
24 have been working on because we have noticed that there
25 is an increasing similarity or there are more and more

1 loans being made to many of the same borrowers.

2 The thing that we also do keep in mind, though,
3 is that we underwrite to the project. The project is
4 what pays the debt service on these deals, the rents. So
5 it is something we're looking at, but it is something
6 that is also a little bit different than in the private
7 sector where you might rely on guarantees and you might
8 be looking to the organization themselves to come up with
9 deficits. We do single asset entities, and we look to
10 the projects for rents. But we will follow up with you
11 on that.

12 MR. CZUKER: First, that addresses one question,
13 but just a little more color on that question before I go
14 back to the first part of the question; and that is,
15 don't you have an issue or can you present those
16 statistics to us. So if you are already tracking or
17 starting to track management companies, how much the same
18 names have under management and borrower parents, and how
19 those borrower parents in what concentrations throughout
20 the state, the single borrower's may -- parents may have.

21 In some cases you have the cushion of tax credit
22 equity or third-party agencies that have substantial
23 equity in the deal, and CalHFA is not the only dollars in
24 the deal. So whether it's a single purpose entity or not,
25 the fact that there's a lot of skin in the game and other

1 people are taking risk alongside or even in front of
2 CalHFA financing, it gives an added cushion to certain
3 financings.

4 But in other cases when a hundred percent of the
5 capitalization is coming from a CalHFA loan, a hundred
6 percent of that risk if the real estate doesn't work out
7 properly is in the hands of management and ownership, and
8 of course we're taking a much greater risk than sometimes
9 we understand. That's one side of the question.

10 And then perhaps you can return to the whole life
11 cycle senior question.

12 MS. WHITTALL-SCHERFEE: We have periodically also
13 tried to make some assisted living deals work. It has
14 been a very, very difficult thing for us, but we will
15 definitely pursue the life cycle question that you've
16 talked about.

17 And we do, at least with the borrowing entities,
18 for instance, on the Rubicon Homes project that we just
19 presented, we did mention in the write-up that we have
20 one other loan with this borrower and it is Idaho
21 Apartments. And that is the way we've always tried to
22 inform Board members as to what -- what other deals we
23 have with that entity, and we will continue to do that.
24 What we will also do is pursue the asset management angle
25 that you asked just now.

1 CHAIRMAN COURSON: I would think it would be
2 interesting. As a Board member, I would be interested
3 maybe at least once a year to take a look at
4 concentrations of management, concentration of sponsors,
5 and so on, in our portfolio, maybe the top ten or
6 something like that as you go through that. Just each
7 year so the Board knows where those concentrations are of
8 owners, sponsors, managers and so on on maybe an annual
9 basis is adequate, but at least to know so as we see new
10 projects coming up we get a sense of what our other
11 engagements are.

12 And Terri mentioned, and it's true, I mean we're
13 one -- sort of one leg of that. When you take that
14 further, the State has other exposures. HCD is in many
15 of these projects and has concentrations with us, along
16 with several other entities. So it's more than just us,
17 but I think at least from this Board's standpoint, I'd
18 like to see that kind of a report put together when you
19 have got the data or you can provide it to us.

20 Any other questions on the Alexis project?

21 If not, there is on page 191 a resolution for
22 your consideration and a motion would be in order.

23 MS. JAVITS: I move it.

24 CHAIRMAN COURSON: Ms. Javits moves.

25 Is there a second?

1 MR. CZUKER: Second.

2 CHAIRMAN COURSON: Mr. Czucker seconds.

3 Is there any additional discussion on the Alexis

4 Apartments?

5 Any comments from the public?

6 Seeing none, we will call the roll.

7 MS. OJIMA: Thank you.

8 Mr. Davi.

9 MR. DAVI: Yes.

10 MS. OJIMA: Mr. Carey.

11 MR. CAREY: Yes.

12 MS. OJIMA: Mr. Czucker.

13 MR. CZUKER: Yes.

14 MS. OJIMA: Mr. Mandell.

15 MR. MANDELL: Yes.

16 MS. OJIMA: Ms. Javits.

17 MS. JAVITS: Yes.

18 MS. OJIMA: Mr. Pavao.

19 MR. PAVAO: Yes.

20 MS. OJIMA: Mr. Morris.

21 MR. MORRIS: Yes.

22 MS. OJIMA: Mr. Shine.

23 MR. SHINE: Yes.

24 MS. OJIMA: Mr. Courson.

25 CHAIRMAN COURSON: Yes.

1 MS. OJIMA: Resolution 07-30 has been approved.

2 CHAIRMAN COURSON: Thank you.

3 --o0o--

4 **Item 5. Update on Bay Area Housing Plan**

5 CHAIRMAN COURSON: The next item on our agenda is
6 our old friend the Bay Area Housing Plan, and we have
7 Kathy, and Bob Deaner, our new Director of Multifamily,
8 in his first appearance.

9 MS. WEREMIUK: Chairman Courson, Members of the
10 Board, it's a pleasure to be here with you again today.
11 I will try and make this update brief. I have handed out
12 today a written report -- can you hear me -- a written
13 report as well as doing a narrative report for you.

14 The project is progressing well. We have
15 purchased seven homes to date, about \$10 million from
16 Bank of America -- purchased the loans. Those are on
17 projects where either they were purchased brand-new or
18 the seller did all of the rehab. In the next two months,
19 we anticipate purchasing another 21 homes where the rehab
20 will have been done by Hallmark Community Services. When
21 we complete the first 28 purchases, we'll be at about
22 \$46-million in loans that are purchased that we're
23 currently holding on our line of credit.

24 One of the -- I brought some pictures today. I
25 wanted to give you a sense of the work that is being

1 done. This is a property in San Jose, 1302 Baywood.
2 It's a medical facility for people who are chronically
3 ill. And this gives you a sense of the level of rehab
4 that's been done.

5 The floors are all wood to make it easy to move
6 people. They're generally on gurneys. They're not
7 mobile. The surfaces are all washable and cleanable.
8 The tracks that you would see here are tracks to help
9 staff move the residents from room to room.

10 You'll see one of the lifts in the far corner on
11 this room. The doors will be French doors. That's to
12 facilitate moving people in and out of the development.

13 This is a staff bathroom.

14 This is a resident bathroom for the residents,
15 for staff to bathe them.

16 A sense of what the closet space is and the
17 grounds.

18 The facility is being very well received by the
19 neighbors, although there is some NIMBY in San Jose when
20 people realized that the facility was going to be placed
21 into San Jose.

22 As I've mentioned, construction is picking up.
23 This had been one of the significant lagging indicators
24 and the Bay Area Housing Plan construction has been late,
25 basically because of the scattered site nature of the

1 developments and Hallmark working with so many small
2 contractors who are willing to bid on these individual
3 scattered site homes.

4 To overcome that, Hallmark has hired several
5 monitors who have the ability to jump in and do work in
6 case the contractors don't come. They're there every day
7 counting noses, making sure that work is being done on
8 schedule. And Hallmark has a goal of finishing the first
9 20 of the first 21 homes that are in construction by the
10 end of the year.

11 They have also purchased all of the other homes,
12 all 61 homes, and every single one of those homes is
13 currently in permitting. We are optimistic that they
14 will make their deadline, the legislative deadline, to
15 close Agnews mid-2008, which would require the completion
16 of all the homes.

17 CHAIRMAN COURSON: Questions of Kathy on the Bay
18 Area project? I mean, the pictures of the units are just
19 very impressive.

20 Ms. Javits.

21 MS. JAVITS: Approximately how many people will
22 be housed eventually in all these homes?

23 MS. WEREMIUK: Somewhere around 300, 300 to 340,
24 depending on how many people -- I think it's -- I haven't
25 taken the most recent count. I think it's about 340.

1 The homes will hold either three, four or five residents,
2 depending on the types of facilities, and 20 of the homes
3 will have live-in caretakers, which will be a caretaker
4 family. That would add to the number of people housed.
5 We haven't counted those in our count.

6 CHAIRMAN COURSON: Mr. Mandell.

7 MR. MANDELL: Is there a target proximity to
8 Agnews for these new facilities?

9 MS. WEREMIUK: The facilities are in nine
10 counties, and the target really is to place them near the
11 families of the residents who are being moved out of
12 Agnews, but close enough to proper medical facilities so
13 that people can be -- their medical needs can be
14 adequately addressed. And so they have been very
15 scattered throughout the Bay Area.

16 MR. MANDELL: So these particular clients would
17 be long-term clients?

18 MS. WEREMIUK: They are long-term. There's --
19 there are three different types of homes. People are
20 either very medically fragile and they're in a nursing --
21 in a facility that has 24-hour nursing, but they're not
22 needing acute care in the nursing facilities. There is a
23 type of home that has 24-hour care for people that have
24 behavioral issues, and then a duplex situation for the
25 people who have the most independence of movement where

1 they can -- they need 24-hour staffing, but the staffing
2 doesn't need to be live-in.

3 MR. MANDELL: And if a resident who's planned to
4 use or occupy one of these slots were no longer to be
5 available to take that slot, what would be the plan then
6 to utilize the --

7 MS. WEREMIUK: The housing would be occupied by
8 another resident with similar needs. And the residents
9 in the Bay Area that have similar disabilities is much
10 higher than the 300-and-some units that are being
11 developed.

12 Over the last 20 years, people have been placed
13 in Agnews. They have been diminishing the number of
14 people who have been placed in Agnews and instead trying
15 to place people in community facilities. There are a
16 large number of people who are in board and cares who
17 should be in facilities like this. And if people from
18 Agnews did not move in or someone died or the unit wasn't
19 required for transition from Agnews, there would be
20 another person who would have similar disabilities who
21 would live there.

22 MS. PARKER: Elliott, these are all people who
23 are served under the regional center system of Department
24 of Mental Health Services. I think it's interesting to
25 note that several years ago, I think, the Department was

1 seeing a decline in the population of these types of
2 individuals, but now it's back on an upswing of seeing
3 these individuals needing to be served through the
4 regional centers, and obviously the impact on its budget
5 as it goes forward to the State.

6 So to the extent that we have these facilities,
7 this allows the State to claim federal financial
8 participation for these people that otherwise would have
9 been served at a hundred percent General Fund money
10 through the regional center support.

11 MR. MANDELL: I appreciate that. I think it's a
12 wonderful program. I was interested more in the
13 proximity issue relative to as, at least in my view, if
14 you have got proximity to Agnews you're clearly serving a
15 group of people. If you're pushing it out into other
16 parts of the community and the rest of the state, then
17 the question I wanted to get some answers for, and in
18 fact I think I got it, was what would happen should a
19 vacancy occur and then where would you make sure you have
20 that revenue flow coming from.

21 MS. WEREMIUK: They're -- the Agnews facilities
22 serve nine counties and three different regional centers,
23 so I think there are over 200,000 people being served by
24 those three different regional centers. So there's --
25 they -- the housing at this point is scattered, but it

1 was more scattered based on the -- where the -- which
2 regional center was currently serving the residents who
3 were in Agnews. More of the residents were served by
4 Santa Clara and -- in the Santa Clara County and
5 therefore more of the housing is concentrated there.

6 MR. MANDELL: And just to further clarify, a lot
7 of the budget discussion that I've heard over the last
8 year or two incorporated the discussion of how staff who
9 are currently at Agnews, not the clients but the staff,
10 would be used to assist. And so again, the proximity
11 issue would be difficult, I would think, to have that
12 same staff deal with a geographically diverse set of
13 facilities. But, again, I think that probably regional
14 centers would pick up that service requirement.

15 MS. WEREMIUK: They've picked that up, and there
16 was a special statute passed to allow the staff to
17 continue -- to transition over with the residents so
18 there will be a continuity of people serving the Agnews
19 residents.

20 CHAIRMAN COURSON: Ms. Javits.

21 MS. WEREMIUK: The only other thing I'd mention
22 is that we're currently -- and Bruce will probably talk
23 about that more. We're currently still working on the
24 bond issues. We've been in contact with the rating
25 agencies. We're answering questions that they have on

1 the specific financing proposal that we've brought to
2 them.

3 CHAIRMAN COURSON: Ms. Javits.

4 MS. JAVITS: I was -- just wanted to ask about
5 the ongoing maintenance of the buildings. And you have
6 service providers, some of which are nonprofits and some
7 of which are for profit, maybe individuals, I can't tell.
8 And then what's their relationship to the Hallmark Group,
9 and is Hallmark going to continue to maintain the
10 buildings?

11 MS. WEREMIUK: No. The service providers are
12 chosen by the regional centers, and they actually lease
13 the facilities. They have a lease that's longer than the
14 term of our financing. The Hallmark Community Services
15 is a master builder. They're exiting as the loans are
16 sold. They're being sold to three different nonprofits
17 that are based in the communities and the catchment areas
18 of the three different regional centers. Those
19 nonprofits will be responsible for long-term maintenance.
20 Short-term maintenance is included in the lease, and the
21 regional centers pay for that maintenance through the
22 lease to the service providers.

23 The service providers can be fired at will by the
24 regional centers if they don't perform. It's one of the
25 goals of the regional centers in this housing type is to

1 have housing that they control and don't lose if they
2 want to terminate their relationship with the service
3 providers. They're both for profit and nonprofit. That
4 will impact our bonds. We're going to be doing both
5 for-profit tax exempt and nontax exempt bonds.

6 The majority of the service providers who were
7 working with the regional centers were small for profits.
8 And they have been expanding to include nonprofits in the
9 Bay Area program, but they didn't have enough nonprofit
10 service providers to staff all the homes, nor did they
11 want to. They didn't want to exclude some of their
12 better service providers who were for profits. And so
13 the financing was structured to really accommodate what
14 would be best practices for the regional centers in
15 choosing the very best service providers.

16 However, once they go with a nonprofit service
17 provider, because of the bond structure, they need to
18 maintain that for the 15-year term of the Agency
19 financing.

20 CHAIRMAN COURSON: Mr. Morris.

21 MR. MORRIS: I was just curious if you could
22 maybe update us on where we stand on our goal for the Bay
23 Area Housing Plan, No. 1, and, No. 2, given the softness
24 in the market in that area, if you've revised kind of
25 what you think you can do going forward.

1 MS. WEREMIUK: At this point all of the homes
2 have been purchased by Hallmark, and we've made
3 commitments on 42 of the 61 homes that have been
4 purchased. Some of them we have gone back and done a
5 second appraisal. On all of the ones that we -- the
6 loans we've purchased, we have done a second appraisal,
7 and we've also gone back and reappraised some of the
8 properties that are coming up to us for commitment that
9 were purchased earlier.

10 What we've found is that the values in the Bay
11 Area have been holding. In some instances, we've seen
12 appraisals at exactly the same dollar amount. In some
13 instances we've see 10,000 -- up to a \$10,000 increase
14 per home. The areas that the regional centers have
15 chosen to place the homes in need to be very secure for
16 the residents, and therefore they're areas that have
17 really held their value. And we've checked that. You
18 know, we check and go back and check that all of the
19 time.

20 CHAIRMAN COURSON: Other questions on the Bay
21 Area Housing Plan?

22 Seeing none, let's move right in then to the
23 Mental Health Services Housing Program.

24 --oOo--

25 **Item 6. Update on Mental Health Services Act Housing**

1 **Program**

2 MS. WEREMIUK: This be a very short report. We
3 are not yet receiving applications for the Mental Health
4 Services Act funding although the application went out
5 August 6th. The reason for that is that the counties
6 need to submit the application and they have not yet
7 signed their contracts with the Department of Mental
8 Health to transfer the money to the Agency. We
9 anticipate that that will happen before the end of the
10 year.

11 During this interim, we've been doing program
12 development as well as publicizing the program. We've
13 done six regional meetings around the state, both in
14 urban and rural areas, very well attended. The largest
15 attendance was 350 persons coming in L.A. But the
16 meetings -- we've also done five presentations at five of
17 the housing conferences in California on the program.

18 There is a great deal of interest. We're
19 starting to see folks send us their pro formas, and we
20 did one initial commitment on a construction loan that
21 included this funding. As we've been doing the
22 presentations, we've been working with the Department of
23 Mental Health to refine the program and eliminate some of
24 the issues that were barriers for either the counties or
25 the developers.

1 We're also meeting currently with HCD to make
2 sure that our program works well with the MHSA housing
3 program home and the urban -- the urban transit program.
4 Those meetings have gone very well. We anticipate having
5 a memorandum of agreement between the two agencies and a
6 staff training between the two agencies so that we are
7 all aware of what both agencies have agreed to. We've
8 been staffing up. We're working on developing financial
9 pro formas.

10 And we anticipate we'll see applications starting
11 somewhere in the beginning of the year. We won't be able
12 to make commitments till March because the other thing we
13 worked on, it feels to me nonstop, is with DMH working
14 with them on regulations. They're doing emergency
15 regulations that we think will be submitted to Agency the
16 end of this week. We don't anticipate that those will be
17 approved through the various entities in the state that
18 need to approve them until sometime in late February,
19 early March, and we would be making commitments after
20 that.

21 We also have a draft financing plan or investment
22 plan that Bruce's department has put together that we're
23 talking to the counties and the Department of Mental
24 Health about and we'll bringing back to you once we've
25 got that developed. But it's -- we really have been

1 doing program refinement and, you know, I'm hoping I'll
2 be able to talk about a program that's fully operational
3 in about four months.

4 CHAIRMAN COURSON: Questions on the Mental Health
5 Project?

6 Kathy, thank you.

7 --o0o--

8 **Item 7. Discussion, recommendation and possible action**
9 **regarding Multifamily Architectural Guidelines**

10 CHAIRMAN COURSON: The next item on our agenda, I
11 think we have a handout in front of you. Bob, welcome
12 Bob.

13 MR. DEANER: Thank you. As I promised, I came
14 back.

15 CHAIRMAN COURSON: You came back. He's back for
16 more. Is to talk about some action regarding the
17 Multifamily Architectural Guidelines, which is a
18 discussion we've had at several Board meetings here.

19 MR. DEANER: Okay. In my first 30 days, I was
20 fortunate enough to make the conference tour. I hit the
21 timing right, and I was able to meet with a number of our
22 past and present developers, and I, quite frankly, as
23 being the new director, asked them what are the issues
24 you see in front of us that we need to change. One of
25 the few were the architectural guidelines, as we had

1 discussed before.

2 What I'm proposing today is not changing the fact
3 that we don't need to do a review process, but having a
4 recommendation process such that we're not having
5 restrictive requirements for the particular projects.

6 It was the opinion of the developers that we met
7 that in today's market with HCD, with local agencies,
8 with redevelopment agencies, that there's a number of
9 requirements that are necessary for these projects to be
10 built, and our requirements on top of that could add
11 costs, could not add costs, in cases were good for the
12 project, in other cases may not have been good for the
13 project, but in the long run it was preventing us from
14 doing additional deals.

15 And for that to go to the question of
16 diversifying the portfolio, this recommendation would, I
17 think, open up the door to additional borrowers that
18 would like to come back to CalHFA and do business with
19 CalHFA because we'll have recommendations versus
20 requirements under our architectural guidelines.

21 What -- basically under this new page, I know we
22 passed out a booklet that encompassed quite a few things.
23 It had earthquake. It had architectural guidelines. It
24 had pictures. It had a lot of wonderful stuff in it, but
25 it was still 42 pages. And so the feedback I got from

1 the various developers that I met with was it's great
2 you've got new guidelines, but you have a waiver system.
3 We still need to get a waiver, which is a requirement,
4 and it's quite a bit of information that we have to go
5 through that we feel that we're already doing.

6 So what I've created is what's going to be a
7 flyer within just our handouts, which is two pages, they
8 are double sided, which is just what we would like to see
9 on the projects going forward from a design and material
10 standpoint. And what I put at the very top to take the
11 perception out of the market, because the other
12 perception was, is that our process is we would look at
13 it, changes, look at it, changes, is that we get it in 15
14 business days, we turn around, make our recommendations.

15 They're not required. They're things we'd like
16 to see. After that point we can, you know, talk to folks
17 if there's things that we don't like that we'd like them
18 to do, we make decisions as a lender and then move
19 forward and we're done. That would take the part of the
20 ongoing process out of it.

21 In addition to this, we've also got the 3015
22 program now, so our yield maintenance prepay is now 15
23 years. It used to be 30 years. That was one of the
24 reasons we did a lot of the requirements that we used to
25 have is we were sitting with these for 30 years and the

1 perception was, is we were the long-time holder. Now
2 that we've changed that program, the perception is that
3 after 15 years they can prepay after the tax credit
4 period. So a lot of these recommendations are things
5 that are standard. You'll find them on TECAC or local
6 requirements, nothing out of the ordinary that I don't
7 think a developer would do.

8 MS. PARKER: Mr. Chairman, maybe just as a
9 comment. I think I had told you all that when we had
10 been in the process of looking for a new Director of
11 Multifamily that one of the major issues, and you had all
12 expressed this to me, the concerns about were the various
13 prohibitions for us to be doing business, and
14 architectural guidelines has been something that has been
15 discussed by this Board for certainly the years that I
16 have been here.

17 I asked Bob to take a look at this as one of the
18 very first things, and he would have anyway, because it
19 continues to come before us. It comes before us in
20 issues in MHSA. It comes before us in issues of any sort
21 of potential portfolio project.

22 The reason why we wanted to bring this to you
23 today in particular, and it's up to the Board if they
24 wanted to take action on it or not, is that we have had
25 these guidelines in the past, and it hasn't been clear

1 from that standpoint whether or not the Board had
2 ownership of them. And in that sense, we thought it was
3 important to bring these so that if there is a concern on
4 the part of the Board, that we are addressing it, and in
5 that sense that we as staff can walk away and feel that
6 what we are reflecting now is a reflection of the
7 philosophy and operating standards that the Board wants
8 us to be applying.

9 Particularily because you are the credit committee
10 on these projects, we thought that we would essentially
11 bring it to you to essentially, you know, to -- to have
12 you concur, take action, whatever, but from that
13 standpoint we do want to be out there reflecting that the
14 Board is supportive of what we're doing. Thank you.

15 CHAIRMAN COURSON: Mr. Davi.

16 MR. DAVI: Mr. Chairman, for clarification, the
17 42-page document that was referred to and we saw last
18 time, what's the status? When we have put that in place,
19 did the Board ratify it similarly or no?

20 CHAIRMAN COURSON: No. We didn't take any action
21 on it. It was just given to us for information.

22 MR. DAVI: It's my understanding that that
23 document has now gone by the way of the buffalo?

24 MR. DEANER: That is correct.

25 MR. DAVI: Good work. I'm very pleased to see

1 this. If I can just comment, I'll tell you, it doesn't
2 mean that there aren't things in those 42 pages that are
3 important and that may be brought out on a specific
4 application for the project. But when you tell somebody
5 who's contemplating coming to CalHFA for financing to
6 read through that and decide if you want to apply for a
7 loan, I think it sends a terrible message out there to
8 basically the people that want to apply.

9 If a project comes in and you find concerns about
10 it, you may raise issues from this sheet, you may raise
11 issues that you see from seeing the project and say we
12 require the following, but that is not going to scare
13 away potential business. So I applaud the efforts,
14 what's in front of us, and I hope we can adopt it or at
15 least tell them we support it.

16 CHAIRMAN COURSON: Other comments?

17 Ms. Javits.

18 MS. JAVITS: I just wanted to ask so if they
19 choose not to incorporate the suggestions that CalHFA
20 makes, are we not going to provide a loan or what's the
21 standing?

22 MR. DEANER: Not necessarily. It would be --
23 we'd have a look at it and see if it's a material issue.
24 If we decide that somebody wants to do, say, T111 siding
25 and that's really something we don't like, we don't want

1 to do from a long-term perspective, then we could pass on
2 the deal. There's plenty of, you know, financing options
3 out for borrowers these days. I don't want to turn deals
4 down, but at the same time we've got to make sure we have
5 projects that are going to stand at least for 30 years.

6 MS. JAVITS: Have you tested this with some of
7 the major developers that told you they were unlikely
8 to come to CalHFA --

9 MR. DEANER: Well, the original -- this is from
10 the original guidelines that we put together in the
11 42-page document, which was tested, and we just scaled it
12 down. So in a sense, yes, it has been tested. This
13 particular document has not gone out, because, again,
14 it's going to be recommendations and not requirements.
15 So therefore, you're going to have these in here that a
16 lot of developers are going to do and at their option.
17 If we decide not to, they'll just tell us they don't want
18 to do it, and we have to make the decision.

19 MS. JAVITS: Yeah. I guess from a Board
20 perspective, it seems to me this is the recommendation of
21 the staff, but the jury is out as to whether or not this
22 is going to increase business for CalHFA or address the
23 questions that have been raised about architectural
24 guidelines. And I would like to hear that back, you
25 know, in six months or whatever is appropriate.

1 MR. DEANER: Oh, sure. We can follow up on that.

2 MS. JAVITS: Has this changed the number of
3 groups that will come to us?

4 MR. DEANER: Well, yeah, I did meet with a couple
5 of the developers before I came to this meeting and
6 talked to them. I didn't give them the document because
7 obviously we're bringing it to the Board, but I did say
8 we were making changes, and the indication was that it
9 would be well received from the developers.

10 MS. JAVITS: Thank you.

11 CHAIRMAN COURSON: Mr. Czuker.

12 MR. CZUKER: Just as a follow-up, the reputation
13 of CalHFA and the requirements of the architectural
14 review process have been already so well-known that the
15 fact that we've taken positive steps to simplify it and
16 to not duplicate what cities and counties are doing
17 independently with their own design guidelines and
18 specification guidelines and similarly to some degree the
19 lenders are doing with their own specification and
20 guidelines, it will take some time to undo what is a
21 stereotype or a stigma that already exists in the
22 marketplace.

23 So we applaud, I think, as a group the effort and
24 the direction. How do you get the word out there to
25 start creating new business opportunities when there's a

1 preconceived notion and a preconceived reputation that
2 has to be overcome.

3 CHAIRMAN COURSON: Mr. Carey.

4 MR. CAREY: I haven't gone through every single
5 line. It looks great. It's practical, common sense.
6 And there are a few phone calls I can now take without
7 dreading.

8 MS. PARKER: Mr. Czucker, to answer your question,
9 certainly one of the discussions that we've had about
10 having -- hiring now a Director of Multifamily is to have
11 Bob going out and meeting with essentially our
12 stakeholder groups. He's already been to a number of the
13 fall conferences that usually occur at this time of the
14 year and been out talking to the stakeholder groups that
15 we have and who have, as we've said, in the past held off
16 really doing much business with us in the last 20 months
17 to see who and what our policies would be.

18 In addition, we've got our crackerjack Director
19 of Marketing all cranked up to be doing as much education
20 as we possibly can of our stakeholder groups of the
21 changes, Bob arriving, these changes and other things as
22 they progress and we're bringing them to items -- as
23 items to the Board.

24 MR. DEANER: I have a plan to meet every
25 developer we've done business with and a plan to go out

1 and meet new developers. This is one change of about a
2 half a dozen that I'm currently working on, and I have
3 got -- I've retooled our current meetings, where one week
4 I do a staff meeting, the next meeting I do just the loan
5 production meeting with our loan officers, and what I'm
6 doing there is meeting with them individually, we're
7 going through deals that we're currently working on, and
8 I want to talk to all their clients and existing clients
9 that we can talk to based on this change and other
10 changes that I'm making to get out and get the perception
11 out in the market. It is going to take some time. It's
12 going to be a deal by deal, but over a period of time
13 once we get them in and we execute, then the volume will
14 increase.

15 CHAIRMAN COURSON: Any -- seems like, I think,
16 obviously there's pretty notable support from the Board,
17 if the Board -- I think that's on the record. If we
18 would like, I suppose we could make a motion that we
19 really support the recommendations put forth in this
20 document or let the record stand as our support.

21 MR. DAVI: If I could just speak to that, I'd
22 rather not approve this document. I think we're all in
23 support of it. I think he needs the flexibility to --
24 there may be some changes or some modifications,
25 obviously, anything substantive, you'll let us know. But

1 I do think it's a step in the right direction and I'm
2 pleased.

3 CHAIRMAN COURSON: Okay. Bob, I think you've
4 clearly got it. We certainly appreciate your fast start
5 and the fact that you've taken the initiative as
6 aggressively and as quickly as you have at something
7 that's been obviously on our plate for a long time.

8 Mr. Shine.

9 MR. SHINE: Thanks for this. I know that in all
10 of the meetings you're going to have, particularly the
11 few GCs that you run into really know it, and run this by
12 them, to the extent there is anything that needs to be
13 modified or changed, if any, and I don't know that there
14 is, the best source is the people doing the work.

15 DIRECTOR SLATON: Absolutely.

16 CHAIRMAN COURSON: Mr. Pavao.

17 MR. PAVAO: I also want to applaud the effort,
18 but I also want to just make sure I'm understanding what
19 I'm looking at. On page 3, are those listed items --
20 they're defined as minimum level of quality, but is it
21 still -- is that recommended or basically these are kind
22 of threshold requirements?

23 MR. DEANER: Well, yes, they're threshold
24 requirements. We -- again, if they were to come in less
25 than this, then that could become an issue for us and

1 we'd have to sit down with the developer and discuss it.

2 MR. PAVAO: Okay. Thanks.

3 CHAIRMAN COURSON: Ms. Roberts.

4 MS. ROBERTS: Thank you.

5 I have one additional question, I guess. On the
6 minimum standards, I'm glad to see things like
7 water-saving landscape design being recommended. What
8 I'm looking for here is some consideration of energy
9 conservation, water conservation. It's very clear on the
10 landscape side. I was wondering if there were
11 other items --

12 MR. DEANER: I think there --

13 MS. ROBERTS: I just wanted to know if there was
14 consideration being giving to energy conservation and
15 water conservation in the design of the buildings.

16 MR. DEANER: Yes. In another section under --
17 where we talk about appliances, we talk about having
18 Energy Star appliances, and so, yes.

19 CHAIRMAN COURSON: Mr. Pavao.

20 MR. PAVAO: Well, okay. So on the Energy Star
21 appliances, is that a recommended standard or basically,
22 look, we're requiring Energy Star appliances?

23 MR. DEANER: Under this document, it would be
24 recommended.

25 MR. PAVAO: Again, the other thing I'm noting is

1 that TECAC has very few, but we do have some minimum
2 standards. So for example, we require Energy Star
3 appliances, and so we probably ought to just --

4 MR. DEANER: Well, in that case -- I mean, in
5 that case, if there were tax credits being applied like a
6 previous deal or 501(c)(3)s didn't have tax credits in
7 deals that we would be doing with TECAC, yes, and it
8 would be. It would be required under them to apply for
9 the tax credits so we would get there.

10 MR. PAVAO: Okay. Maybe we'll shoot you a
11 note --

12 MR. DEANER: We should --

13 MR. PAVAO: -- just sharing what it is. We do
14 have a few kind of minimum requirements --

15 MR. DEANER: Okay.

16 MR. PAVAO: -- and just make sure they're
17 tracking.

18 MR. DEANER: Okay.

19 CHAIRMAN COURSON: Ms. Javits.

20 MS. JAVITS: Just in the spirit of that, I mean
21 part of marketing could conceivably be a document that
22 allows people to see where these align with specific
23 other requirements so that you can simplify it for the
24 borrower.

25 MR. DEANER: Yeah, I think we could do that with

1 TECAC. But some of the other locals or redevelopment
2 agencies, that might be a little difficult, but with at
3 least this, yes, we could do that.

4 CHAIRMAN COURSON: Other comments from the Board?

5 Bob, I think you certainly have the support to
6 move forward with your initiative and --

7 MR. DEANER: Thank you.

8 CHAIRMAN COURSON: -- we appreciate you -- your
9 effort.

10 MR. DEANER: Thank you. Thank the Board.

11 CHAIRMAN COURSON: I'll bow to the wishes of the
12 Board. We can take a short five-minute break or we can
13 just break on an individual basis as need may be and plow
14 through the agenda. What is your pleasure?

15 Mr. Shine is calling for a five-minute break, so
16 we'll take five minutes.

17 (Recess taken.)

18 --oOo--

19 **Item 11. Report of the Chairman of the Audit**

20 **Committee**

21 CHAIRMAN COURSON: If we could have the rest of
22 the Board reassemble. Okay. The Board is slowly
23 reassembling.

24 We're going to have an agenda change, and we're
25 moving item No. 11, which is the Audit Committee report,

1 up. I know we have a couple members -- let me just for
2 the record note it appears that Mr. Morris has left the
3 meeting for good. And so I believe with his early
4 departure, we still have a quorum; would that be correct?

5 MS. OJIMA: That is correct.

6 CHAIRMAN COURSON: Okay. So with Mr. Morris'
7 absence, we still have a quorum to conduct our business.

8 Having said that, let's move to the report. The
9 Audit Committee met this morning at 9:00 o'clock, and I
10 think Mr. Shine has a report for us.

11 MR. SHINE: Thank you, Mr. Chairman.

12 The Audit Committee did meet this morning, a very
13 informative meeting, and dealt with, first of all, the
14 issue of our auditor's audit of the Prop 46 portion of
15 the California Housing -- Housing and Community
16 Development budget as it related to our participation in
17 Prop 46 and also the Housing Finance Fund and they found
18 no problems, gave us a clean bill of health and what I
19 thought was a good report.

20 We then spent the rest of our meeting discussing
21 issues that were raised by the Manat Phelps report, that
22 we hired to look into the whole issue of compensation,
23 contract letter and other issues, and came to the
24 conclusion on certain items and are working on others so
25 that we will at the next Board meeting present this Board

1 with a complete set of recommendations from the Audit
2 Committee on the way we think in our opinion as to how we
3 can improve the protocol methodology used in handling
4 compensation, contracting and so forth.

5 And that's my report, Mr. Chairman.

6 CHAIRMAN COURSON: Mr. Chairman, I think you also
7 have a motion or a recommendation.

8 MR. SHINE: Excuse me. And it's not on the
9 agenda. It came to us at the last minute.

10 We were also presented a letter from the
11 Department of Personnel Administration and a letter to
12 our chairman from a number of the members of the staff
13 here dealing with the compensation issue and the
14 relationship between that and the vesting of the
15 retirement programs with CalPERS.

16 It seems as though that as compensation has
17 changed in any 12-month period, once that has passed,
18 that the person getting that pay rate is vested. So it
19 takes 12 months at a new salary to be vested at that new
20 level.

21 The Department of Personnel wrote a letter to the
22 Governor's Office suggesting the new salaries that were
23 established by us in the process through which we've been
24 going be changed so that the 12-month period became a
25 three-year vesting period of time. And that impacts a

1 number of our exempt employees here and staff. And
2 the -- nonetheless, the staff has said, yes, they will go
3 along with that and will agree to that vesting, which is
4 a three-year rather than a one-year period, if I've got
5 this straight, except the executive director, which will
6 be two years. And that period, however, will start
7 retroactively back to January of 2007.

8 The Audit Committee reviewed the letter and had a
9 discussion about it and voted to recommend to this Board
10 that this Board approve the letter and the concept behind
11 it. And therefore I'm submitting it you for your vote.
12 I believe each one of you has the letter. And am I
13 correct?

14 If there's any questions, I'll be happy to answer
15 them, although I see Terri sitting there. I'm sure she
16 knows more about it than I do.

17 CHAIRMAN COURSON: Let me, if I may,
18 Mr. Chairman, which I -- we did at the Audit Committee.

19 Many of you are aware obviously we considered our
20 salaries in January and took that action, and then
21 subsequently also in March Terri recommended that the
22 Board approve her recommendation that the salary that had
23 been approved for her in January be reduced by \$25,000.
24 Those of us who were here will remember that.

25 Around that time but after we had taken our

1 action, there were, as many know, several groups of
2 employees in state government that got what DPA calls a
3 substantial -- significant salary increases. And along
4 with that, the Department of Personnel Administration for
5 those individuals recommended that for pension purposes
6 that the -- I'm going to use the word PERSable -- they
7 become PERSable over a three-year period rather than over
8 the current one-year period. And that has been the case
9 for those other folks. Our action had been taken.

10 So based upon a conversation and communication I
11 had actually just at the end of last week, again, with
12 the Governor's Office, they asked and we had asked that
13 if our -- those seven individuals who we had taken action
14 on over the year would agree to be PERSable over the
15 longer period of time.

16 And Terri just met with those six individuals,
17 and you can see in the letter we want to have a comfort
18 level. Obviously we can't go in -- as counsel told us a
19 couple meetings ago -- you can't go in and undo something
20 that's done. So they need to really voluntarily, to
21 their credit, step up and agree to this.

22 The one only change is that -- from the
23 Governor's Office was that Terri would be PERSable at two
24 years, based on the fact she had already given up, if you
25 would -- the Board had reduced her salary by \$25,000

1 starting from a different base for a two-year period, as
2 opposed to the longer three years.

3 So what they have asked and what I have
4 recommended and the Audit Committee has approved and is
5 recommending is that the Board agree to and accept the
6 contents of this letter dated November 14th, signed by
7 our senior staff we met with to put us back into sync.

8 MS. PARKER: Mr. Chairman, if I could just add
9 one comment. Part of the reason for essentially doing
10 this and documenting this as a letter and bringing it to
11 your attention is -- I want to add because I think that
12 we've all gone through an entire year of a very long and
13 lengthy process. And we appreciate from the staff's
14 standpoint support of this Board and certainly support
15 all of its efforts in trying to make the salary-setting
16 process as transparent as possible, with the idea of
17 being able to recruit and retain this quality of staff
18 that the Board has come to expect.

19 I want to just, as part of this letter, not only
20 tell you that obviously all of the signatories have
21 essentially agreed because they believe that as
22 colleagues of one another what happens to one should be
23 applicable to all.

24 I also want to give you the comfort because there
25 have been discussions over the last year about whether or

1 not other state entities like the Department of Personnel
2 Administration have been included in these discussions or
3 whether they have been excluded and in that sense are not
4 part of, you know, this information.

5 This recommendation has been vetted by the
6 Department of Personnel Administration. They are
7 agreeing to it. So you can have the assurance that it is
8 not something that the staff have just unilaterally done
9 and would not be accepted generally by those other people
10 within the State that essentially view and look at the
11 actions of the Agency and how we essentially determine
12 and set all compensation.

13 CHAIRMAN COURSON: Any questions on this?

14 Mr. Pavao.

15 MR. PAVAO: I just -- is this everybody, the list
16 of signatories?

17 CHAIRMAN COURSON: Yes.

18 MR. PAVAO: That's pretty much everybody?

19 CHAIRMAN COURSON: Yes.

20 MS. PARKER: Let me just for the record clarify.

21 The discussion around the implementation of the
22 significant salary increases has been for incumbent
23 individuals. So I take into consideration the Board has
24 the authority to set salaries for ten positions.

25 In January, the Board set salaries for nine of

1 those positions. They did not set the salary for the
2 Director of Legislation. That salary was already
3 approved by the Department of Personnel Administration.
4 So although it was incumbent, it was not set by the Board
5 and was not considered a significant salary increase.
6 The other individual is the Director of Multifamily that
7 had just been hired, obviously not an incumbent.

8 So everyone else that was, even those people who
9 were on contracts that then got hired, by the -- within
10 nine days, we had included them for the purposes of this
11 as incumbents.

12 CHAIRMAN COURSON: Other questions?

13 I think then a motion would be in order.

14 I'm sorry, Mr. Czucker.

15 MR. CZUKER: Since the CalHFA is its own profit
16 center and is totally self-contained, it generates its
17 own income and pays its own expenses, to what degree does
18 the Department of Personnel Administration have the
19 jurisdiction, other than recommendations, to try to keep
20 us in parallel step with other agencies? We are off
21 budget, and we are certainly not a taxpayer expense,
22 where most other departments of government are on the
23 taxpayer's expense. And so to what degree do we need to
24 be following these recommendations to begin with?

25 And I certainly want to applaud the proactive and

1 volunteer sharing of the pain that all seven have stepped
2 forward and signed a letter and basically said they will
3 follow the guidelines and adhere to the recommendations.
4 But shouldn't we also acknowledge the fact that maybe we
5 should not lose sight of the fact and make sure somehow
6 at some point that the CalHFA doesn't lose that autonomy?

7 MS. PARKER: Mr. Czucker, let me just say, I
8 actually think this is a very positive point in time for
9 the Board. The Department of Personnel Administration,
10 for the salary increases that were given to some sister
11 state agencies, department directors, other colleagues,
12 has in statute the authority to essentially determine of
13 that salary how it should be phased in for pension
14 consideration.

15 They do not have that authority for CalHFA. The
16 Board does. And they recognize that by in this sense
17 sending a letter asking or putting it out as a
18 recommendation, not taking the action unilaterally that
19 it has been done for agency secretaries and department
20 directors.

21 It's also a situation by the way we drafted this
22 letter recognizing that it is the vested right for
23 certainly all of those individuals that had their pay
24 letters signed early in the spring that they are now
25 giving up something that, frankly, given that it's

1 November, they have vested.

2 So I think by this action of the Board today, it
3 essentially documents that the Board through SB257 has
4 the authority for salary and compensation and in that
5 sense can choose, along with the employees who are
6 volunteering, to accept this recommendation in the spirit
7 that we believe at the end of the day, that phasing this
8 in, because it is a retention aspect, is a positive thing
9 for the Board to do.

10 CHAIRMAN COURSON: Mr. Carey.

11 MR. CZUKER: Thank you.

12 MR. CAREY: I just have to say that I think it's
13 actually a good policy, and I'm extremely appreciative of
14 the senior staff who have taken that step because I do
15 recognize that it represents some sacrifice on their
16 part.

17 But it also, I think, may move us one step
18 further towards getting on with the business of housing
19 finance and putting some of this behind us, which I think
20 is where 90 percent of us want to be.

21 MS. PARKER: I would just make one caveat because
22 I think -- I will say this and I will do this on the
23 record because as I -- one consideration for my staff who
24 have essentially done this, this action on your part is
25 with respect to the salary increases that were done

1 around the compensation survey. It would not impact any
2 salary increases that this Board does in the future.

3 The Board at that time would be free to make a
4 decision about how that will be treated. So it does not
5 set a precedent. It does not set a policy. It only
6 deals with this unique situation.

7 MR. CZUKER: I would move to accept the CalHFA
8 letter signed by all seven of the affected executives and
9 adopt it as written to amend our policy.

10 CHAIRMAN COURSON: Okay. That's the motion. Is
11 there a second?

12 MR. PAVAO: Second.

13 CHAIRMAN COURSON: Mr. Pavao.

14 Is there any additional conversation or
15 discussion?

16 Anything from the public?

17 Seeing none, let's call the roll.

18 MS. OJIMA: Thank you.

19 Mr. Davi.

20 MR. DAVI: Yes.

21 MS. OJIMA: Mr. Carey.

22 MR. CAREY: Yes.

23 MS. OJIMA: Mr. Czucker.

24 MR. CZUKER: Yes.

25 MS. OJIMA: Mr. Mandell.

1 MR. MANDELL: Yes.

2 MS. OJIMA: Ms. Javits.

3 MS. JAVITS: Yes.

4 MS. OJIMA: Mr. Pavao.

5 MR. PAVAO: Yes.

6 MS. OJIMA: Mr. Morris.

7 (No response.)

8 MS. OJIMA: Mr. Shine.

9 MR. SHINE: Yes.

10 MS. OJIMA: Mr. Courson.

11 CHAIRMAN COURSON: Yes.

12 MS. OJIMA: The recommendation has passed.

13 MS. PARKER: Thank you very much.

14 CHAIRMAN COURSON: Thank you. I agree with
15 Mr. -- I want to support Mr. Carey's comments that
16 hopefully this will allow us to get back to the business
17 of the Agency and this topic, which has been on our
18 agenda for almost a year now, can rest itself.

19 --o0o--

20 **Item 8. Report on capital markets and possible effects**
21 **on bond insurers and swap counterparties**

22 CHAIRMAN COURSON: We're going to move forward.
23 I believe our Executive Director is going to, as we had
24 discussed, give us an introduction to items 8 and 9 on
25 our agenda. Terri, as our items 8 and 9 on the agenda

1 are going to give us a sense of -- Terri and I were at
2 some meetings in Washington, she's had some time with her
3 colleagues, and I think that the Board would like a sense
4 of where this marketplace is in terms of subprime and
5 service portfolios and what our fellow HFA's are doing
6 and how it may or may not affect us at CalHFA.

7 MS. PARKER: Mr. Chairman, I am going to swing
8 around this way because I have better line of sight to
9 you all.

10 As I said in my opening remarks this morning, I
11 think what we wanted to do is give you a little bit of an
12 overview of what we have found out about how the issue of
13 subprime is rolling through the state and the nation and
14 that you have that as a perspective before the following
15 reports that will be done by Bruce, Homeownership and
16 Mortgage Insurance on our own specific portfolio and
17 resources.

18 John and I attended a -- what we refer to as a
19 fly-in last week put together by the National Council of
20 State Housing Finance Agencies. Many of the executive
21 directors had asked to have this gathering because the
22 HFA's really have been kind of a focal point in most
23 states, either through governors' task forces or their
24 own work to look at trying to be involved in the impact
25 within their states of large foreclosures and/or

1 financial impacts on real estate from a community
2 development standpoint.

3 We thought it would be worthwhile for us to meet
4 as a group so that we could have the specific
5 information. There are a number of states, and I will
6 list them in a moment, that have put together what are
7 referred to as refinance or rescue programs. There are
8 other states that, frankly, have taken approaches to the
9 issue of subprime by trying to do more -- more consumer
10 education, more reaching out and doing regulatory aspects
11 on lenders and brokers.

12 And then there are, frankly, states that are
13 sitting back and trying to determine what they should do.
14 And then at the bottom, there are states that sat there
15 and essentially considered themselves extremely fortunate
16 that the subprime issue was not a problem for them in
17 their states.

18 We had probably over 20 states participate in
19 this meeting, and the states that have programs and spoke
20 about them are Massachusetts, Mass Housing; Ohio, that
21 was probably one of the first states to get out there to
22 try to do a rescue program; New York, Michigan,
23 Pennsylvania, Rhode Island; Connecticut did not attend,
24 but they have just announced that they are in the process
25 of putting together as a governor's task force a rescue

1 program; Colorado, Minnesota, and Maryland and Maine,
2 excuse me.

3 Again, with the exceptions of Maine, most of all
4 of these states have done something, even if it is just
5 to do a consumer protection or foreclosure prevention
6 type activity. Those states like Mass Housing, Ohio, New
7 York, Pennsylvania, that have developed -- and Colorado
8 that have developed lending kinds of programs, some
9 specifically at subprime, some at more general, are doing
10 so using taxable finance mechanisms. Because, as you are
11 all aware, our typical resource, tax-exempt financing,
12 cannot be used on anybody who is not a first-time
13 homebuyer.

14 But the part that was most interesting from this
15 discussion among colleagues was the disappointment about
16 the reality of really how unsuccessful any of these
17 rescue programs are being. Ohio started in April. They
18 had to -- they came out, and they then had to retool
19 because, frankly, there wasn't anybody who applied for
20 their program, given the credit terms and the cost of
21 funds.

22 Massachusetts had the same problem. It started a
23 program in the summer. They committed \$60 million of
24 their own resources to try to take a level of risk that
25 would not be covered by an additional first mortgage to

1 try to help individuals in their state. And when they
2 first went out, they hoped to be able to deal with as
3 much as 40 percent of those people who might be in
4 foreclosure. They now, because of what they have found
5 out, realize that they may be only able to help one in
6 ten. And as of today, they have not had one loan close.

7 One of the interesting things that people are
8 finding out, it is not just about the cost of funds. It
9 is how do you deal with the gaps caused by the
10 depreciation of the decline of value, the credit scoring,
11 how far along are these people in default, and if they
12 come to the loan officer or to a lender with very deep
13 into closure, really the ability to then at that point in
14 time even help them. But I do want to pass along -- it's
15 an interesting observation.

16 When Mass Housing first went out and developed
17 their program, and we were looking at the iterations and
18 keeping current about what all of our colleagues are
19 doing to see, for example, if there is something in
20 California that we would want to bring to you as
21 something that we think would be helpful in our state,
22 particularly acknowledging that all the data that we're
23 collecting pretty much indicates that California has 25
24 percent of all subprime loans in the country. Remember,
25 our population is somewhere around 11, 12 percent of the

1 nation, double the amount of subprime loans in our state.

2 But what Mass Housing tells us and when they
3 first put a program together, their idea was to really
4 help those people who had been victims of subprime, not
5 those people who essentially had gone in and gotten these
6 loans knowing the criteria for them, that there would be
7 these resets and what these resets could be calculated
8 on.

9 One of the reasons why Mass Housing says it has
10 not been very successful in utilizing its program is
11 because they have prohibited anybody from utilizing it
12 who knowingly was not a victim, knew what they were doing
13 essentially when they got this loan in the first place.
14 And because of that, they are now contemplating whether
15 they should essentially open this up and offer it to
16 people in Massachusetts who have subprime loans, got them
17 and knew full well what they were doing.

18 MR. PAVAO: How are they able to determine who
19 had their eyes open and who didn't?

20 MS. PARKER: Mass Housing, and I think it's fair
21 to say that all of the state agencies who are doing this
22 in some stage or other, have put together the use of
23 nonprofits. Mass Housing uses Neighborhood Works to
24 essentially set up counseling centers to be the face to
25 the applicant.

1 The applicants are coming through there, sitting
2 down and going through a list of criteria and questions.
3 And then based on that, some of them are -- you know,
4 real victims of fraud, are referred to the Attorney
5 General's Office. Others of them that they think that
6 they could serve are referred to a process to go in and
7 actually go through an underwriting for a loan. So it is
8 the specific questionnaires and questions of the
9 individuals that are providing them the basis for this
10 information.

11 So what I want to tell you is we are trying to
12 here in California, the Housing Finance Agency, to keep
13 on top. I want to also tell you there was a lot of
14 discussion about what's happening at the federal level.
15 There have been several bills introduced. Nothing has
16 occurred yet. They seem to be around common themes:
17 Increased counseling, regulatory -- regulatory and
18 licensing of lenders, and duty to negotiate in good faith
19 before foreclosure requirements.

20 There's also legislation introduced by Barney
21 Frank to do -- to look at the broader reforms in the
22 lending industry. And there's been obviously discussions
23 around FHA reforms.

24 Last but not least I just wanted to also point
25 out two things. One, that HUD has essentially jumped in

1 with the Treasury and the Department of Urban -- Housing
2 and Urban Development and homeowners and counseling
3 groups and mortgage bankers to form an alliance called
4 Hope Now. And part of what they are doing is a direct
5 mail campaign to encourage those buyers to have a credit
6 counselor that they can call to be moving forward before
7 essentially they are in a situation of foreclosure, even
8 perhaps before their rates reset.

9 The last entity I wanted to announce that was at
10 this meeting was Fannie Mae. There's been quite a bit of
11 discussion with Fannie Mae about how they might assist.
12 Certainly in some cases they are working directly with
13 HFA's. Connecticut -- excuse me, not Connecticut. I
14 don't know about Connecticut. They are working with New
15 York, they are working with Mass Housing, they have been
16 working with Ohio, to help them develop some of these
17 lending programs.

18 But we specifically asked them since all of these
19 loans bonds to date that have been sold have been
20 taxable, whether Fannie will assist this crisis of
21 subprime lending by working with HFA's around taxable
22 bond transactions.

23 The response that we got back from them, and I
24 wanted to quote this, is -- which I'll give you a quote
25 in a minute, that because of Fannie's own situation as

1 they have essentially now become current with their
2 books, their liquidity has been compressed. Obviously
3 there are caps on their liquidity, and there is very
4 substantial competition for their limited investments,
5 and those are really threefold: CMBS, subprime and
6 taxable financing.

7 And so with that, what their word to us was is
8 that liquidity will be at a price. So they have limited
9 amount of liquidity, and I think we have been put on
10 notice that there will be price associated with it.

11 With that, I'm happy to answer any questions.

12 CHAIRMAN COURSON: Mr. Czuker.

13 MR. CZUKER: I think that there could be a real
14 opportunity for the State of California and for CalHFA to
15 play a significant relief benefit to the general public
16 and the economy, but I think the approach that's been
17 described where you're waiting for an individual borrower
18 to come in to seek relief because there's been fraud or
19 because of whatever specific circumstance, that one-off
20 loan and that one-off borrower makes it very slow and
21 cumbersome to have any impact on the market.

22 I think some of the problems of other agencies,
23 which you've briefly went over, relate to the
24 readjustment of value, the appraised values having
25 dropped in many of these areas because of softness,

1 because of too much housing being built, because of perks
2 being provided to sell large volumes of homes that have
3 been built over the last five, ten years.

4 I think where I would direct and suggest we look
5 is on a portfolio basis where at a deep discount CalHFA
6 could purchase and relieve local financial institutions
7 who have been active in supplying these not necessarily
8 subprime, but right now it's throughout the entire single
9 family mortgage marketplace. And given our mandate to
10 help affordable housing and help lower-income people, we
11 can do that on a regional basis.

12 So, for example, we know demographically the
13 income levels and the price points that would qualify as
14 affordable housing as the likely buyers of the portfolio
15 of loans that were made in specific areas, as an example,
16 San Bernardino County or Central California or Riverside
17 County, where thousands of units have been built and sold
18 and many of them with subprime or creative financing to
19 help low-income people afford first-time homeownership.

20 If we can approach, as an example, almost as a
21 bailout to certain financial institutions that had been
22 sensitive as part of their affordable housing
23 requirements had made these specific types of loans and,
24 for example, Wells Fargo, Bank of America, Washington
25 Mutual, Countrywide, have all had an affordable housing

1 spin on a significant portion of their portfolio.

2 It may be possible, as an example, to come in
3 almost as a bailout and suggest that we'll pay pennies on
4 the dollar to buy those portfolios where, for example --
5 and I'm just making this up and shooting from the hip --
6 at a price point of 40 percent to 60 percent. They made
7 a loan of a hundred percent. We know the values and
8 appraisals have dropped substantially in some of those
9 markets. I'm guessing the average is somewhere between
10 10 and 25 percent market values have declined.

11 If we can purchase those portfolio of assets in
12 the 40, 50, 60 percent range, which therefore gives us a
13 significant loan to value readjustment because the hit
14 and the loss is being taken by the financial institution,
15 they are anxious to get these portfolios as well as other
16 portfolios off their books. They will be taking
17 write-downs. And so since they intend fully to take
18 these losses and write-downs, we, CalHFA, could target
19 the type of portfolios we want to acquire from those
20 institutions and negotiate a discount that is acceptable
21 based on our internal underwriting.

22 And as I say, if we can purchase something in the
23 40, 50 percent, 60 percent range and still have an equity
24 cushion on value, then we are now the primary lender to
25 these first-time homebuyers to these affordable housing

1 neighborhoods. And as opposed to going off on a one-off
2 loan basis and hoping that someone applies to refinance
3 with us, we now are in the reverse as a holder of the
4 paper, at a discount able to go back and restructure
5 those loans with those borrowers and provide real relief
6 to low income households and affordable housing loans,
7 whether you call it subprime or not, that are in
8 different demographic communities throughout California.

9 And so I see this as a real window of opportunity
10 to approach it from the opposite side. Because if you
11 approach it from the borrower side, you will have
12 difficulties in volume, you will have difficulties in
13 execution. You will not have the public relief that
14 approaching it from the opposite side, going direct as a
15 bailout to certain financial institutions, targeting the
16 portfolios that fit our mandate for affordable housing
17 and first-time homebuyers, that we really could make a
18 splash and provide relief, not only to the financial
19 institutions but directly to the general public and to
20 the masses of affordable households throughout
21 California.

22 CHAIRMAN COURSON: Comments? Questions?

23 MR. DAVI: Can I just ask you a question of what
24 you're suggesting? Because I'm trying to clarify
25 something. If we were to buy these loans or the paper at

1 a discount, we're going to then foreclose on those
2 borrowers and go resell them to new first-time buyers, or
3 do we get to categorize them as affordable units and just
4 restructure the debt with those existing borrowers?

5 MR. CZUKER: Are you asking my opinion?

6 MR. DAVI: Yeah, I'm asking what you're
7 suggesting.

8 MR. CZUKER: My suggestion was that, as a
9 specific we went to Countrywide, we went to Wells Fargo,
10 we went to Washington Mutual, and we bought \$300 million
11 worth of paper for a hundred million dollars. Now we own
12 the hundred million dollars of paper that had a face
13 value and an appraised value at one time of 300 million.
14 As opposed to foreclosing, we had targeted the paper that
15 fit our mandate in advance so they are low-income
16 households, affordable housing areas, and we are then as
17 the primary lender reapproaching our new borrower or old
18 borrower, because it's an existing mortgage, and saying
19 let's sit down, let's figure out if we can restructure
20 your loan payments. Let's see if we can amortize it on a
21 new schedule, a longer term, whatever. Since our cost
22 basis is lower, we have a lot more flexibility, both from
23 an amortization of principal and on a loan to value debt
24 coverage basis.

25 MR. DAVI: I just wanted to understand it.

1 MR. SHINE: Let's assume the houses are worth a
2 hundred percent of the loan to start with. Housing has
3 not gone down 50 percent in value. There's maybe a 10 or
4 20, in some places maybe even up to 25 or 30 percent
5 reduction. So that what you've done is you've bought an
6 asset at a discount that gives you an automatic equity
7 that you can use that equity to finance the lower
8 payments or stretch out the loan. Because all of these
9 people only want one thing, a monthly payment. If they
10 can make the monthly payment, they'll take the house.

11 MR. CZUKER: Or they'll keep the house.

12 MR. DAVI: I understand. I'm just trying to
13 understand what you're thinking. Just the only thing
14 that jumps out for me is that sounds good, but how do we
15 know that the borrower that's in the low cost area that
16 we've identified has income that would be okay with our
17 guidelines.

18 MR. SHINE: You underwrite the portfolio as you
19 purchase it.

20 MR. CZUKER: We would be made available to our
21 internal staff to review the loan files and to understand
22 the demographics and the borrowing profile to make sure
23 it fits our mandate and our criteria.

24 MR. DAVI: I understand.

25 What do you think of that, Terri?

1 MS. PARKER: Well, the devil's always in the
2 detail, and I'm sure my folks behind me are having it all
3 running through their heads.

4 We have had some discussion internally. If we
5 were going to do some kind of a rescue program, who
6 should we try to target. Clearly, I think we would say
7 we should be targeting those people who are our
8 stakeholder group anyway, you know, within the income set
9 by the federal government and resale values within that.
10 You know, first-time homebuyers would be another way for
11 us to cut this.

12 But, you know, I guess to add to what you're --
13 Mr. Czucker is saying, one of the things that my
14 colleagues and I talked about when we were back in
15 Washington last week and we say that because of a
16 tremendous amount of frustration and really sadness on
17 our part that we worry when we hear from our colleagues
18 in Ohio and Massachusetts and other states that they're
19 really concerned that they won't even be able to help one
20 in ten people, that this is going to move from a
21 foreclosure or loss of housing for these homeowners to a
22 huge glut on the market of homes that are sitting in
23 communities.

24 I think many of you might have seen the article
25 in today -- USA Today that talks about there's, what is

1 it, 1 in 31 houses in Stockton is in foreclosure. And
2 clearly, think about all those families that are in
3 there, but then start thinking about the community and
4 what that's going to mean from an economic development
5 standpoint.

6 So do you shift from the standpoint of trying to
7 look at how you can help those current owners, or do you
8 then essentially, say, okay, if I can't, they're so far
9 along, you know, they maybe should never have been
10 homeowners in the first place, do I then move to try to
11 situate -- to be in a situation with the local
12 governments of some ways to help those communities and
13 those neighborhoods.

14 Because if they're sitting -- if the houses are
15 sitting there vacant, they may need to have
16 rehabilitation before they can be a viable house to be
17 put back in the marketplace. And in that sense, should
18 we try do it in a way -- is there value -- by CalHFA
19 being involved, is there a value that we can add through
20 holding these properties or whatever that could, you
21 know, create housing for, you know, our client group of
22 first-time homebuyers in the future.

23 We're trying to think about all of those things.
24 There's just so many variations to it. And, you know, I
25 don't think we want to come out in front and say, you

1 know, we're now moving to take the house away from
2 somebody who owns it so we can take the value and then
3 give it to somebody else down the line.

4 MR. CZUKER: I think you jumped to the conclusion
5 that the house was going to be vacant or that the
6 borrower is in foreclosure --

7 MS. PARKER: I didn't --

8 MR. CZUKER: -- and so far deep that --

9 MS. PARKER: I didn't --

10 MR. CZUKER: -- we're going to take -- there's
11 going to be a vacancy or there's going to be a
12 foreclosure.

13 MS. PARKER: Yeah, I didn't -- I didn't in your
14 example.

15 MR. CZUKER: And I'm taking the exact opposite
16 approach. I think you're going to have nine out of ten
17 or an incredibly high percentage that if you can sit down
18 and work with those families, their payments were a
19 thousand a month, okay, we'll make it 500 a month, it's
20 costing us 300 a month. We have a lot of room to play
21 because of the discount we're getting, because the hit is
22 on the financial institution to move paper, and it's a
23 large portfolio off their balance sheet. We can
24 restructure the debt and even cut the debt in half and
25 still make money because we bought it below half.

1 MR. SHINE: We don't have to do that. So the
2 important thing here is that a glut of foreclosed houses
3 as a result of this loan program is going to have a very
4 dampening effect on our economy, and it almost doesn't
5 matter whether they're 50 or 70 or 90 or 150 percent
6 people. Every time you keep a house from going into
7 foreclosure and keep it owner occupied by adjusting the
8 monthly payments, you have saved one little bite against
9 the economy from happening.

10 So I'm coattailing -- is that the proper term --
11 on your idea, which is a great thought, and a lot of that
12 thinking is going on around right now. Once you own the
13 financial asset, and if you own it at a price that gives
14 you a sufficient equity what you're -- the housing
15 business is a business of monthly payments. If you can
16 make the monthly payments, you get the house. It's
17 always been that way.

18 And so if you look at it as a monthly payment
19 opportunity, that if you buy something for 50 cents
20 that's worth a dollar or 60 cents and it's worth a
21 dollar, instead of a dollar it's worth 70 or 80 cents, it
22 doesn't matter. There's enough in there that you could
23 go in and adjust monthly payments and structure a loan,
24 even if it has to go up 40 years, whatever it may be,
25 that that becomes a good asset and it becomes a good

1 asset at par over time.

2 MR. CZUKER: Par meaning a hundred cents on a
3 dollar, even though we only paid 50 or 60 cents for it.

4 CHAIRMAN COURSON: I guess -- I guess I have a
5 lot of thoughts, but I'll mention a couple things.

6 First of all, obviously we'd have to do these
7 with taxable dollars, so we don't get the bang for our
8 bucks using our tax exempts because it would be a
9 refinance of that loan or recasting of the loan.

10 The other piece is if we're sitting here thinking
11 we can buy an asset for 50 cents on the dollar and it may
12 have a value of 25 cents on the dollar, if I'm the
13 servicer, I'm not sure I want to sell you my asset for 25
14 percent less than what I'm going to lose, even if it's 30
15 percent as I move through -- and I'm dealing one-on-one
16 with that borrower also.

17 Because what's starting to happen is that the --
18 Terri mentioned Hope Now. The Hope Now process, which is
19 all the major lenders, all the major counseling centers,
20 all the major consumer advocate groups, and they're
21 sending out, for example, the week after Thanksgiving
22 200,000 letters, and they'll be dropping these letters
23 every month.

24 But they're going to people whose loans haven't
25 recast yet. These are people in their servicing

1 portfolio where they know the loan is going to reset
2 within 90 to 120 days. They can tell how much it's going
3 to reset, and they know -- they have financial
4 information. So they're out, that's going to be a
5 proactive, which I think we all agree that's the time to
6 try to get to these people is before they get down.
7 Because once borrowers get down too deep, it becomes
8 difficult, unless, of course, you can get an asset for a
9 hundred cents or dollar for 50 cents. But putting my --
10 putting my servicers hat on, if you gave me your proposal
11 today, I'm not sure I would see the economic benefit for
12 me to make that decision.

13 MS. PARKER: One thing I just want to add -- and
14 I apologize to Mr. Javits. One of the things that really
15 holds us back in some respects is just the magnitude of
16 numbers and dollars. Carla and I were back in Washington
17 a month or so ago at a Fannie Mae meeting, and she asked
18 me, you know, because the program in Ohio is a hundred
19 million dollars, the program in Massachusetts is roughly,
20 you know, that dollar amount, what would the program have
21 to be if you did something in California.

22 And there's varying numbers. I don't know that
23 it really matters which one you pick, they're all so
24 astronomical, 197,000 loans -- borrowers with subprime
25 loans in California. The average is somewhere around

1 260,000. We looked at if we had a \$25-billion program
2 that we did -- and we don't even have bond cap authority
3 to sell \$25 billion worth of debt. You're talking about,
4 you know, 10,000 people that you'd help. That's what --
5 you know, I've sat before legislative committees and
6 they've talked about doing something with \$5 million, and
7 I've essentially said, you know, that isn't even a
8 hundred people. How do you even -- how do you start that
9 out, let alone shut it down? That -- that alone is what
10 gives us huge pause about trying to figure how to --

11 CHAIRMAN COURSON: There's no question Mr. Czucker
12 is right, trying to deal too often so on, and that's the
13 failure of these programs, and frankly trying to -- one
14 of the biggest -- one of the tenets of the Hope Now is
15 once people are in trouble or perceive the trouble, first
16 of all, probably they're in the default or delinquent on
17 other obligations other than their house. The house
18 would tend to be one of the last, probably, so they have
19 other financial problems.

20 And frankly, the avoidance issue. The biggest
21 frustration in the -- for lenders is to try to get in
22 touch or have the borrowers get in touch with them,
23 because obviously once -- it's avoidance. They don't
24 want to respond to that because they think that they're
25 just -- all they want to do is come over and get the keys

1 to their house.

2 MR. CZUKER: If I could make a clarification, and
3 that is, you're talking in terms of subprime, and I would
4 prefer not to talk in terms of subprime.

5 CHAIRMAN COURSON: My comments are not subprime.

6 MR. CZUKER: No, I'm talking about Terri. Excuse
7 me. The -- and I would prefer to talk in terms of, you
8 know, lower to middle income areas that fit into our very
9 low, low and moderate income neighborhoods. I would
10 rather talk in terms of demographics and locations and
11 price points of -- based on the price of the home. You
12 know that someone that's buying a \$99,000 home to a
13 \$200,000 home or in certain demographic areas in certain
14 types of neighborhoods and fit into certain income
15 brackets.

16 And so if we're targeting portfolios not based on
17 subprime, they could have been a conventional fixed rate
18 mortgage. That's -- but because of the subprime crisis
19 globally, there is tremendous pressure on financial
20 institutions to clean their balance sheet.

21 And so therefore this is where I disagree with
22 you, John. Maybe as a servicing agent, you wouldn't take
23 that deal. But Wall Street and the capital markets are
24 forcing financial institutions, and they would rather
25 take the hit now. There is a global public sense of

1 people are recognizing write-downs and losses now. If
2 they can get that dirty laundry off their balance sheet
3 in the next 12 to 24 months, they will take tremendous
4 hits and will probably -- there will probably be public
5 funds that are put together even through Wall Street and
6 private investors.

7 But the question is, is there a role here for
8 CalHFA where with for a greater public purpose and
9 benefit, not necessarily for profit motive, which some of
10 these other funds will be created for profit motive to
11 take advantage of taking these loans off the balance
12 sheets of the financial institutions, we could do it for
13 public benefit and do it by saying, you know, Wells
14 Fargo, Countrywide, whoever, Washington Mutual here,
15 whoever has been very active in the mortgage business
16 that has large portfolios, we don't want your whole
17 portfolio. We only want the portfolios that meet our
18 mandate. We only want those loans in those areas that
19 meet the low to moderate income households that meet the
20 targets that fit within our public purpose.

21 And, yes, we're going to tell you you're going to
22 take a deep discount. And I know in my heart that you
23 will find a waiting list. You'll have multiple financial
24 institutions willing to at least talk to you about it.
25 And whether the price is 40 cents on the dollar or 60

1 cents on the dollar, that's to be determined. That
2 partially depends on how bad the loans are, whether
3 they're all performing or what percentage are in default
4 and, you know, how much trouble they perceive and how
5 desperate they are to clean their balance sheet, which
6 will vary financial institution to financial institution.

7 But, for example, Countrywide today would cut a
8 deal with you right away. Washington Mutual would cut a
9 deal with you right away. B of A and Wells Fargo, you'd
10 have to negotiate. They probably would be tougher. But
11 they all want to get this bad news behind them, even by
12 taking a write-off and a hit that, you know, puts it
13 short-term. But once they take that hit, they have a
14 clean balance sheet going forward and can start showing
15 profits and eliminate what they call subprime and bad
16 loans on their portfolio.

17 CHAIRMAN COURSON: Ms. Javits.

18 MS. JAVITS: Well, just a couple of different
19 thoughts. One, I mean, given our mission and what we're
20 about doing, I think it's important that if there is
21 something useful for us to do, we do it given the
22 magnitude of what's at stake. And I think this proposal
23 is a really interesting one and certainly worthy of kind
24 of thinking over the details, because I agree the devil
25 is in the details.

1 And I guess a couple of the things that occur to
2 me related to that have already partly been said. But I
3 think in talking to some of the other HFA's who have
4 tried to put programs out on the street, I think the
5 questions are -- I mean, clearly I think there's a real
6 question, and I understand the rationale you're offering,
7 but, you know, I think we'd have to talk to some of these
8 lenders to find out what's their appetite for this.

9 You may be right. Maybe they do have the big
10 balance sheet problem. Maybe they're willing to sell
11 these at a reasonable price. Maybe they're not. I don't
12 know that, you know, but I think it would be good to get
13 some information about that.

14 And there's the detail. How much of a discount
15 are they willing to take? What does that do to our
16 numbers, given that it is not tax exempt, given the
17 magnitude of the work that would be at hand then to work
18 these? There's a lot of numbers to be done there. Seems
19 like it might be interesting, if there's a way to do
20 that, to test and find out.

21 No. 2, I think the big issue, the big question
22 mark out there, has been, you know, how much of the
23 problem is cram down basically, which is related to at
24 what price are they going to be willing -- how much of it
25 is the fluctuation in the price of the homes, how much of

1 the issue is about credit scoring. The people who are in
2 there now, just can't -- they can't take that debt. They
3 do have too many.

4 I mean, I felt like when Terri and I were back
5 there and we talked to a lot of the HFA's, they were
6 really depressed about the reality of what they were
7 facing in terms of just the ability to do what everybody
8 wants to see done, to get these renegotiated. So I don't
9 know the answers to that, but I think that relates to the
10 questions you raised. So I think we ought to -- if
11 there's a way to test that or test the market for that or
12 do the numbers on it, it seems worth trying.

13 The second point would just be -- the second
14 point would just be if there's a way for us to help on
15 the housing counseling side, I think we should consider
16 that. I think -- as I understand it, there's been some
17 effort to use some CDBG money or allow the locales to use
18 CDBG money for this purpose. If somehow we could put
19 forward a -- an amount that could be available, perhaps,
20 as a match and an incentive for locales to use that CDBG
21 money for housing counseling or if there's some way we
22 could structure -- at least make some contribution in
23 that regard, that seems useful, especially given the big
24 program you just mentioned that's going to try to find
25 these buyers.

1 The third point --

2 CHAIRMAN COURSON: Can I just stop you just on
3 that?

4 MS. JAVITS: Yeah.

5 CHAIRMAN COURSON: And I think -- and Terri and
6 Mr. Mandell correct me. We, Terri and I, met with -- at
7 HCD yesterday, along with Mr. Davi. Am I correct in
8 saying that that was the discussion, where there was, in
9 fact -- we discussed that there was about a million
10 dollars of CDBG money available for counseling that had
11 not been utilized yet? Am I right?

12 MR. MANDELL: That's correct. My
13 understanding -- that's correct for the nonentitlement
14 areas that there, I believe it is something over a
15 million dollars, that to date we have gotten no
16 applications from these areas for any of that money.
17 We're talking about now -- actually, thank you for
18 prompting that discussion earlier this morning when we
19 had our little chat, to see if there's a way that we can
20 get interest by the locals.

21 CHAIRMAN COURSON: Because it's interesting, this
22 Hope Now, when these letters go out under their
23 letterhead and U.S. Department of Treasury and so on, the
24 response is back to a 24/7 nationwide counseling network,
25 and there could be potential working with them that we

1 could use some funding and to enhance and fund some of
2 the California -- specific California.

3 I've made the recommendation to the
4 administration that they support -- that the
5 administration support Hope Now, and we have a Hope
6 Now/California because you know the majority of those
7 letters going out are going to be California people
8 anyway, and this could be an opportunity to -- because
9 they'll actually -- they have the list. They know where
10 the counselors are. They're struggling to figure out how
11 to fund them and so on. And we could dovetail in behind
12 that. Perhaps, there's a way working together to do
13 that.

14 MS. JAVITS: That would be great.

15 Just a third thought, that -- so given the
16 magnitude of the problem, we need the lenders to be doing
17 everything they can. As far as I understand it, they're
18 not right now. So one thought was we probably know how
19 many of these mortgages we're needing to look at or
20 renegotiate. Maybe there's none, maybe there's some, I
21 don't know, within our own portfolio.

22 But I was thinking as a lender maybe we stand up
23 and we say, look, as an example, we want to be completely
24 transparent about what we're doing. So this is how many
25 we've renegotiated or we didn't have to renegotiate any,

1 but we're going to put our data out and we're going to
2 put it out routinely. And I believe there's an effort
3 underway, and I think we should be, you know, an example
4 for that and advocate for that, but that the lenders be
5 pressed to put this information out publicly so that the
6 public can see which lenders are really making an effort
7 to address the problem at hand and which lenders are not.

8 CHAIRMAN COURSON: There -- I can respond on two
9 levels to that. One is I do think -- I think we had this
10 conversation, or maybe I just had it with the staff. I
11 think it would be a good piece of information. Obviously
12 we have a significant servicing portfolio ourselves, and
13 I think I'm comfortable in saying that we certainly don't
14 have the demographics or the performance in our portfolio
15 that's experience enough --

16 MS. PARKER: We're going to go through that.

17 CHAIRMAN COURSON: -- in the market. But what I
18 think would be good would be that as a regular sort of
19 periodic report, would be a report on our servicing
20 portfolio showing the number of loans services, the
21 dollars, how many are 30, 60, 90, foreclosures. We have
22 that information, it's easy to report and, as a Board, I
23 think it would be important to see the performance of our
24 portfolio.

25 The second thing I mention is that tomorrow there

1 is a meeting that is being chaired by the Commissioner of
2 the Department of Corporations where he has invited to
3 the Governor's Office the major servicers of loans in
4 California. And one of the two topics on -- one is loan
5 modifications. And the second topic, as I understand it,
6 will be the ability of these services to provide data to
7 the Department on the number of delinquencies, aging of
8 delinquencies, foreclosures, modifications, workouts,
9 et cetera. And that's the two -- that's the second
10 piece. So the Governor's administration is behind that,
11 getting that information. And as a regulator, obviously
12 the Department is entitled to that.

13 Other comments on subprime? I think that it's
14 been a very good discussion. We have novel ideas and
15 different ideas of what it's going to take to solve this
16 on a mega base rather than, I agree, on a loan basis. I
17 think we can take some of this information and move
18 forward and see if it has some legs.

19 Mr. Carey.

20 MR. CAREY: Are you going to talk about our own
21 portfolio?

22 MS. PARKER: Right. That's why I wanted to queue
23 it up for now we'll talk about where we're at, which
24 that's the good news. But also in that sense where our
25 capacity is if we were to reach out and do something

1 greater to a customer group that we haven't addressed to
2 date.

3 So if it's the pleasure of the Board, my take
4 away from this is staff has spent a tremendous amount of
5 time with trying to study this information and be as
6 acknowledgeable as we possibly can to look for
7 opportunities. And I think I can assure you that if we
8 think that there is an opportunity that we could really
9 do something meaningful, we are sort of testing ourselves
10 to see if we can do that, even the idea about working
11 with bankers to see if there might be some access to
12 capital that which could really allow us to do something
13 in a meaningful manner.

14 And it had been suggested to us recently, not
15 just the idea that you're suggesting, Mr. Czucker, but
16 also another idea which is to perhaps get together with
17 some of the builders and see whether or not some of them
18 who have shut down projects might be interested in
19 essentially selling off to an entity like CalHFA to
20 essentially land bank that in the future when the market
21 might come back and then essentially be able to take
22 care -- take advantage of that, the resources. I think
23 the suggestion about trying to do some people who are
24 more directly impacted today would certainly be what we
25 would see to be a higher priority.

1 So with that, if we want to go into the
2 presentations.

3 Bruce, I've got the seat warmed up for you.

4 CHAIRMAN COURSON: At the last Board meeting,
5 you'll recall, we had a discussion regarding CalHFA, our
6 financials, our bonds, our portfolio, our swaps, our
7 hedges and so on and what was happening in the market 60
8 days ago, and obviously 60 days later that discussion
9 takes on even greater importance. And so, Bruce -- we've
10 asked, Bruce, and he's going to give us really sort of
11 what the status of the marketplace is, and what its
12 effect is and potential effects on CalHFA.

13 MR. GILBERTSON: I think this is an excellent
14 follow-up, especially to some of the comments Mr. Czuker
15 had made about these financial institutions taking large
16 write-downs.

17 To begin with, I wanted to apologize for the
18 written report. It wasn't distributed to the Board
19 members until Tuesday. Part of that is much of what I'm
20 going to discuss is very recent credit rating activity by
21 the rating agencies.

22 But I'm sure all of you have read media coverage
23 of these major losses being reported by financial
24 institutions. It certainly seems that the calendar year
25 2007 is the year of the subprime mortgage market, and

1 these troubles have spilled over into the financial
2 markets as well. Large write-downs of assets, some are
3 realized, actual losses, because the assets were sold
4 off. Many of them, I believe, are unrealized, as
5 Director Czucker had pointed out.

6 This has led to reported losses at several major
7 financial institutions, including the financial
8 institutions that serve CalHFA as a swap counterparty and
9 also bond insurers. My update this morning is really
10 intended to discuss our relationships with the swap
11 counterparties and the bond insurers to provide an
12 understanding of the significance of these widely
13 reported losses for CalHFA.

14 You know, as we -- Chairman Courson mentioned
15 quite a number of hours ago now, it seems like, we hope
16 to have further Board education training. So
17 unfortunately, I'm not going to have the time today to
18 dwell into the details of some of these relationships.
19 But by a brief bit of background, CalHFA first entered
20 into an interest rate swap in late 1999.

21 Swaps have allowed CalHFA to generate significant
22 debt service savings in comparison to the alternative of
23 issuing fixed rate bonds. Those savings, of course, are
24 passed on in the form of lower interest rates to either
25 first-time homebuyers or developers of multifamily

1 housing.

2 Several of our swap counterparties are
3 significantly impacted by these write-downs and the
4 losses that they have been reporting, all tied, again, to
5 the subprime mortgage market. There's four specifically
6 that I wanted to talk with you about today: Bear
7 Stearns, UBS, Merrill Lynch and Citigroup. All of these
8 financial institutions have taken recent write-downs
9 leading to financial losses.

10 I'm not sure how well this slide shows up, but
11 wanted to walk through this slide briefly. This is a
12 table that is embedded in the Board report every time the
13 Board meets, the report on variable rate bonds and
14 interest rate swaps. The leftmost column of this report
15 identifies the swap counterparties that we have
16 relationships with. The next three columns represent the
17 ratings by the three major rating agencies.

18 The column then shows the exposure. Exposure in
19 the interest rate swap market is determined by the
20 notional amount of the swap outstanding. That notional
21 amount is paired with bonds that we have issued. It
22 identifies the number of swaps that we have. And at the
23 very bottom, you see some totals. The total amount of
24 swaps outstanding currently is approximate \$4.7 billion,
25 and that's embedded under 138 different swap contracts.

1 I've highlighted --

2 MR. CZUKER: Excuse me, why did you highlight the
3 certain ones?

4 MR. GILBERTSON: I'm going to highlight those
5 because those are the four that I mentioned earlier.
6 These are Merrill Lynch, Bear Stearns, UBS and Citigroup.
7 And in the following pages I'll spot talk a little more
8 in depth.

9 To begin with, Merrill Lynch, we have a series of
10 different counterparties with them. We have
11 counterparties that we face with Merrill Lynch that is
12 actually Merrill Lynch Capital Services. That is a
13 relationship that is a guaranteed either by the parent
14 company of Merrill Lynch or by Merrill Lynch Derivative
15 Products. I'll come back to that in a moment.

16 But I wanted to highlight to you the ratings. I
17 mean certainly Merrill Lynch is the weakest counterparty
18 that we face today. It's in the single A category, the
19 only counterparty that we have in the single A category.
20 I want to remind you that a single A rating is still a
21 reasonably high credit rating of a financial institution,
22 but it is by no means a triple A rating.

23 The other highlighted areas are the Bear Stearns
24 swap contracts, Citigroup and UBS. One last spot and
25 I'll move on and we'll talk about each of the individual

1 counterparties, is that with interest rate swaps, it
2 isn't the notional amount, which, again, is equal to the
3 amount of bonds that we have outstanding, that is at
4 risk. The risk that we have is that a counterparty would
5 default on an obligation, and then we may face, due to
6 market changes, a consequence as a result of that. And
7 hopefully that will be clear in the coming slides.

8 First, let's talk about Bear Stearns. The first
9 rating action against Bear Stearns occurred in early
10 August. I was updated this morning. There has been
11 further rating action as of yesterday and this morning.
12 Let's first talk about the August action related to Bear
13 Stearns.

14 It was placed on a negative outlook by Standard &
15 Poor's. It retained its A plus S&P rating and Al Moody's
16 rating at the time. This morning S&P downgraded the Bear
17 Stearns Company's rating to an A rating versus an A plus
18 rating. It's important to note, though, that our
19 relationship with Bear Stearns is not with the parent
20 company, but with an entity called Bear Stearns Financial
21 Products, a triple A rated entity separately capitalized
22 and bankruptcy remote.

23 At the time of the August rating action, both
24 rating agencies reconfirmed the triple A rating of that
25 entity. And, of course, as the previous slide showed, we

1 have an \$831-million notional exposure to Bear Stearns.

2 The next entity is UBS. There was some rating
3 action that occurred in early October. S&P downgraded
4 UBS from double A plus to double A. UBS is, of course,
5 among the highest rated counterparties in the world. And
6 currently its rating is unchanged by Moody's at a triple
7 A level, \$55.8 million in swap notional exposure.

8 Up until the announcement this morning about Bear
9 Stearns, Citigroup was the last entity that we were aware
10 of that had a rating action. That occurred last week.
11 Citigroup was downgraded by S&P from double A to double A
12 minus and by Moody's from double A1 to double A2. It
13 remains on negative outlook by both of those rating
14 agencies. Again, we believe Citigroup is among one of
15 the highest rated entities or counterparties in the
16 world. Although our relationship is not directly with
17 the parent company Citigroup, it is with an affiliate --
18 affiliated entity, Citigroup Financial Products. But
19 that entity does carry the same ratings as the parent
20 company, and we have a \$721-million exposure to that
21 counterparty.

22 Then lastly is the Merrill Lynch relationship.
23 This action occurred the last week in October. It was
24 downgraded by S&P from double A minus to A plus and by
25 Moody's from not As3 but double A3 to A1 and also placed

1 on negative outlook by both of those rating agencies.
2 Again, as you saw in a prior slide, this represents one
3 of our largest counterparty exposures. CalHFA's,
4 currently it's our lowest rated counterparty as well, and
5 the Merrill Lynch Company itself is the guarantor behind
6 \$665 million of swap notional.

7 We have other relationships, as I mentioned
8 earlier, with MLDP, the Merrill Lynch Derivative
9 Products. This is a similar entity to the Bear Stearns
10 Financial Products entity, separately capitalized,
11 bankruptcy remote and currently triple A rated by both
12 S&P and Moody's, \$624 million of swap notional
13 outstanding with that entity.

14 So with all that bad news behind us, let's talk a
15 little bit about the sources of credit protection. How
16 has CalHFA protected ourselves against these deteriorated
17 ratings?

18 All CalHFA swap documents require counterparties
19 to be rated single A or better -- I'm sorry, in the
20 single A rated category to post collateral if the market
21 value of the swaps exceeds certain threshold levels. I
22 think since Merrill is our lowest rated counterparty,
23 perhaps we'll use them as an example because they are
24 certainly in the single A rated category today.

25 Merrill Lynch is not required to post collateral

1 as result of these downgrades. The primary reason for
2 that is that the market value of the swaps, it's
3 approximately ten -- 20 underlying swaps that represent
4 that notional amount, has a market value today that is a
5 negative \$47 million to CalHFA.

6 What that means is that if there was a
7 termination event, in order to unwind the financial
8 obligation that we have with Merrill Lynch, we would make
9 a payment of \$47 million to Merrill Lynch to unwind that
10 swap. At the same time, we would look to replace those
11 swap contracts with a more creditworthy counterparty
12 about the same time, and we'd hope to receive a payment
13 of similar size as a payment that we would make to
14 Merrill Lynch. So stated another way, Merrill Lynch is
15 currently taking credit exposure to CalHFA rather than
16 CalHFA taking credit exposure to Merrill Lynch.

17 And, of course, CalHFA has the right to terminate
18 its swaps with a counterparty whose ratings fall into the
19 triple B category. This allows CalHFA to replace a lower
20 rated counterparty with a more creditworthy entity
21 without any transaction costs. We'd have to pay the
22 market value of the swaps, but we wouldn't have to pay
23 transaction costs as a part of replacing them. In the
24 Merrill Lynch example, CalHFA would have the right to
25 terminate its swaps at the current market price of \$47

1 million if their rating fell into the triple B category.

2 And, of course, another important element is to
3 remember that we have the right at any time to replace a
4 counterparty. At that time we'd have to pay the market
5 value, and we would incur some transaction costs. Just
6 trying not to get too technical with you, the transaction
7 costs that I'm referring to in these scenarios, swaps are
8 a commodity, and there's a bid and ask price for every
9 one of these contracts. So if we pay with no transaction
10 costs, we pay at our side of the bid ask spread. If we
11 incur transaction costs, we would pay at the
12 counterparty's side of the bid ask spread.

13 CHAIRMAN COURSON: Bruce, I would assume that
14 that spread has widened based on what's happened in the
15 markets over the last 60, 90 days.

16 MR. GILBERTSON: Yeah.

17 CHAIRMAN COURSON: Is it substantial or is it --

18 MR. GILBERTSON: I don't think it would be
19 substantial considering the size of the \$4.7 billion of
20 swap that we have outstanding, but it certainly has
21 widened out. There's no doubt about that.

22 So what is CalHFA's approach to counterparty
23 credit risk? CalHFA only enters into swaps with double A
24 rated entities. So what that means today is that we
25 wouldn't enter into a swap with Merrill Lynch. They

1 don't meet our standard.

2 We follow the principle of diversification. As
3 that earlier slide shows, we have 13 different
4 counterparty relationships. So hopefully we aren't
5 exposed to deteriorating credit from all of our
6 counterparties.

7 We require collateral posting on ratings
8 downgrades below the double A category, and we require
9 the right to replace a counterparty at no cost if their
10 ratings were to fall into the triple B category.

11 With that, how are we managing the situation
12 today? Well, I can assure you that the Financing
13 Division, myself and my staff, are closely monitoring our
14 swap exposures on a daily basis. We fully understand
15 that further rating action may occur, but we do not
16 believe that there's any rush to take immediate action as
17 these downgrades have recently occurred. The swap
18 contracts themselves were carefully negotiated and
19 provide CalHFA with exit strategies if and when
20 necessary.

21 Switching gears slightly, I thought we should
22 also talk about the bond insurer community, because bond
23 insurers have also recently reported losses stemming from
24 the subprime mortgage market as well. In the bond
25 insurers situation, most of these are unrealized losses

1 that are accounting based mark-to-market write-downs.
2 These losses, again, are attributable to financial
3 guarantees of structured financial products that they
4 wrote in swap form on collateralized debt obligations and
5 other asset-backed obligations.

6 No rating action to date has occurred on any of
7 the bond insurers, but I became aware last week that both
8 Moody's and Fitch are updating their analysis of the
9 structured financial obligations and that they hope to
10 provide some additional insight into the rating levels of
11 these entities in the next four to five weeks.

12 Well, what does that mean? This may result in
13 one or more of these financial guarantors no longer
14 meeting the triple A guidelines of the rating agencies.
15 The rating agencies may require the guarantors to raise
16 additional capital or execute other risk mitigation
17 strategies.

18 The preliminary observations that have been made
19 available to me reveal that FGIC and AMBAC are amongst
20 the two weakest credits in that industry. However, S&P
21 has recently issued a report that they don't think that
22 the significant mark-to-market losses would -- they don't
23 expect that to affect the bond insurer ratings. So you
24 have a little bit of a conflict between the rating
25 agencies at this point as well.

1 Just a quick look at the insurance that we have
2 on our debt portfolio. I've listed the four bond
3 insurers that we have contracted with over the years, and
4 I've shown the insurance in force that we have
5 outstanding. These insurers guarantee debt service
6 payment obligations on \$4 billion of our \$7.9 billion of
7 bonds outstanding, and they cover the whole gamut of
8 various bond types, fixed rate bonds, variable rate
9 bonds. We're going to talk a little bit more about
10 auction rate securities here in a moment.

11 Just to give you a brief background on the
12 characteristics of bond insurance policies, these
13 policies are standing in place to guarantee debt service
14 payments if we were ever to fail to pay a debt service
15 obligation of the Agency. The policies are not
16 cancelable. They run for the life of the bonds.
17 Premiums will continue to be paid by CalHFA so long as
18 bond insurers have not defaulted on their obligations.

19 We believe that fixed rate bond investors bear
20 the risk of a credit event from a bond insurer downgrade.
21 However, we may be exposed slightly as it relates to our
22 auction rate security market.

23 Auction rate securities are variable rate bonds.
24 Market convention requires that we insure them at the
25 time of issuance. CalHFA may be impacted by the

1 downgrade of any one or more of the insurers in this
2 regard.

3 So how would that impact us? The short answer is
4 that if that were to happen, bond investors, those that
5 are holding the bonds, may require more yield on their
6 bonds at any subsequent interest rate reset date. This
7 also could lead to a failed auction, of course,
8 increasing the interest rate that we're paying on those
9 obligations.

10 But we believe there's mitigation strategies if
11 that were to evolve. All of our auction rate securities
12 are fully redeemable on any debt service payment date.
13 And without getting too bogged down in the technicalities
14 of these bond types, they're all multi-modal, meaning
15 that we have a right to convert an auction rate security
16 to another form of debt obligation. It could be
17 converted to a fixed rate bond. It could be converted to
18 another form of variable rate bond, including a variable
19 rate demand obligation.

20 So on the management side, with all of this news
21 out in the media, what are we doing? We're closely
22 monitoring the situation. We certainly understand the
23 exposure that we have to the bond insurers. We know that
24 rating action may occur in the coming weeks. And
25 although action rate securities may be troublesome for a

1 short period of time, we believe that we have strategies
2 in place and action that we can take if and when
3 necessary.

4 I just added a couple bullets here to indicate we
5 have an exposure on the auction rate securities of
6 \$567 million, and the two weakest bond insurers at this
7 point appear to be AMBAC and FGIC. Our direct exposure
8 there is \$29 million to AMBAC and \$44 million to FGIC.

9 If there were a rating event related to a bond
10 insurer, I think we also might see a broader disruption
11 in the municipal bond market, not only the primary market
12 when bonds are first issued, but also in the secondary
13 market as individual bond investors may have to
14 reposition themselves because they may only be chartered
15 to hold triple A paper. And if some of those existing
16 bonds would have failed to retain triple A status, there
17 may be a flood of paper in the market.

18 Although this was brief and we can certainly
19 discuss this more in February and March of the coming
20 year, hopefully this update has been beneficial and
21 provides some level of assurance that we certainly are
22 aware of the situation, we know the consequences of what
23 could happen if deteriorating credit ratings were to
24 continue, and while no immediate action is necessary,
25 we've thought through what the actions might be in case

1 we need to go there.

2 With that, I'd open it up to any questions that
3 the Board may have.

4 CHAIRMAN COURSON: Questions from Members of the
5 Board regarding Bruce's presentation?

6 Very thorough, understandable.

7 MR. GILBERTSON: Thank you.

8 CHAIRMAN COURSON: And obviously a critical role
9 of this Board is to make sure that we stay informed and
10 continue to get reports on this as this market is not
11 recovering rapidly and we continue to be on guard.

12 Mr. Czuker.

13 MR. CZUKER: What do you feel is the
14 nontax-exempt bond capacity that CalHFA may have
15 available today?

16 MR. GILBERTSON: The capacity in the terms of
17 what the market would be willing to acquire? I think
18 that's still unlimited. I mean, it may come at a
19 slightly higher yield, you know. The tax exempt capacity
20 is limited, of course, by our ability of volume cap. And
21 if your question is more directed to bond investors
22 appetite for our bonds, I think it's still very strong.

23 MR. CZUKER: What about taxable?

24 MR. GILBERTSON: Taxable, as you may recall from
25 several of our prior Board reports, we have actually done

1 something a bit different recently where we've been doing
2 some direct placements to commercial banks. It's allowed
3 us to have better execution. It's lowered our all-in
4 costs, both of issuance and also of ongoing costs as it
5 relates to debt services.

6 MR. CZUKER: What do you perceive our capacity
7 for taxable bonds to be today?

8 MR. GILBERTSON: That question --

9 MR. CZUKER: Is it a value judgment?

10 MR. GILBERTSON: Well, I think it's a value
11 judgment. It also depends on what we're financing. You
12 know, extending it to the prior conversation, of course
13 if we saturate the bond market with taxable debt
14 instruments, it's going to come at a higher yield, I
15 would imagine.

16 MR. CZUKER: I was more interested in dollar
17 amounts than yield.

18 MR. GILBERTSON: But I think it depends on what
19 we're financing, Mr. Czucker, because if we have
20 appropriate yield on the asset side, I think the
21 market -- you know, we could probably issue more debt.

22 What we're oftentimes trying to do with our
23 taxable securities is to pair them up with our
24 homeownership program to expand the program, but still
25 keep our interest rates to the borrowers at a variable

1 market interest rate, and that's sometimes a challenge.

2 CHAIRMAN COURSON: Other questions?

3 Bruce, thank you very much.

4 And we'll follow that now with Homeownership,
5 Jerry Smart, and Mortgage Insurance, Chuck McManus.

6 --oOo--

7 **Item 9. Report on the status of Homeownership loan**
8 **portfolio**

9 MS. PARKER: I hope all of you have at your seat
10 the handout of the slides that Bruce and Chuck and Jerry
11 are going through. I know that there's a lot of them,
12 and to the extent that you have questions, I just wanted
13 to make sure you all have this information.

14 CHAIRMAN COURSON: And they're joined by Dennis.
15 I'm sorry, your name wasn't on my agenda, so I saw you
16 making a move forward and I --

17 MR. SMART: Good afternoon. I'd like to start
18 off with a kind of a quick recap of where we are on our
19 production, year to date, fiscal year. This chart gives
20 you a cumulative monthly view of what we've currently
21 purchased. As of October 31st, we have purchased
22 \$439 million against our \$1.5 billion goal. Coupled with
23 that, we have a pipeline of roughly 367 million that is
24 approved pending delivery of those loans by our 57
25 originators.

1 Not shown here but also with this purchase --
2 production, we have also purchased almost 3300
3 subordinate loans, downpayment assistance loans for
4 \$27.8 million, so our combined total is about \$467
5 million as of the end of October.

6 This also kind of gives you a quick view of what
7 the project mix is based on that production. What we
8 have to date in our portfolio is about 64,400 loans.
9 Half of that is our subordinate loans, currently serviced
10 by our in-house servicing operation. 31,000 are first
11 mortgages. Nearly, I think, 58 percent of those are
12 serviced in state and the balance, of course, by out of
13 state servicers.

14 We currently have 13 servicers. Our highest, of
15 course, is our own in-house servicing operation with
16 about 34 percent of our first mortgages, and that doesn't
17 include the 33,000 of subordinate loans. Followed by
18 Guild with about 22 percent, and Countrywide and Wells
19 Fargo following. We have a small handful of other
20 servicers making up the balance, and they service roughly
21 about 1400 loans.

22 CHAIRMAN COURSON: Could I interrupt you just a
23 minute? Do we have a process that on some sort of a
24 scheduled basis, perhaps annually, that we go in and
25 audit our servicers and their financial performance and

1 their operations?

2 MR. SMART: Yes, we do. We have an annual
3 service and examination process, which I was going to
4 touch on a little bit. That includes the -- not only a
5 site visit to the actual servicing locations, we do a
6 review of the financials, we look at their collection
7 activities, foreclosures, bankruptcy activities, as well
8 as the accounting aspects with respect to servicing.

9 CHAIRMAN COURSON: Thank you.

10 MR. SMART: The current portfolio mix that we
11 have, almost 51 percent are government insured, FHA, VA.
12 Twenty-seven percent is conventional insured. The
13 balance are uninsured. As per the Homeowners Protection
14 Act, when the loans were originated, they were either
15 originated without MI because the loan values were under
16 80 percent or subsequently they paid down to about 78
17 percent and were therefore able to cancel the mortgage
18 insurance.

19 This gives you a view of where we are today in
20 our portfolio as far as delinquencies. Our August
21 delinquencies, and that's basically our last reconciled
22 report from fiscal services, we have 4.91 percent
23 delinquent. That's trending up a little. In previous
24 months, it was about 4 and a half. It's now up to almost
25 5 percent.

1 FHA, of course, represents our largest delinquent
2 group of loans. Out of the 15,000 FHA loans, we are at
3 6.9 percent. And that's kind of typical with FHA that we
4 do run higher delinquencies given the more lenient credit
5 qualifications and so forth that those loans have. But
6 we're a hundred percent insured, so.

7 The ACT original, that's basically the uninsured
8 loans. They were originated without MI because of the 80
9 percent loan to value and in fact cancelled, basically,
10 those loans that are uninsured because they prepaid. And
11 mortgage insurance, it's CalHFA. We have 8300 loans and
12 about 4 percent delinquent. So our total portfolio
13 balance, we have 31,000 loans, \$5.8 billion in first
14 mortgages.

15 I wanted to highlight where we are with respect
16 to the market. I know this is a real busy chart, but if
17 I can, I'd like to show you the black line right here is
18 our total portfolio. The black line, as I was trying to
19 illustrate here, is our total portfolio, 4.91 percent.

20 If you look at this light blue line here, that's
21 the MBA reported subprime. It's about 9 and a half
22 percent. It's the last reported report that we have was
23 back in June, and you can see our portfolio is performing
24 much better than subprime.

25 We did break down our portfolio here. That

1 represents the FHA portion of our portfolio -- excuse me,
2 the conventional insured at 4 percent. The yellow
3 squares, that represents the CalHFA VA loan. And then
4 the green is our FHA insured book of business. So
5 overall, we are performing fairly well compared to the
6 rest of the market, but you can see that it is trending
7 upward.

8 This is just another slide to show you what our
9 portfolio mix is by loan term, by property type and by
10 loan type. I wanted to also kind of give you an idea of
11 what our subordinate loan portfolio is doing. You may
12 recall though that all of our subordinate loans are
13 deferred payment loans, so they really do not have
14 delinquencies until a notice of default is actually
15 reported with the first mortgage. They have cross
16 default provisions that would put them in default.

17 What we're trying to show here is the performance
18 underlying first mortgage. And you can see with the
19 various downpayment assistance programs how we're
20 performing. The CHAP loans, the first one on the line
21 here, those are primarily now associated with our FHA
22 book of business. And the CHDAP, those are the Prop 46
23 and Prop 1C loans. That's our largest subordinate loan
24 book of business that we have, and it is performing a
25 little bit better than the CHAP loans.

1 The Extra Credit Teacher Program is actually
2 performing quite well, a little under 1 and a half
3 percent delinquencies, and we're quite pleased with that.
4 The lower four programs where it says HPA, MDP and OHPA,
5 those are older programs that we've had, and they're
6 still existing as far as on our books, but they're no
7 longer active programs. Finally the Fannie Mae loans,
8 those are the book of business that we sold them last
9 December, \$66 million worth of subordinate loans, and
10 it's performing quite well on the first mortgage side.

11 Calendar year 2007, we have picked up 88
12 foreclosures, trustee sales. I must apologize that where
13 it shows 30-year fixed right up here, that actually
14 should be 70. Then we have 18 35-year, which is our
15 interest only loans that we picked up, so we have a total
16 of 88.

17 Single family, as far as property type, the
18 manufactured housing is probably the one group that has
19 the highest -- represents the largest delinquent loans,
20 8 percent delinquencies based on 600 loans -- 760 loans.

21 So it is something that we have taken some steps
22 during the course of the year to tighten up the
23 underwriting.

24 MR. PAVAO: I'm sorry, did you just correct a
25 number on the table? I missed it.

1 MR. SMART: Manufactured housing? Oh, yes, I
2 did, 30-year fixed at the very top should be 70 instead
3 of 80, and the percentage is 79.5.

4 MR. PAVAO: Thank you.

5 MR. SMART: Also, the condos if you're under
6 property type, that should be 31, not 7. I apologize for
7 those typos.

8 Eighty-eight loans or foreclosures that we have
9 picked up this year, that's compared to last year we had
10 21. So you can see it is trending upward, but it's
11 actually better than previous years, which this slide
12 represents about 25 years' worth of REO business.

13 You can see in 1978 -- or 1997 and '98, we had
14 huge foreclosure volume, over 700 in each of those years.
15 Most of that was FHA foreclosures. Our portfolio back
16 then was about 90 percent FHA. Since then, as price
17 appreciation took place in the early, first part of this
18 2000 to 2005, we had huge prepayments runoff. We had a
19 portfolio wrote in excess 50,000 loans, and that dropped
20 down to about the mid 25,000 or so. We're now back up to
21 about 31,000 as of the end of October.

22 The lower two lines are our conventional loans,
23 and although we are beginning to trend up, I think
24 looking forward we will see more foreclosures obviously
25 as delinquencies rise and more and more borrowers get in

1 trouble. But I think that our portfolio will perform
2 better than what we've experienced back in 1997 or '98
3 because we -- our product mix is more equal, 50 percent
4 or 51 percent FHA versus 90 percent back at that period
5 of time.

6 This just kind of shows you where we are today as
7 far as our inventory. Of the 88 loans that we --
8 properties we took back, we had 52 beginning in October
9 that were unsold. We picked up nine new ones. We sold
10 two more. So we have a net inventory of 59. Thirty-one
11 of those are conventional insured loans, one uninsured
12 and 27 FHA insured.

13 What are we doing about our loss -- or trying to
14 mitigate the potential losses in our portfolio? Our
15 portfolio staff, our mortgage -- portfolio mortgage staff
16 are monitoring daily the servicing activities of our 13
17 servicers, reviewing the collection activities and
18 foreclosure activities, the quality control, compliance
19 with our Agency policies as well as mortgage insurance
20 requirements, taking a proactive approach to loss
21 mitigation, which includes forbearance, payment plans,
22 where appropriate, short sales and of course foreclosure
23 if that's necessary.

24 We have tightened up the underwriting, probably
25 Chuck will mention some of that as we go forward.

1 We do have a quality control plan in process. We
2 review at least 10 percent randomly of all the loans on a
3 post-purchase basis. All loans that we do receive for
4 purchase are reviewed up-front. But we do an extra 10
5 percent thereafter upon purchase, and we also review
6 loans that -- on a random -- on a referred basis where
7 the staff has noticed some irregularities, such as
8 potential fraud or non-owner occ notification, or
9 something of that sort.

10 As we talked about earlier, we do have an annual
11 servicing examination process that includes an annual
12 site visit with every one of our 13 servicers. We do
13 have an outside entity that comes in and does the audit
14 for the Agency's servicing function. But on the other
15 12, we actually have examiners that go out and review the
16 portfolio.

17 We have also implemented a recertification of
18 originating lenders, which involves not only a review of
19 financial statements, it reviews the résumés of key --
20 key staff at the servicer and the lender's office. It
21 involves checking licenses, reviewing the fidelity and
22 errors and omission policies, reviewing the active
23 warehouse credit lines, and review of their quality
24 assurance plans and findings, review their procedures for
25 accepting new appraisers or monitoring existing

1 appraisers and the quality of their work, review of the
2 performance of third-party originators if they're
3 wholesale lenders and so forth. Of course, we also check
4 to make sure that they are in good standing with the
5 GSEs.

6 We'll also be implementing a lender report card
7 on our origination activities, letting our lenders know
8 how they stacked up with the other lenders on suspensions
9 and rejections and the issues that we have with the loans
10 that are being delivered to us.

11 We are promoting homebuyer education and continue
12 our emphasis on lender training to improve the portfolio.

13 So with that, I'll be glad to answer any
14 questions.

15 CHAIRMAN COURSON: Any questions?

16 Jerry, thank you.

17 Chuck.

18 MR. McMANUS: We're going to team up here, and
19 Jerry is going to run the slides. If you can listen
20 fast, I'll try and present fast. Okay? It's the best
21 offer I can make.

22 Next slide. The first slide is our new insurance
23 in force. This is the Mortgage Insurance Fund, 80
24 percent -- above 80 percent LTV conventional loans. Last
25 year we wrote \$1,050,000,000. This year we're at

1 \$674,000,000 through the end of October, and we should
2 write between \$730 and \$740 million.

3 If you go to the next slide, please. And here's
4 why. The business is -- first of all, the total volume
5 will be down for Homeownership from a billion-seven to a
6 billion-five. And there's been a shift in market. The
7 MI share, the mortgage insured share, has dropped from
8 58 percent to 52 percent year to date.

9 Two reasons for that. First, the 80 percent and
10 under has risen from 21 percent to 27 percent. They tend
11 to be loans with downpayment assistance which go to lower
12 income people. We are trying to get our lower income
13 share up. And the 80 and under has that downpayment
14 assistance associated with it. Our average actual cash
15 out of pocket is close to 1 and a half percent. Okay.
16 So there's a lot of downpayment assistance related to the
17 80 percent and under. It has risen. We also have lower
18 interest rates charged on low income 30-year loans, which
19 has also helped.

20 The FHA grew from 15 percent to 19 percent, and
21 that's a function of their accepting lower FICO scores.
22 The average FHA FICO score in our portfolio is about 619.
23 The average privately insured, that's us, is about 695.
24 So the lower FICO score has driven some business to FHA
25 as the subprime borrowers are driven to come to the fully

1 documented business.

2 On the next slide, our insurance in force has
3 grown from 2 billion at the end of last year to now 2 and
4 a half billion. That's good news because that's what
5 drives our premiums. It's what insurance we have in
6 force that we are paid on monthly.

7 Next slide, please. The risk in force, and that
8 is the mortgage amount times our coverage. And our
9 coverage on all these programs you're seeing today is
10 35 percent. So you have your insurance in force times
11 35 percent gives our risk we have outstanding for the
12 insurance fund. And from the end of the year, it was at
13 \$772 million. And at the end of October, it reached
14 \$940 million. So that's our exposure, if you will, as of
15 the end of October.

16 MS. PARKER: The MI fund, by the way, is on a
17 calendar year, not a fiscal year.

18 MR. McMANUS: Correct. And I'm giving you
19 calendar year reports. I can get you the conversions,
20 but since I report this way and I'm evaluated by the
21 regulators this way I would prefer to stay here right
22 now.

23 The next exhibit, and this is the bad news and
24 you all read it in the paper every day. The delinquency
25 in our mortgage insurance portfolio has risen from

1 .9 percent, less than 1 percent, at the end of last year
2 to 2.29 percent at the end of October. It more than
3 doubled, two and a half times the delinquency rate. And
4 in August it was 1.6 percent. So September and October
5 have seen a serious deterioration in the delinquency, and
6 that's national. Okay. So there's been a spike up in
7 delinquencies.

8 And this is ones that are reported to the
9 mortgage insurer. You don't have to report until 120
10 days. They generally give us the reports they receive,
11 which would be at 30 days, but we are missing a lot of 30
12 because I'm showing 2.29, Jerry showed you in the
13 previous one that the MI insured portfolio is at about 4
14 percent. So there are a lot of 30-day delinquents, but
15 70 percent of those go away. So this is focused just on
16 probably the more serious delinquencies but, it has
17 spiked and there's definitely a trend increasing our
18 delinquencies.

19 The next page shows you, again, end of October
20 where we are with our delinquent loans as it relates to
21 less than 120 days, over 120 days but not yet in
22 foreclosure, in foreclosure, title held, claim received
23 by the mortgage insurer from the servicer and claim
24 pending.

25 If you look at the 86, those, probably 70 percent

1 will cure. But the balance of them, the 124 loans that
2 are more than 120 days delinquent with 93 of those in
3 foreclosure, they will move toward the foreclosure and
4 claim filings. And to have the appropriate financial
5 reflection, we'll go to the next page.

6 I'll make this as simple as possible. This is
7 how we set our reserves for the mortgage insurance fund
8 to make sure that we have adequate reserves to pay our
9 claims. If you'll go to the middle section called
10 reinsurance loans, that is the bulk of it. Up above,
11 there's a few -- there's only one shown delinquent.
12 That's just some loans not covered by reinsurance. It
13 never impacts us much.

14 But on the reinsurance loans, we have 183
15 delinquent loans. Fifty-three are 60 days delinquent.
16 The total balance of those loans is \$13,563,000. And we
17 expect 15 percent of those to go to foreclosure and a
18 claim to be filed. And on that claim, we expect to lose
19 31.5 percent of the mortgage balance. So we just
20 multiply across, and we set up a reserve of \$646,000.
21 The reason that's a small number is because we only
22 expect 15 percent of those 60 day delinquents to actually
23 go to foreclosure.

24 That percentage going to foreclosure increases,
25 if you look in the third column, frequency of claims

1 paid. It goes from 15 to 34 to 65. And when its lender
2 has acquired title, we expect 97 percent of those to go
3 to claim. The only ones that wouldn't, would be if we
4 deny the claim because there were some fraud or some
5 other reasons for it or if the property is sold and they
6 recover all their mortgage amount, then that would go
7 away.

8 So taking all the loans by category of
9 delinquency, their mortgage balance times the frequency
10 going to claim, and our severity of loss of 31.5 percent,
11 we end up with a need for \$7,403,000 of direct reserve
12 for losses. That's against \$46 million of delinquent
13 loans. And I have a multiplication of 25 percent, and
14 I'll get into that later, but the 7 million is the direct
15 reserve.

16 There's also delinquent loans that haven't been
17 reported. We know this from history. And so for
18 financial reasons, we set up an "incurred but not
19 reported". That's delinquent loans that the servicer
20 just hasn't advised us about. As I say, they have 120
21 days, and so there are delinquent loans they don't have
22 to notify us, and sometimes they don't, or they misreport
23 and so forth. So there is an "incurred but not
24 reported", and our estimate of that is 56 loans for \$13
25 million. Again, we spread them by the number of days

1 delinquent we anticipate. We multiply them by that 31.5
2 percent, and we come out -- you'll see the 1,058, that's
3 actually a million.

4 Yes?

5 MR. MANDELL: I have a question. Could you
6 clarify what the severity of loss is with me? Am I
7 understanding correctly that, I'm guessing -- maybe I
8 shouldn't just guess, I should just ask you. Do we just
9 not cover 100 percent or is that the amount that is not
10 covered if the property goes to foreclosure or whatever
11 the proper term is and then we get paid back on our --

12 MR. McMANUS: Our coverage is 35 percent, which
13 is reflected here. I'll get into another -- we'll get it
14 to 50 for bond purposes and so forth, but right now the
15 mortgage insurance fund covers the top 35 percent of the
16 term called the claim amount, which is the mortgage
17 balance plus accrued interest and foreclosure costs.
18 It's about 110 percent of the mortgage amount. So we're
19 just covering the top 35 percent.

20 And this is for rating purposes so that the bonds
21 can be rated by S&P and Moody's and so forth. That's why
22 you need this credit enhancement for the nonpayment. So
23 all these calculations are basically on 35 percent. I'll
24 get into it in the next calculation.

25 If I take you to the far right-hand column on

1 loss reserve, we have 7 million -- 7,403 -- but that's in
2 thousands. Seven million of direct reserve plus the
3 incurred but not reported of another 1,058,000. That
4 adds up to 8,461,000. That's the total dollars reserved
5 against 59 million of delinquent loans. And so we're
6 approximately 18 to 19 percent of all delinquent loans,
7 and it's based on the aging and what we actually expect
8 to go to claim.

9 We are fully reserved on what we anticipate to
10 have to write checks to cover these losses on the
11 conventional book of business. The conventional book of
12 business, as Jerry reported, is 50 percent of our loans
13 by number. It's 62 percent by dollars. So these are the
14 reserves that we've set up in our mortgage insurance fund
15 to pay all losses.

16 The 31.5 percent severity is against the
17 35 percent total coverage, so it's very high. We've
18 strengthened our reserves significantly, but this will
19 pass our auditors. This will pass Fannie Mae and Freddie
20 Mac. And this is the methodology used by the seven
21 private mortgage insurers. It was created in the late
22 80s, while I was at MJIC, we created it, and it's passed
23 all the actuaries and the auditors. So we are adequately
24 reserved for the mortgage insurance fund.

25 If you go to the next slide and last slide. On

1 our bonds, we actually provide 50-percent coverage on all
2 loans, 35 percent of the above 80s is covered by the
3 mortgage insurance fund, and we just covered that
4 reserve. Okay. So the uninsured, which are the 80 and
5 unders, beginning -- and they're called Act originated.
6 Act is defined as the "Homeowners Protection Act of
7 1998". And if you're an originator and your loan to
8 value is 80% and under, you cannot require insurance.
9 Okay. That's what that act said. The people have given
10 you 20 percent cash.

11 In addition, if the value of the property should
12 rise sufficiently that the mortgage amount is 80 percent
13 or under, you have to let them cancel their coverage so
14 you're not collecting premium. That's the Act canceled.

15 And then the Cal -- if you look on the chart, the
16 CalHFA MI, that's the 35 percent coverage. There's an
17 extra 15 percent that isn't covered by that, so the
18 CalHFA Mortgage Insurance has 35 percent primary shown as
19 the yellow.

20 And VA, they have all sorts of formulas here, but
21 it's about 25-percent coverage, if you have VA. And we
22 have very few, a small number of VA's, and that's the
23 balance above the 25-percent coverage on delinquent VA's.
24 So that's the reserve for that.

25 You add the total up, we have \$700 million in gap

1 exposure, which is above what's already covered by the
2 primary mortgage insurance company. That's covered in a
3 general reserve for losses on loans, which Dennis can
4 discuss. We literally haven't had any claims
5 historically. We may in the future, in which case we'll
6 have to set up reserves. And we will use the same
7 methodology I just covered on the MI, we will use at year
8 end this year and then year end next June 30th.

9 Are there any questions?

10 CHAIRMAN COURSON: Questions?

11 Thank you.

12 Dennis?

13 MR. MEIDINGER: Thank you, Mr. Chairman. I'm
14 Dennis Meidinger, the comptroller of the Agency. I don't
15 have a slide. This morning I went over the summary of
16 our June 30th financials for the Housing Finance Fund,
17 and just to give you all a quick summary, this past year
18 our net income was \$85 million compared to \$37 million in
19 the prior year.

20 CHAIRMAN COURSON: There is a packet in front of
21 everyone. That's all right. Don't worry about the
22 slide. We should have it. It's report on fiscal
23 year-end 2006/07 year-end financials.

24 MS. PARKER: Keep going, Den.

25 CHAIRMAN COURSON: I'm sorry.

1 MR. MEIDINGER: And so this is a slide of our
2 balance sheet. So we have a very strong balance sheet in
3 the Housing Finance Fund of, as you can see, over
4 \$9.7 billion. This year, as you can see, our cash and
5 investments was reduced by \$989 million. Most of that
6 money was funneled into making new program loans. As you
7 can see, our program loans receivable increased over the
8 years by 2. -- by \$1.2 billion. And so our total assets
9 this year increased over last year by \$249 million.

10 As far as our liabilities, we -- our bonds
11 increased by \$134 million, and our other liabilities
12 decreased by \$10 million, as we settled up the amounts
13 that we owed to the IRS on arbitrage rebate that was due
14 on our bonds.

15 And so in total, our equity this year increased
16 by \$125 million, and our equity in total is now
17 \$1.4 billion. And so I pretty much wanted to talk about
18 the strength of this fund and the rising delinquencies
19 that we know that are coming and also the strengths of
20 the Mortgage Insurance Fund, because fiscal services, I'm
21 responsible for preparing the financials for both funds.

22 And the last four years, we have had incredibly
23 low delinquency and low losses. And so both of our funds
24 are well positioned to take some losses, as long as
25 they're not too heavy. But, for instance, as Jerry had

1 mentioned, in 1997 where we -- and 1998 where we used to
2 have REOs of over 800 REOs per year, in the last two
3 years in particular we have had in the 20s, just only 20
4 a year. And they are starting to increase right now, but
5 we're hoping that -- that they stabilize.

6 And so just as Chuck went over our methodology
7 for setting reserves, we're also reviewing our allowance
8 for loan losses in our Housing Finance Fund. And as a
9 matter of fact, this year we increased it to \$75 million.
10 In addition to cover our gap losses, as Chuck had
11 mentioned, the Board had passed a resolution, 03-19, back
12 in March of 2003. And it does give the Agency authority
13 to create additional supplementary reserves in our
14 supplemental bond security account. And that account has
15 an equity of \$63 million in it.

16 So I think my point today is to tell you that we
17 know that delinquencies can't be as low as they have been
18 in the past four years; however, both of our funds, both
19 the Insurance Fund and the Housing Finance Fund, are well
20 positioned to face losses, and we are going to be
21 following it every quarter.

22 Do you have any questions?

23 CHAIRMAN COURSON: Questions?

24 Thank you. We appreciate the reports. And we've all got
25 some take-away information, which we'll also see that it

1 gets in the hands of the other Board members if they
2 didn't take it with them.

3 Having said that, the next item on our agenda is
4 a report on the status of our new building project.

5 --o0o--

6 **Item 10. Report on the status to date of the new building**
7 **strategic project**

8 MR. SPEARS: Thank you, Mr. Chairman. Steve
9 Spears, Chief Deputy.

10 I think Terri's on the agenda with me on this,
11 but -- and I know we're taxing your limits of endurance,
12 and I stand here between you and airplanes and lunch.
13 I'll try to make this brief. But we would like to bring
14 you up-to-date on our search for a headquarters facility
15 in Sacramento that would consolidate the two locations,
16 the Senator and the Meridian, and a new direction,
17 really, because of what we found.

18 Cresa Partners, as you know, has been helping us
19 with this effort. Through an RFI process that we briefed
20 you on earlier at the last Board meeting, and an
21 extensive search, they identified 12 possible sites, nine
22 of which just did not meet our criteria for one reason or
23 another, they're too large, they're too far away from
24 commuting patterns and light rail and bus lines and that
25 sort of thing. And a couple of them did not include

1 opportunities for full ownership. They were condominium
2 ownership. So nine were eliminated.

3 And three were left. And at the last Board
4 meeting, you provided Cresa with the authority to go out
5 and engage in preliminary negotiations. One of those
6 three sites was in a very preliminary stage, and once the
7 dollar amounts came to light -- and it was a location at
8 Tenth and K, right downtown where the old WaMu Bank
9 building was to be torn down and a new building built.
10 That building, land cost and building cost, were just out
11 of our range and wound up with a net present value loss
12 as compared to what some lease assumptions that we had
13 over the next few years. So that was clearly eliminated.

14 There was another site at the rail yard site,
15 which is about Fourth or Fifth and I Street, or somewhere
16 on the edge of that rail yard development. And that was
17 a close call, but Cresa's feeling was on an economic
18 basis that any hiccup in construction costs, any hiccup
19 in the process or timing, any delay in construction would
20 put that one either at a break even or a negative net
21 present value.

22 Finally, there was another site at 65th Street
23 and 50th -- and Highway 50, right there just off the
24 freeway, which was a site very accessible, but -- and
25 that actually resulted according to Cresa's analysis

1 in -- depending on whether we use conventional financing
2 or bond financing, in a net present value, a gain of
3 either -- depending on the financing of either 13 or
4 20 million dollars of net present value gain over a lease
5 option.

6 That was debated long and hard, but the -- but
7 Terri and I discussed it with the staff, and we had
8 additional concerns that were of a qualitative nature as
9 opposed to a quantitative nature. And it involved
10 significant change in commuting patterns for some
11 individuals, and to the point where we thought that there
12 would be some operational interruption and attrition
13 associated with that. It is right on a light rail line,
14 but it did not solve all the issues.

15 And here's the difference between being in a
16 private sector situation where, you know, Cresa Partners
17 helps people move their headquarters from Santa Clarita
18 to Long Beach every year. The problem is if you lose
19 50 people out of the organization, you just go to the
20 labor market in Long Beach and hire 50 more people.

21 It's not that easy in state service, as most of
22 you know. And we just became convinced that that would
23 be a difficult thing to do. And Cresa fully understands
24 that and is in full support of a change in direction.
25 After this extensive search and given all the timing

1 issues and the size and the floor plate size, the needs
2 that we have, that the best thing to do at this point is
3 to shift direction and go in a more -- towards a search
4 for traditional lease option.

5 And -- but with this in mind, that there may be
6 opportunities at this point still for -- and I'm
7 instructed to tell you by them, this is not necessarily
8 likely, but the possibility of an existing building could
9 still come up that would meet our timing. In fact, I
10 think some of you have probably read in the Sacramento
11 market there is predicted to be an enormous surplus of
12 commercial lease space, up to 3 million square feet of
13 surplus space, which would be good for us if it's in the
14 right place as far as our negotiations go, but it also
15 could mean that somebody may be willing to sell a
16 building that they originally thought about leasing, and
17 that's an opportunity.

18 So they will prosecute two -- two courses of
19 action. One is a traditional lease, and they're in the
20 process of gathering information about that. But at the
21 same time keeping their eye open for opportunities for
22 ownership of an existing building that we would just buy
23 outright. We wouldn't have the timing problem of
24 development and construction and all that sort of thing.

25 So that is the direction that we recommend and

1 that we will pursue without objection -- Elliott.

2 MR. MANDELL: Steve, do I understand that you're
3 saying basically that unless an opportunity were to avail
4 itself within, let's say, oh, I don't know, three miles
5 of the capitol, that that wouldn't be of interest?

6 MR. SPEARS: Not necessarily, but in this
7 particular location, there were other things besides
8 that. Amenities in that area, I don't know how much you
9 have seen, but that area still needs to be developed
10 more, and it's not the Sac State development area. It's
11 SHRA's development area. And in meeting with them, what
12 was going to develop around that site was not clear as
13 well. So there could be a possibility, but there is a
14 preference on the part of many employees to remain in the
15 downtown corridor. That is true.

16 MS. PARKER: Let me just add one comment. We
17 didn't do something along the lines of, you know, going
18 out for a survey or a poll to the employees. We didn't
19 think that we could essentially manage based on that, but
20 we did think it was important to take our employees into
21 consideration and not just do this based on a dollar and
22 cents.

23 And so we asked the senior managers to have some
24 conversations with their staff and to really get a sense.
25 I had gone to a luncheon for one of our senior employees,

1 not two or three days before this. And when I walked
2 through and talked to people, many of them were very,
3 very excited about the idea of us moving in and being in
4 one location.

5 But when senior managers talked to their staff,
6 what came back at the end of the day was that people
7 would rather stay where they were at, and that in some
8 circumstances is in buildings where if you're in their
9 basement, there isn't even a bathroom on that floor.
10 They would rather stay where they were at than
11 essentially move to one of these locations, given the
12 significant change in commuting, quality of their work
13 environment, et cetera, et cetera. And that was just not
14 something I could ignore.

15 We thought it was a very worthwhile exercise for
16 us to go through. We think it's important from the
17 standpoint of maintaining and reducing on a prospective
18 basis the operating costs. Because as we have reduced
19 the amount of profitability, and I use that term as a
20 term of art, going forward, particularly the investment
21 in programs that we have made, we need to make sure that
22 our operating costs are well kept in line. And so every
23 opportunity to essentially reduce those costs on a
24 go-forward basis, we think, is an important criteria.

25 So we're going to be probably in the leasing

1 market. You know, we're going to be looking at locations
2 that are similar to where we're at, perhaps not even as
3 nice, but something that will be very serviceable for us
4 and be able to see if we can market time with what's
5 happening in the real estate market and maybe get some
6 concessions on some leasing that will give us some
7 certainty, you know, over the next five, seven years and
8 take advantage of that from the standpoint of our
9 operating expenses.

10 I must tell you that I think because of the
11 strategic initiatives that we are working on and the
12 amount of emphasis and time and resources that have gone
13 into this, I think we can say with good confidence we've
14 done what we thought was a good due diligence, but we are
15 ready to move on.

16 CHAIRMAN COURSON: Questions?

17 Mr. Pavao.

18 MR. PAVAO: So is it your sense that there are
19 plenty of leasing opportunities downtown or on the
20 horizon? And then question No. 2, are you thinking,
21 yeah, we're probably looking at a newly developing
22 property or an existing property or it could be either?

23 MR. SPEARS: I wish I could answer that as
24 definitively as I would like. I don't think we know
25 quite yet. We've just received our very first list of

1 potential properties that would meet our requirements.
2 But I think the situation is too fluid. I think
3 there's -- there are a lot of new buildings that you've
4 all seen on the mall and around the downtown court that
5 are just coming on line. And so I'd like to be able to
6 answer your question more clearly, I just don't know yet.

7 MR. PAVAO: So are those new buildings typically
8 preleased, or some of them have space still available?

9 MR. SPEARS: Some of them still have space
10 available. And we have heard some talk about, you know,
11 law firms moving out of buildings and choosing between.
12 So there's a little bit of shuffling going on. And that
13 will settle out.

14 Which brings me -- thank you for bringing this
15 up, because it does bring me to a timing issue. Our
16 leases on the Meridian building and the Senator Hotel,
17 again, I think we talked about this before, are
18 concurrent. They expire in early -- the spring of 2010,
19 with an option to bail out a little bit earlier, in the
20 fall of 2009. It would not surprise me that if somebody
21 came along with a terrific need to have somebody with as
22 much space as we need to go into a new building, that
23 they would -- that we could negotiate to leave those
24 leases earlier. That's also on the table.

25 But timingwise, you know, we're not under the gun

1 like we were if we were going to start developing from
2 raw land up.

3 CHAIRMAN COURSON: Any other questions on the
4 building?

5 I'm glad we went through the exercise. I think
6 it was well worth the resources we put in it to get the
7 third party and take a look at all these alternatives,
8 and obviously now we have a direction, I think, to move
9 in. Now we have to put our head in the wind, and we're
10 still going to retain the same company to help us find
11 those leasing opportunities now and they would also be
12 negotiating on our behalf as we have proposals that come
13 before us.

14 Steve, thank you.

15 --o0o--

16 **Item 13. Discussion of other Board matters**

17 CHAIRMAN COURSON: Is there any other business to
18 come before the Board?

19 (No response.)

20 --o0o--

21 **Item 14. Public testimony**

22 CHAIRMAN COURSON: We do have one public
23 testimony. Gustavo Lamanna, who has been with us before,
24 of Kane, Ballmer & Berkman, is here and has requested to
25 give public testimony to the Board.

1 MR. LAMANNA: Good afternoon. My name is Gustavo
2 Lamanna with Kane, Ballmer & Berkman. And thank you once
3 again for letting me speak with your good Board.

4 As I had indicated in a couple of my prior visits
5 to the Board, our -- we're not here for only one client.

6 We represent redevelopment agencies throughout the
7 state. And there's an issue that has come up, being the
8 Fannie Mae announcement 0603, which would affect
9 redevelopment agencies throughout the state, and it
10 impacts CalHFA.

11 So a brief -- I want to just give you a brief
12 background of the issue, unless -- just to kind of bring
13 you up to speed and then just give you updates on what's
14 happened since our last visit. So just as a background,
15 Fannie Mae has outlined guidelines for lending on
16 affordable housing without requiring that affordable
17 housing covenants be subordinate to the lending.

18 Since our last meeting, I spoke with your good
19 Mortgage Insurance executive Chuck McManus and continue
20 to regroup with your General Counsel, Tom Hughes. And
21 today I shared a sample set of covenants that we have
22 used for our clients. And, in fact, these covenants,
23 one, have been modified to apply and adapt the Fannie Mae
24 guidelines, and at the same time they have also
25 previously passed tax analysis with one of your two law

1 firms.

2 So the issue remains, as your good general
3 counsel pointed out, just a change in policy for sound
4 lending practice review. Essentially it's whether or not
5 your lenders and your lending criteria will permit our
6 resale restrictions to always be superior to your loan.
7 In other words, in the event of a foreclosure, everyone
8 would take subject to the affordability restrictions.

9 And what I -- what the policy change requested
10 would be that CalHFA accept the financial risk and side
11 with affordable housing and Fannie Mae as the policy
12 setters for this.

13 Today we discuss the potential of having this
14 request go through your bond counsel as well as members
15 of the California Redevelopment Association. I think
16 that shows promise in going in a direction where the good
17 Board wouldn't be -- and CalHFA wouldn't be requiring
18 agencies but the agencies would be coming to you and
19 proposing a policy that you would adopt as a suggested
20 practice.

21 And as far as a comment on market conditions, we
22 wanted to let the Board know that we've even been
23 approached -- or actually developers have approached our
24 redevelopment agency clients and voluntarily asked for
25 disposition and development agreements to be revised so

1 that covenants be superior to lending, because they want
2 to have that additional pool of resources available. So
3 I point that out to the Board because there is an avenue
4 because of a lot more lenders and developers are
5 realizing that this pool is out there, that CalHFA should
6 have some comfort in taking this direction.

7 And then, lastly, in summary, I just wanted to be
8 happy to report that since I've been coming here a couple
9 times, we have had some significant progress, and I do
10 anticipate that our redevelopment agencies -- or
11 redevelopment agencies throughout the state and CalHFA
12 basically meet their goals of preserving affordable
13 housing in the state.

14 And with that I just wanted to conclude my
15 comments and welcome any questions. And I do ask for the
16 ability to come back and report as our progress keeps on
17 going.

18 CHAIRMAN COURSON: Any questions or comments from
19 the Board?

20 Mr. Lamanna, thank you very much.

21 MR. LAMANNA: Thank you very much.

22 CHAIRMAN COURSON: I want to thank the Board for
23 your endurance today. And our next meeting is in January
24 in San Francisco at the Westin.

25 Mr. Pavao.

1 MR. PAVAO: So we've received the proposed
2 schedule for next year, and we should go ahead
3 and calendar.

4 CHAIRMAN COURSON: Yeah, that is more than
5 proposed. That is the schedule.

6 MR. PAVAO: Okay.

7 MS. OJIMA: That's in stone.

8 CHAIRMAN COURSON: We're going to -- we'll
9 decide -- we'll get back and see where we fit in this
10 idea of this educational thing.

11 Mr. Carey.

12 MR. CAREY: I want to point out that we win the
13 CalHFA survivor contest --

14 CHAIRMAN COURSON: Yes.

15 MR. SHINE: -- this side of the table.

16 CHAIRMAN COURSON: Yes. The survivors. Right.
17 Right. Absolutely.

18 We stand adjourned.

19 (The meeting concluded at 2:46 p.m.)

20 --o0o--

REPORTER'S CERTIFICATE

I hereby certify the foregoing proceedings were reported by me at the time and place therein named; that the proceedings were reported by me, a duly certified shorthand reporter and a disinterested person, and was thereafter transcribed into typewriting by computer.

In witness whereof, I have hereunto set my hand this 26th day of November 2007.

Yvonne K. Fenner
Certified Shorthand Reporter
License No. 10909, RPR

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CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Grand Plaza Apartments
Los Angeles, Los Angeles County, CA
CalHFA # 07-014-A/S

SUMMARY

This is a Final Commitment request for acquisition and permanent long term financing. Security will be a 302-unit senior apartment complex known as Grand Plaza Apartments, located at 601 North Grand Avenue, Los Angeles, California. Grand Plaza Preservation, L.P., ("Borrower") whose managing general partners are Grand Plaza Preservation, LLC, a Delaware limited liability company and Las Palmas Foundation., a California nonprofit corporation, will own the project.

Grand Plaza Apartments is an existing portfolio loan currently owned by 601 North Grand Avenue Partners, a limited partnership, whose general partner is CARE Housing Services Corporation. The project was constructed in 1990 and is a 302-unit, four- and six-story 5 building, senior apartment complex. Grand Plaza was constructed under the Section 42 Low Income Housing Tax Credit (LIHTC) program and exited the tax credit program on December 31, 2006. The property currently operates under a CalHFA bond regulatory agreement that restricts 20% of the units to tenants earning no more than 80% of the Area Median Income (AMI) and 100% of the units to seniors aged 62 and older. The expiration of the low income housing tax credit restrictions has placed the existing senior tenant population at risk of an extreme rent increase. The borrower proposes to not increase the rent on any in place tenant more than six percent annually, until the rents reach the maximum LITHC levels – 30% at 50% AMI and 70% at 60% AMI. The project age restriction will remain at 62 and over.

LOAN TERMS**Acquisition Period**

First Mortgage	\$16,400,000
Interest Rate	5.10%, variable
Term	12 Months, interest only
Financing	Tax-Exempt
Second Mortgage*	\$3,500,000
Interest Rate	6.25%
Term	30 year, first 15 years interest only, then amortized.
Financing	Tax-Exempt
Prepayment	After Year 15 Pursuant to 30/15 program with 120 days notice to Agency

*At the time of permanent loan funding, this loan will remain in place and will be subordinate to the CalHFA's long term First Mortgage.

Permanent Loan Period

First Mortgage	\$16,400,000
Interest Rate	5.0%
Term	30 year fixed, fully amortized
Prepayment Term	After year 15
Financing	Tax-Exempt Pursuant to 30/15 program with 120 days notice to the Agency

CalHFA acquisition/rehabilitation financing is subject to the assignment by the borrower of tax credit equity and all rights under non-CalHFA financing commitments.

SUBORDINATE DEBT

AIMCO will commit to purchase at acquisition loan close \$3,500,000 tax-exempt bond, un-enhanced, fully subordinated per CalHFA's standard debt documentation, fixed at 6.25% interest rate. Restrictions shall be placed on the sale and transfer of such bonds satisfactory to the Agency.

OTHER FINANCING

There is no other financing involved in this transaction.

PROJECT DESCRIPTION**Project Location**

- The subject development is located in the Chinatown Redevelopment Plan area within the Central City North Community Plan area of central Los Angeles.
- The site is accessible from Grand Avenue. Grand Avenue traverses north/south that connects to Cesar E. Chavez Avenue adjacent to the subject. Cesar E. Chavez Avenue provides access to the Freeway 101/110 interchange 0.3 miles north of the subject. Freeways 101/110 provide access to all parts of the Los Angeles metro area, as well as linking the area with numerous Interstates.
- The project is bordered to the north by small multifamily and single-family private owned developments in average condition. Central Los Angeles High School is under construction to the southeast of the subject, and Orisini Apartments II is to the southwest of the subject. Management indicated they have not begun to lease units. This development will be a market rate community. To the east of the subject consists of multifamily and single-family developments in average condition as well as a parking lot in the northwest corner of Cesar E. Chavez Avenue and Grant Avenue. To the west of the development of the subject, at the northwest corner of Bunker Hill Avenue and Cesar E. Chavez Avenue is a liquor store. Additional developments west of the subject include small multifamily and single-family owned developments in average condition.

- The property is close to shopping, employment, recreation, entertainment, and education opportunities. Social Services, public transportation, and public safety services are all within close proximity.

Site

- The site is a slightly oblong shaped parcel and is 0.85 acres in size.
- The first and second floors of the subject facing Cesar E. Chavez Avenue consist of various commercial developments, including offices and a Subway restaurant. This portion of the subject building is under separate ownership from the subject; therefore, the site has several zonings. The site has commercial and residential zonings that include C2-2D, C4-2D, and R-4 zones. The site and its use are legally conforming.

Improvements

- This 302-unit project was built in 1990 and consists of five, 4 and 6 story residential buildings that are connected and contain 88 studio units, 189 one-bedrooms, and 25 two-bedroom apartment units. The units are flat style, contained in an elevator serviced building. The building is wood-frame construction, with wood stucco siding and flat roofs.
- The subject unit amenities include carpeting and vinyl flooring, blinds, range, refrigerator, disposal, and a patio or balcony. Each unit also contains electric baseboard heat and wall air-conditioning.
- The common area amenities include a central laundry facility, community room, community kitchen, sun rooms, game rooms, and courtyard areas. The subject also offers controlled access entry, perimeter fencing, and video surveillance of the parking area.
- The project includes 147 subterranean parking spaces.

PHYSICAL NEEDS ASSESSMENT/SCOPE OF WORK

- The project is in average overall condition for a development of this type when compared to other developments of similar type and age in the southern portion of the City of Concord and surrounding areas.
- The scope of rehabilitation work totals \$3,165,885 or \$10,483 per unit and includes:
- **Site work, \$44,125-** landscaping and drainage upgrades (\$36,000).
- **Building, \$835,000** – roofing for buildings (\$200,000), windows (\$342,250), paint (\$161,750), balcony decks and miscellaneous (\$131,000).
- **Residential Units, \$1,291,760**– new cabinets (\$479,500), countertops (\$75,500), appliances (\$225,990), interior painting (\$262,400), flooring (\$248,370).
- **Mechanical systems, \$752,500** – replace and install baseboard heater, air conditioners (\$422,500), new water heaters (\$90,000), elevators (\$240,000).
- **Hallways – \$142,500**
- **Community Center and common areas - \$100,000**

Work is scheduled to commence in late fall 2007 and is projected to be completed within 12 months.

Off-site improvements

- No off-site improvements and/or costs are required.

Relocation

- There is approximately \$75,000 in relocation expense allocated for this project. Most of the renovation will take place around the occupied units. The rehabilitation plan does not assume invasive construction activity. However, specific interior unit renovation such as window replacement, vinyl flooring, and cabinet replacement is going to take place on a cluster basis (groups of units) and is scheduled to be completed within 3 days and two nights. The residents will be offered a hotel voucher or cash equivalent for the period of their displacement. The Borrower will provide transportation and moving arrangements. In addition, these temporary displaced residents shall be entitled to compensation for all reasonable out-of-pocket expenses incurred in connection with temporary relocation.

The Borrower will conduct tenant orientation meetings prior to the purchase of the property and before and during the rehabilitation period regarding the scope of work and timelines, and address any tenant issue or concerns regarding the project.

MARKET

Market Overview

The Primary Market Area (PMA) is defined as bound by Sunset Boulevard, Stadium Way, 110 Freeway to the north, Los Angeles River to the east, Wilshire Boulevard/6th Street to the south, and Alvarado to the west. The secondary market area (SMA) for the subject is Los Angeles-Long Beach Metropolitan Statistical Area (MSA), or Los Angeles County.

The subject's immediate area is experiencing economic growth, and many employment opportunities exist within a short distance of the subject. Demographic projections indicate positive growth of population and households in the PMA between 2006 and 2011. In 2006, 83.8 percent of households in the PMA and 60.1 percent of households in the SMA earned less than \$50,000 annually. This data suggests strong support for affordable rental housing in the subject's PMA. In addition, approximately 82.7 percent of renters in the PMA will make less than \$50,000 at the time rehabilitation is completed in 2008. The demographic data suggests a strong demand for affordable rental housing in the PMA. The senior population age 65 and over in the PNA has steadily increased from 2000 to 2006 by 2.1 percent and is anticipated to remain stable through 2011. At the time of rehabilitation completion, it is anticipated that there will be 14,218 persons age 65 and over within the PNA.

Housing Supply and Demand

Housing Supply and Demand

- The rental housing stock in the PMA is primarily comprised of market rate apartments (1970-1997) in average to good condition.

- Occupancy rates for market rate units as of June 2006 is 96.5% LIHTC properties have an average occupancy rate of 100%, with waiting list ranging from six months to several years long. The subject has a 12 month waiting list.
- Orsini Apartments, located 0.1 miles northwest of the subject recently completed construction and will offer one and two bedroom units. This development will be a market rate complex which will not be considered directly competitive with the subject.
- The Housing Authority of the County of Los Angeles which administers the Section 8 program for the entire county indicated an extensive waiting list.
- The subject's proposed LIHTC rents provide an attractive rent advantage over estimated achievable market rents. Post rehab, the subject will be in good condition and offer amenities equal or slightly superior to existing market rate properties in the PMA.

PROJECT FEASIBILITY

Estimated Lease-up Period

- The project is currently 100% leased and the proposed rehabilitation will not interfere with occupancy.

ENVIRONMENTAL

Blackstone Consulting completed a Phase I Environmental Assessment report on July 9, 2007. The report concludes that there are no adverse environmental conditions that warrant further investigation or remedial action.

SEISMIC

URS Corporation performed a seismic review assessment on December 28, 2007. The damage ratio meets the Agency's seismic risk criteria and no further review is needed.

DEVELOPMENT TEAM

Borrower

Grand Plaza Preservation, L.P.

- The non-profit Managing General Partner will be Las Palmas Foundation, located in Carlsbad, California. Las Palmas was found in 1992, and Joseph M. Michaels is the President and Executive Director. Mr. Michaels' has over 22 years of experience in affordable multifamily development.
- The co-general partner and sponsor/developer, Grand Plaza Preservation GP, LLC, a Delaware limited liability company will be an initial general partner in the LP. AIMCO Equity Services Inc. ("AESI") is a subsidiary of Grand Plaza Preservation GP, LLC that specializes in finance and development services. AIMCO and AESI have been actively involved as a developer of affordable housing developments for over seven years

Management AgentGriswold Real Estate Management, Inc.

Griswold Real Estate Management, Inc. has served property owners for nearly twenty-five years. Griswold Real Estate Management, Inc. has been the existing management agent for the subject over the past fifteen years. In addition to their corporate office in San Diego and a satellite office in Los Angeles (serving all five Southern California counties), they also have a large corporate office in Las Vegas which has served southern Nevada for fifteen years.

ArchitectDavis Group.

- The Davis Group was established in 1974 and the office is located in San Diego, California. Davis Group has provided complete architectural and planning services to a variety of project types, including affordable, market rate, and luxury multi-family residential, single family residential developments, mixed use (retail/residential) and religious facilities.

ContractorPortrait Homes, Inc.

- Portrait Homes, Inc. has been a general contractor since 1989. The company is located in Corona, California. Their work includes primarily multi-family, government assisted (Low Income Housing and Tax Credit assisted) and commercial properties. They specialize in all aspects of new construction, rehabilitation, and development.

PROJECT SUMMARY**PROJECT NUMBER: 07-014 A/S****Final application**

Project: Grand Plaza
Location: 601 North Grand Avenue
City: Los Angeles
County: Los Angeles
Zip Code: 90012

Developer: Grand Plaza Preservation L.P.
Partner: Las Palmas Foundation
Investor: AIMCO Corp. Fund VII

Project Type: Wood Frame
Occupancy: Senior
Total Units: 302
Style Units: Flats
Elevators: Yes
Total Parking Covered: 147 / 0

No. of Buildings: 5
No. of Stories: 4 & 6
Residential Space: 166,260 sq. ft.
Community/Leasing Space: 0 sq. ft.
Commercial Space: 0 sq. ft.
Gross Area: 166,260 sq. ft.
Land Area: 36,895 sq. ft.
Units per acre: 357

CalHFA Acquisition/Rehab Financing	Amount	Rate	Term (Mths)
CalHFA Acquisition Financing	\$16,400,000	5.000%	12
Developer Contribution - Mezz.Loan	\$0		
Deferred Dev. Fee	\$2,338,874		
	\$0		

Permanent Sources of Funds	Amount	Rate	Years
CalHFA First Mortgage*	\$16,400,000	5.00%	30
CalHFA Bridge Loan	\$0	0.00%	0
CalHFA Second Mortgage* (funded at acquisition)	\$3,500,000	6.25%	30
Source 4	\$0	0.00%	0
Source 5	\$0	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 - Mezz.Loan			
Deferred Dev. Fee	\$10,000		
Tax Credit Equity (funded at acquisition)	\$9,032,562		

Construction Valuation	Appraisal	Value Upon Completion
Investment Value \$34,180,000	Appraisal Date: 9/9/07	Restricted Value \$23,500,000
Loan / Cost 64%	Cap Rate: 6.00%	Perm. Loan / Cost 62%
Loan / Value 58%		Perm. Loan / Value 85%

CalHFA Fees and Reserve Requirements

CalHFA Loan Fees	Amount	Required Reserves	Amount
CalHFA Acquisition Loan Fee	\$82,000	Other Reserve	\$0
CalHFA Permanent Loan Fees	\$41,000	Replacement Resv. Initial Deposit	\$453,000
CalHFA Second Loan Fees	\$35,000	Repl. Reserve - Per Unit/ Per Yr	\$500
(bond rate + qtr. Pt.)			
Construction Loan - Guarantees and Fees		CalHFA Operating Expense Reserve	\$0
Completion Guarantee Fee	\$0	Rent Up Reserve	\$0
Contractors Payment/Perf. Bond	\$0	Transitional Operating Reserve	\$570,000
	\$0	Other Reserve	\$0

Date: 1/3/2008**Senior Staff Date:** 12/27/2007

UNIT MIX AND RENT SUMMARY

Grand Plaza

07-014 A/S

Total Unit Mix			
# of Units	Unit Type	# of Baths	Average Sq. Ft.
89	0 Bedroom Flat	1	450
188	1 Bedroom Flat	1	540
25	2 Bedroom Flat	2	800
302			

Number of Regulated Units By Agency					
Agency	35%	50%	50%	60%	80%
CalHFA			61		
Tax Credits			31	210	
Locality					
HCD					
AHP					
Zoning					
Other					

Restricted Rents Compared to Average Market Rents					
Median Income Rent Levels	Units Restricted	Restricted Rents	Avg. Market Rate Rents	Dollars Difference	% of Market
Studio			\$1,000		
35%	0	\$0		\$0	0%
50%	9	\$466		\$534	47%
50%	18	\$466		\$534	47%
60%	60	\$600		\$400	60%
80%	0	\$0		\$0	0%
One Bedroom			\$1,100		
35%	0	\$0		\$0	0%
50%	19	\$494		\$606	45%
50%	38	\$459		\$641	42%
60%	132	\$780		\$320	71%
80%	0	\$0		\$0	0%
Two Bedroom			\$1,300		
35%	0	\$0		\$0	0%
50%	3	\$589		\$711	45%
50%	5	\$589		\$711	45%
60%	17	\$910		\$390	70%
80%	0	\$0		\$0	0%
			\$0		
35%	0	\$0		\$0	0%
50%	0	\$0		\$0	0%
50%	0	\$0		\$0	0%
60%	0	\$0		\$0	0%
80%	0	\$0		\$0	0%

Sources and Uses of Funds

Grand Plaza

07-014 A/S

Final application

SOURCES OF FUNDS:	Funds in during	Funds in at	Total Development Sources		
	Acq/Rehab (\$)	Permanent (\$)	Total Sources of Funds (\$)	Sources per Unit	%
CalHFA Acquisition Financing	16,400,000		16,400,000	54,305	51%
Construction Only Source 2	-		-	-	0%
Construction Only Source 3	-		-	-	0%
CalHFA First Mortgage*		16,400,000	3,500,000	11,589	11%
CalHFA Second Mortgage*	3,500,000	-	-	-	0%
Existing Replacement Reserve	-	-	-	-	0%
Earned Surplus	-	-	-	-	0%
Existing Operating Reserve	-	-	-	-	0%
Source 5	-	-	-	-	0%
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 - Mezz.Loan	-	-	-	-	0%
Deferred Developer Fee	2,338,874	10,000	2,348,874	7,778	7%
Tax Credit Equity	9,032,562	1,023,000	10,055,562	33,297	31%
Total Sources	31,271,436	17,433,000	32,304,436	106,968	100%
(Gap)/Surplus	-	-	-	-	-

*Total Permanent Loans - \$0, comprised of \$0 T/E, \$0 Agency Funds

USES OF FUNDS:	Acq/Rehab (\$)	Permanent (\$)	Total Development Costs		
			Total Uses of Funds (\$)	Cost per Unit	%
LOAN PAYOFFS & ROLLOVERS					
Construction Loan payoffs		\$16,400,000			
ACQUISITION					
Lesser of Land Cost or Value	2,200,000	-	2,200,000	7,285	7%
Seller's Prepayment Penalty	1,200,000	-	1,200,000	3,974	4%
Legal - Acquisition Related Fees	-	-	-	-	0%
Subtotal - Land Cost / Value	3,400,000	-	3,400,000		
Existing Improvements Value	20,100,000	-	20,100,000	66,556	62%
Off-Site Improvements	-	-	-	-	0%
Other	-	-	-	-	0%
Total Acquisition	23,500,000	-	23,500,000	77,815	73%
REHABILITATION					
Site Work	-	-	-	-	0%
Rehab to Structures	3,165,885	-	3,165,885	10,483	10%
General Requirements	185,589	-	185,589	615	1%
Contractors Overhead	185,760	-	185,760	615	1%
Contractors Profit	61,920	-	61,920	205	0%
Contractor's Bond	36,562	-	36,562	121	0%
General Liability Insurance	36,562	-	36,562	121	0%
Environmental Mitigation Expense	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Rehabilitation	3,672,278	-	3,672,278	12,160	11%
RELOCATION EXPENSES					
Relocation Expense	75,500	-	75,500	250	0%
Relocation Compliance Monitoring	-	-	-	-	0%
Total Relocation	75,500	-	75,500	250	0%

(Continued on Next 2 Pages)

USES OF FUNDS (Cont'd):	Acq/Rehab (\$)	Permanent (\$)	Total Development Costs		
			Total Uses of Funds (\$)	Cost per Unit per Unit	%
<u>NEW CONSTRUCTION</u>					
Site Work	-	-	-	-	0%
Structures (Hard Costs)	-	-	-	-	0%
General Requirements	-	-	-	-	0%
Contractors Overhead	-	-	-	-	0%
Contractors Profit	-	-	-	-	0%
Contractor's Perf. & Pymt Bond	-	-	-	-	0%
General Liability Insurance	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total New Construction	-	-	-	-	0%
<u>ARCHITECTURAL & ENGINEERING</u>					
Architectural Design	59,361	-	59,361	197	0%
Architect's Supv during Construction	19,786	-	19,786	66	0%
Total Architectural	79,147	-	79,147	262	0%
Engineering Expense	65,000	-	65,000	215	0%
Engineers Supv. during Construction	-	-	-	-	0%
ALTA Survey	-	-	-	-	0%
Total Engineering & Survey	65,000	-	65,000	215	0%
<u>ACQUISITION LOAN COSTS</u>					
Construction Loan Interest	487,900	-	487,900	1,616	2%
CalHFA Acquisition Loan Fee	82,000	-	82,000	272	0%
Other Const. Loan Fee	-	-	-	-	0%
CalHFA Outside Legal Counsel Fees	-	-	-	-	0%
Other Lender Req'd Legal Fees	-	-	-	-	0%
Title and Recording fees	20,000	-	20,000	66	0%
CalHFA Req'd Inspection Fees	18,000	-	18,000	60	0%
Other Req'd Inspection Fees	-	-	-	-	0%
Prevailing Wage Monitoring Expense	-	-	-	-	0%
Taxes & Insurance during rehab	27,476	-	27,476	91	0%
Predevelopment Interest	-	-	-	-	0%
Cost for Completion Guarantee	-	-	-	-	0%
Other	-	-	-	-	0%
Total Construction Loan Expense	635,376	-	635,376	2,104	2%
<u>PERMANENT LOAN COSTS</u>					
CalHFA Perm Loan Fees	41,000	-	41,000	136	0%
CalHFA Second Loan Fees	35,000	-	35,000	116	0%
CalHFA Loan Application Fee	500	-	500	2	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	2	0%
Other	-	-	-	-	0%
Total Permanent Loan Expense	77,100	-	77,100	255	0%
<u>LEGAL FEES</u>					
Borrower Legal Fee	115,000	-	115,000	381	0%
Syndication	-	-	-	-	0%
Total Attorney Expense	115,000	-	115,000	381	0%

USES OF FUNDS (Cont'd):	Acq/Rehab (\$)	Permanent (\$)	Total Development Costs		
			Permanent of Funds (\$)	Per Unit per Unit	%
<u>CONTRACT / REPORT COSTS</u>					
Appraisal	10,000	-	10,000	33	0%
Market Study	10,000	-	10,000	33	0%
Physical Needs Assessment	5,000	-	5,000	17	0%
HUD Risk Share Environ. Review	-	-	-	-	0%
CalHFA EQ Seismic Review Fee	-	-	-	-	0%
Environmental Phase I / II Reports	10,000	-	10,000	33	0%
Soils / Geotech Reports	10,000	-	10,000	33	0%
Asbestos / Lead-based Paint Report	-	-	-	-	0%
Noise/Acoustical/Traffic Study Report	-	-	-	-	0%
Termite/dry rot	1,200	-	1,200	4	0%
Other	-	-	-	-	0%
Total Contract Costs	46,200	-	46,200	153	0%
<u>CONTINGENCY</u>					
Hard Cost Contingency	349,084	-	349,084	1,156	1%
Soft Cost Contingency	-	-	-	-	0%
Total Contingency	349,084	-	349,084	1,156	1%
<u>RESERVES</u>					
CalHFA Operating Expense Reserve	-	-	-	-	0%
Construction Defects Reserve	-	-	-	-	0%
Funded Replacement Reserve	-	453,000	453,000	1,500	1%
Capitalized Investor Req'd Reserve	-	-	-	-	0%
Transitional Operating Reserve	-	570,000	570,000	1,887	2%
Total Reserves	-	1,023,000	1,023,000	3,387	3%
<u>OTHER</u>					
CTCAC App/Alloc/Monitor Fees	136,751	-	136,751	453	0%
Local Permit Fees	20,000	-	20,000	66	0%
Local Development Impact Fees	-	-	-	-	0%
Other Local Fees	-	-	-	-	0%
Advertising & Marketing Expenses	-	-	-	-	0%
1st Year Taxes & Insurance	-	-	-	-	0%
Furnishings	-	-	-	-	0%
Final Cost Audit Expense	-	10,000	10,000	33	0%
Miscellaneous Admin Fees	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Other Expenses	156,751	10,000	166,751	552	1%
SUBTOTAL PROJECT COSTS	28,771,436	17,433,000	29,804,436	98,690	92%
<u>DEVELOPER COSTS</u>					
Developer Overhead/Profit (5% Acq.)	2,500,000	-	2,500,000	8,278	8%
Developer Overhead/Profit (NC/Rehab)	-	-	-	-	0%
Consultant / Processing Agent	-	-	-	-	0%
Project Administration	-	-	-	-	0%
Broker Fees to a related party	-	-	-	-	0%
Construction Mgmt. Oversight	-	-	-	-	0%
Other	-	-	-	-	0%
Total Developer Fee / Costs	2,500,000	-	2,500,000	8,278	8%
Total Costs	31,271,436	17,433,000	32,304,436	106,968	100%

Annual Operating Budget

Grand Plaza

Final application

INCOME:	\$ Amount	Per Unit	% of Total
Total Rental Income	\$2,382,624	\$7,889	99.77%
Laundry	\$5,402	\$18	0.23%
Other Income	\$0	\$0	0.00%
Gross Potential Income (GPI)	\$2,388,026	\$7,907	100.00%

Less:

Vacancy Loss	\$597,007	\$1,977	33.33%
Effective Gross Income	\$1,791,020	\$5,931	

EXPENSES:	Total Cost	Per Unit	% of Total
Payroll	\$244,582	\$810	22.45%
Administrative	\$51,489	\$170	4.73%
Management fee	\$112,199	\$372	10.30%
Utilities	\$153,601	\$509	14.10%
Operating and Maintenance	\$185,976	\$616	17.07%
Insurance and Business Taxes	\$170,164	\$563	15.62%
Locality Compliance Monitoring Fee	\$0	\$0	0.00%
Other	\$0	\$0	0.00%
Subtotal Expenses	\$918,011	\$3,040	84.25%

Replacement Reserves	\$151,000	\$500	13.86%
Taxes & Assessments	\$20,612	\$68	1.89%
Total Expenses	\$1,089,623	\$3,608	100.00%

Financial Expenses

CalHFA First Mortgage*	\$0	\$0	
CalHFA Second Mortgage*	\$218,750	\$724	
Other Required Debt Service	\$0	\$0	

NET OPERATING INCOME	\$482,647	\$1,598	
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Cash Flow Final application CalHFA Project Number: 07-014 A/S Grand Plaza

RENTAL INCOME	Rehab Yr. 1	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Affordable Rents	2,382,624	2,525,581	2,677,116	2,744,044	2,812,645	2,882,961	2,955,036	3,028,911	3,104,634	3,182,250	3,261,806
Affordable Rent Increase	6.00%	6.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Rental Subsidies	0	0	0	0	0	0	0	0	0	0	0
Rental Subsidy Increases	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unrestricted Units	0	0	0	0	0	0	0	0	0	0	0
Unrestricted Unit Increases	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
TOTAL RENTAL INCOME	2,382,624	2,525,581	2,677,116	2,744,044	2,812,645	2,882,961	2,955,036	3,028,911	3,104,634	3,182,250	3,261,806

OTHER INCOME	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
Laundry	5,402	5,537	5,676	5,818	5,963	6,112	6,265	6,421	6,582	6,747	6,915
Other Income	0	0	0	0	0	0	0	0	0	0	0
Other Income Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
TOTAL OTHER INCOME	5,402	5,537	5,676	5,818	5,963	6,112	6,265	6,421	6,582	6,747	6,915

GROSS POTENTIAL INCOME	2,388,026	2,531,119	2,682,792	2,749,862	2,818,608	2,889,074	2,961,300	3,035,333	3,111,216	3,188,997	3,268,722
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VACANCY ASSUMPTIONS	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
Affordable (Blended Average)	25.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	
Rental Subsidy Income	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
Unrestricted Units	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
Laundry & Other Income	25.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	
LESS: VACANCY LOSS	597,007	126,556	134,140	137,493	140,930	144,454	148,065	151,767	155,561	159,450	163,436

EFFECTIVE GROSS INCOME	1,791,020	2,404,563	2,548,652	2,612,369	2,677,678	2,744,620	2,813,235	2,883,566	2,955,655	3,029,547	3,105,285
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OPERATING EXPENSES	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
Expenses	918,011	950,141	983,396	1,017,815	1,053,439	1,090,309	1,128,470	1,167,966	1,208,845	1,251,155	1,294,945
Annual Expense Increase	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Taxes and Assessments	20,612	21,024	21,445	21,874	22,311	22,757	23,212	23,677	24,150	24,633	25,126
Annual Tax Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Replacement Reserve	0	151,000	151,000	151,000	151,000	151,000	151,000	151,000	158,550	158,550	158,550
Percentage Increase Yearly	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TOTAL EXPENSES	938,623	1,122,166	1,155,841	1,190,689	1,226,750	1,264,066	1,302,682	1,342,643	1,391,545	1,434,338	1,478,621

NET OPERATING INCOME	852,397	1,282,397	1,392,811	1,421,680	1,450,928	1,480,553	1,510,553	1,540,923	1,564,110	1,595,209	1,626,664
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DEBT SERVICE	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
CalHFA - 1st Mortgage	0	1,056,465	1,056,465	1,056,465	1,056,465	1,056,465	1,056,465	1,056,465	1,056,465	1,056,465	1,056,465
CalHFA - Bridge Loan	0	0	0	0	0	0	0	0	0	0	0
CalHFA - 2nd Mortgage	218,750	218,750	218,750	218,750	218,750	218,750	218,750	218,750	218,750	218,750	218,750
None	0	0	0	0	0	0	0	0	0	0	0
None	0	0	0	0	0	0	0	0	0	0	0

DEBT COVERAGE RATIO	3.90	1.01	1.09	1.11	1.14	1.16	1.18	1.21	1.23	1.25	1.28
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Cash Available for distribution	633,647	7,182	117,596	146,465	175,713	205,339	235,338	265,708	288,895	319,994	351,449
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Cash Flow **CalHFA Project Number: 07-014 A/S** **Grand Plaza**

	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
RENTAL INCOME										
Affordable Rents	3,343,351	3,426,935	3,512,609	3,600,424	3,690,434	3,782,695	3,877,263	3,974,194	4,073,549	4,175,388
Affordable Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Rental Subsidies	0	0	0	0	0	0	0	0	0	0
Rental Subsidy Increases	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Unrestricted Units	0	0	0	0	0	0	0	0	0	0
Unrestricted Unit Increases	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
TOTAL RENTAL INCOME	3,343,351	3,426,935	3,512,609	3,600,424	3,690,434	3,782,695	3,877,263	3,974,194	4,073,549	4,175,388
OTHER INCOME										
Laundry	7,088	7,265	7,447	7,633	7,824	8,020	8,220	8,426	8,636	8,852
Other Income	0	0	0	0	0	0	0	0	0	0
Other Income Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
TOTAL OTHER INCOME	7,088	7,265	7,447	7,633	7,824	8,020	8,220	8,426	8,636	8,852
GROSS POTENTIAL INCOME	3,350,440	3,434,201	3,520,056	3,608,057	3,698,258	3,790,715	3,885,483	3,982,620	4,082,185	4,184,240
VACANCY ASSUMPTIONS										
Affordable (Blended Average)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Rental Subsidy Income	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Unrestricted Units	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Laundry & Other Income	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
LESS: VACANCY LOSS	167,522	171,710	176,003	180,403	184,913	189,536	194,274	199,131	204,109	209,212
EFFECTIVE GROSS INCOME	3,182,918	3,262,491	3,344,053	3,427,654	3,513,345	3,601,179	3,691,209	3,783,489	3,878,076	3,975,028
OPERATING EXPENSES										
Expenses	1,340,268	1,387,178	1,435,729	1,485,979	1,537,989	1,591,818	1,647,532	1,705,196	1,764,877	1,826,648
Annual Expense Increase	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Taxes and Assessments	25,628	26,141	26,664	27,197	27,741	28,296	28,862	29,439	30,028	30,628
Annual Tax Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Replacement Reserve	158,550	158,550	166,478	166,478	166,478	166,478	166,478	174,801	174,801	174,801
Percentage Increase Yearly	0.00%	5.00%	0.00%	0.00%	0.00%	0.00%	5.00%	0.00%	0.00%	0.00%
TOTAL EXPENSES	1,524,447	1,571,869	1,628,870	1,679,654	1,732,207	1,786,592	1,842,871	1,909,436	1,969,707	2,032,078
NET OPERATING INCOME	1,658,471	1,690,622	1,715,183	1,748,000	1,781,138	1,814,587	1,848,337	1,874,053	1,908,369	1,942,950
DEBT SERVICE										
CalHFA - 1st Mortgage	1,056,465	1,056,465	1,056,465	1,056,465	1,056,465	1,056,465	1,056,465	1,056,465	1,056,465	1,056,465
CalHFA - Bridge Loan	218,750	218,750	218,750	218,750	218,750	218,750	218,750	218,750	218,750	218,750
CalHFA - 2nd Mortgage	0	0	0	0	0	0	0	0	0	0
None	0	0	0	0	0	0	0	0	0	0
None	0	0	0	0	0	0	0	0	0	0
DEBT COVERAGE RATIO	1.30	1.33	1.35	1.37	1.40	1.37	1.39	1.41	1.44	1.47
Cash Available for distribution	383,256	415,407	439,968	472,785	505,923	489,373	523,122	548,838	583,155	617,735

Cash Flow

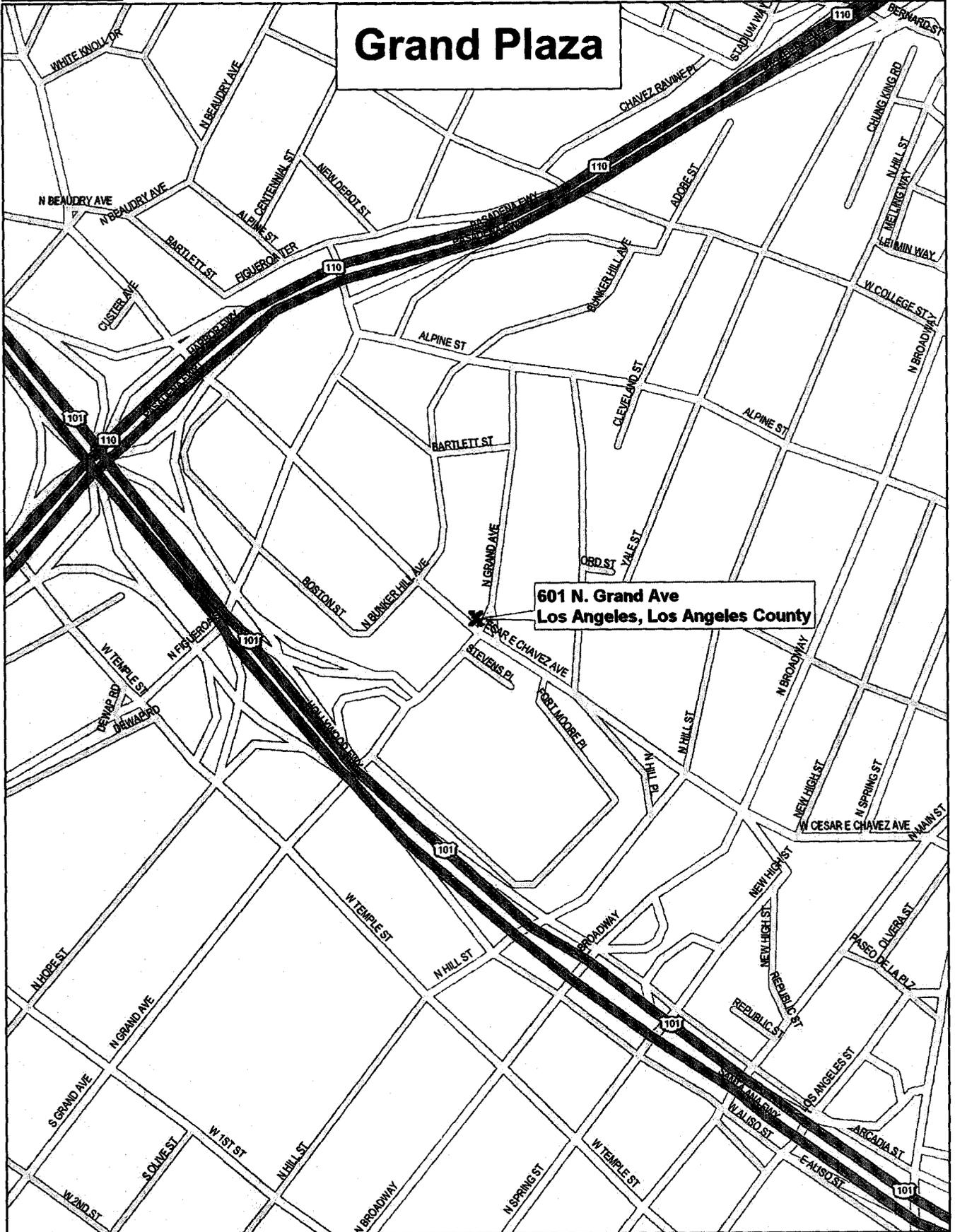
CalHFA Project Number: 07-014 A/S

	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
RENTAL INCOME										
Affordable Rents	4,279,773	4,386,767	4,496,436	4,608,847	4,724,068	4,842,170	4,963,224	5,087,305	5,214,487	5,344,849
Affordable Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Rental Subsidies	0	0	0	0	0	0	0	0	0	0
Rental Subsidy Increases	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Unrestricted Units	0	0	0	0	0	0	0	0	0	0
Unrestricted Unit Increases	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
TOTAL RENTAL INCOME	4,279,773	4,386,767	4,496,436	4,608,847	4,724,068	4,842,170	4,963,224	5,087,305	5,214,487	5,344,849
OTHER INCOME										
Laundry	9,073	9,300	9,533	9,771	10,015	10,266	10,522	10,785	11,055	11,331
Other Income	0	0	0	0	0	0	0	0	0	0
Other Income Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
TOTAL OTHER INCOME	9,073	9,300	9,533	9,771	10,015	10,266	10,522	10,785	11,055	11,331
GROSS POTENTIAL INCOME	4,288,846	4,396,067	4,505,969	4,618,618	4,734,083	4,852,435	4,973,746	5,098,090	5,225,542	5,356,181
VACANCY ASSUMPTIONS										
Affordable (Blended Average)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Rental Subsidy Income	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Unrestricted Units	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Laundry & Other Income	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
LESS: VACANCY LOSS	214,442	219,803	225,298	230,931	236,704	242,622	248,687	254,905	261,277	267,809
EFFECTIVE GROSS INCOME	4,074,404	4,176,264	4,280,670	4,387,687	4,497,379	4,609,814	4,725,059	4,843,186	4,964,265	5,088,372
OPERATING EXPENSES										
Expenses	1,890,581	1,956,751	2,025,237	2,096,121	2,169,485	2,245,417	2,324,006	2,405,347	2,489,534	2,576,667
Annual Expense Increase	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Taxes and Assessments	31,241	31,866	32,503	33,153	33,816	34,492	35,182	35,886	36,604	37,336
Annual Tax Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Replacement Reserve	174,801	174,801	183,541	183,541	183,541	183,541	183,541	192,719	192,719	192,719
Percentage Increase Yearly	0.00%	5.00%	0.00%	0.00%	0.00%	0.00%	5.00%	0.00%	0.00%	0.00%
TOTAL EXPENSES	2,096,623	2,163,418	2,241,282	2,312,815	2,386,843	2,463,451	2,542,730	2,633,951	2,718,856	2,806,722
NET OPERATING INCOME	1,977,781	2,012,846	2,039,388	2,074,872	2,110,537	2,146,363	2,182,329	2,209,234	2,245,409	2,281,650
DEBT SERVICE										
CalHFA - 1st Mortgage	1,056,465	1,056,465	1,056,465	1,056,465	1,056,465	1,056,465	1,056,465	1,056,465	1,056,465	1,056,465
CalHFA - Bridge Loan	268,750	268,750	268,750	268,750	268,750	268,750	268,750	268,750	268,750	268,750
CalHFA - 2nd Mortgage	0	0	0	0	0	0	0	0	0	0
None	0	0	0	0	0	0	0	0	0	0
None	0	0	0	0	0	0	0	0	0	0
DEBT COVERAGE RATIO	1.49	1.52	1.54	1.57	1.59	1.62	1.65	1.67	1.69	1.72
Cash Available for distribution	652,566	687,631	714,173	749,657	785,322	821,148	857,114	884,019	920,194	956,435

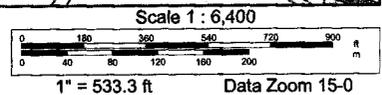
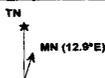
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Grand Plaza



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 Los Angeles, Los Angeles County



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RESOLUTION 08-01

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Grand Plaza Preservation, L.P., 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 Los Angeles, County, California, to be known as Grand Plaza 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 November 14, 2007, 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>MORTGAGE AMOUNT</u>
07-014-A/S	Grand Plaza Apartments Los Angeles County, California	\$16,400,000.00 First Mortgage \$ 3,500,000.00 Second Mortgage

1 Resolution 08-01

2 Page 2

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5 2. The Executive Director may modify the terms and conditions of the loans or
6 loans as described in the Staff Report, provided that major modifications, as defined below,
7 must be submitted to this Board for approval. "Major modifications" as used herein means
8 modifications which either (i) increase the total aggregate amount of any loans made pursuant to
9 the Resolution by more than 7%; or (ii) modifications which in the judgment of the Executive
10 Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily
11 Programs of the Agency, adversely change the financial or public purpose aspects of the final
12 commitment in a substantial way.

13

14 I hereby certify that this is a true and correct copy of Resolution 08-01 adopted at a duly
15 constituted meeting of the Board of the Agency held on January 17, 2008 at Millbrae,
16 California.

17

18

19

20

ATTEST: _____
Secretary

21

22

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24

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CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Villa Springs Apartments
Hayward, Alameda County, CA
CalHFA # 07-015-A/N

SUMMARY

This is a Final Commitment request for acquisition/rehabilitation and permanent financing. Security for the acquisition/rehabilitation and permanent loans will be a 66-unit family apartment complex known as Villa Springs Apartments, located at 22328-22330 S. Garden Avenue, Hayward, California. Villa Springs Apartments, L.P., ("Borrower") whose managing general partner is Villa Springs LLC, and whose sole member is Eden Housing, Inc., a California nonprofit public benefit corporation, will own the project.

Villa Springs Apartments is an existing portfolio loan currently owned by Eden Housing, Inc., a California nonprofit public benefit corporation. The Villa Springs project was constructed in 1973 and is a 66-unit, garden/low-rise, two-story 6 building, family style apartment complex. Three Regulatory Agreements recorded against the property restrict the rental of the majority of the apartment units to tenant with Very Low to Low Income levels. The existing regulatory agreements need to be extended to be co-terminus or to exceed the term of the new 55-year, LIHTC Regulatory Agreement.

LOAN TERMS**Acquisition/Rehabilitation**

First Mortgage	\$5,700,000
Interest Rate	5.0%, variable
Term	12 Months, interest only
Financing	Tax-Exempt
Second Mortgage*	\$500,000
Interest Rate	3.0%
Term	30 years, residual receipts
Prepayment	After year 15
Financing	HAT (Asset Management)

*At the time of permanent loan funding, this loan will remain in place and will be subordinate to the CalHFA's Permanent First Mortgage.

Permanent

First Mortgage	\$3,100,000
Interest Rate	5.0%
Term	30 year fixed, fully amortized
Prepayment	After year 15
Financing	Tax-Exempt

CalHFA acquisition/rehabilitation financing is subject to the assignment by the borrower of tax credit equity and all rights under non-CalHFA financing commitments.

OTHER FINANCING

Internal Revenue Code section 1.1274-5 applies to the assumption of existing debt whose terms are modified. For tax purposes, the assumed debt has a principal amount equal to the net present value of the amount paid at maturity. This tax provision has absolutely nothing to do with the amount that's actually owed to the lender or the interest accruing thereon; it strictly affects how the loan is treated by the borrower for tax purposes. Therefore, the net present value for underwriting purposes is \$48,775 for the County of Alameda loan and \$338,868 for the CHRP loan. The net present value and approval of this approach for tax purposes is subject to approval by Agency's tax credit counsel.

There was also a City of Hayward loan of \$250,000 that was recently approved this year for new roofs. The city loan is 3% simple interest for 55 years.

A Eden Housing, Inc. carry back loan of \$1,682,332 with a rate of 3% and a term of 55 years, payable only from residual receipts. The seller carry back loan is subject to approval by bond counsel.

PROJECT DESCRIPTIONS

Project Locations

- The subject is situated in the northwestern portion of Hayward on the west side of Interstate 880. The area is known as the Longwood/Winter Grove neighborhood.
- The project boundaries are Interstate 880 to the east, City limits just north of West A Street to the north, Hesperian Boulevard to the west, and West Winton Avenue to the south.
- The City of Hayward is located in the East Bay region of the San Francisco Bay Area and is situated in the south central portion of Alameda County. Hayward is bound by the San Francisco Bay on the west, the City of San Leandro and the unincorporated communities of San Lorenzo and Castro Valley on the north, the City of Pleasanton on the east, and Union City and Fremont to the south.
- Improvements immediately adjacent to the subject property, as well as those along the subject block, are mostly two-story apartment developments. Most of the apartments were constructed between 1960 and 1980, and they are in fair to average condition.
- Proximate amenities include a bus stop on the main thoroughfare, A Street, shops and restaurants on A Street, an Amtrak station located one mile east on A Street and BART one-half mile further on A Street, an elementary school and high school within 0.3 miles, Southland Mall located just south of the neighborhood, and supporting commercial and social services are close by.

Site

- The 2.97 acre site is flat and slightly irregular.
- An Alameda County flood canal traverses through the southern portion of the subject property in a general east-west direction.

- This site is zoned RH-High Density Residential, which allows for development of no more than 34.85 units per acre. The site and its use are legally allowed non-conforming use with the non-compliance related to the on-site parking.

Improvements

- Villa Springs is a 66-unit project built in 1973 and consists of 6 two-story apartment buildings. The site has a leasing office and three laundry room areas and 121 open parking spaces.
- The buildings are conventional wood framed construction with painted T1-11 siding and wood trim. The foundations are continuous spread footings with concrete slabs on grade. The building roofs are built-up roof with slivered tar and gravel covering. Exterior walkways lead to each of the units. There are fences and gates along the frontage and the property is surrounded by fences on three sides.
- There are 3 three-bedroom, 62 two-bedroom, and 1 one-bedroom units.
- Each unit is equipped with a fully functional kitchen that includes a slide-in gas range stove/oven, frost-free refrigerator, dishwasher, and garbage disposal. Each unit also contains gas wall heaters. All units have either patios with wood decks or balconies with wood fences.

PHYSICAL NEEDS ASSESSMENT/SCOPE OF WORK

- Villa Springs is in average condition for a development of this type when compared to other developments of similar type and age in the subject's neighborhood of the City of Hayward.
- The scope of rehabilitation work totals \$2,573,830 (including \$190,754 in added alternates) or \$38,997 per unit and includes:
 - **Site work, \$243,489** – walkways/asphalt repair, seal coat, and concrete repairs, landscaping and playground upgrades, fencing and enclosures, sewer and irrigation (\$28,570).
 - **Building, \$2,136,965** – new roofs (\$250,000), replace exterior siding, windows and sliding doors, downspouts/gutters for all buildings, stair repair/replacement, balconies, and utility doors (\$1,886,965).
 - **Mechanical systems, \$193,376** – replace and install water heaters and plumbing angle stops, exhaust vents (\$52,866). Exterior lighting, hardwire smoke detectors, GFIs, electric motors (\$140,510).
- In addition there is \$250,000 in rehabilitation work that will be completed on the residential units by the Eden Maintenance Staff. This work will begin during the rehabilitation stage and be completed after the loan converts to a permanent loan. The scope of work includes flooring, sub-flooring, carpeting, new cabinets, kitchen/bathroom sinks, faucets, lights, and fixtures, doors, interior painting, appliances. The primary funding source for this work is the replacement reserve funded with the permanent loan.

Work is scheduled to commence in spring 2008 and is projected to be completed within 12 to 15 months.

Off-site improvements

- No off-site improvements and/or costs are required.

Relocation

- There is approximately \$150,000 in relocation expense allocated for this project. Most of the renovation will take place around the occupied units. The rehabilitation plan does not assume invasive construction activity which would result in the temporary displacement of tenants. Approximately 5 tenants are over qualified and \$30,000 per family is estimated for relocation under the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970. Overland, Pacific & Cutler, Inc. (OPC), an experienced relocation firm, has been selected to prepare this Relocation Plan, and will provide all subsequently required relocation assistance for this project.
- The Borrower and OPC will conduct tenant orientation meetings prior to the purchase of the property and before and during the rehabilitation period regarding the scope of work and timelines, to address any tenant issue or concerns regarding these projects.

MARKET**Market Overview**

The Primary Market Area (PMA) for Villa Springs consists of the Longwood/Winter Grove neighborhood area.

In the competitive Bay Area Housing market, Hayward stands out for its comparative affordability, convenient location, and combined City and County amenities. According to the Bay East Association of Realtors, the medium home price in Hayward for October 2006 was \$585,000, which represents a 2.6 percent increase over the 2005 medium sale price. The medium price for a condominium was \$425,000. However, like the rest of the Bay Area, home prices have declined this past year as the sales market has softened.

Based on an E-Housing rent survey of the Hayward market and the appraisal report, the asking monthly market rents for studio units in the subject market area are between \$725 to \$850, one-bedroom units range from \$800 to \$1,050, two-bedroom units range from \$900 to \$1,475, and three-bedroom units range from \$1,200 to \$1,500. Vacancy rates have remained low in both market and affordable projects. Rent concessions are non existent.

In 1981, the City of Hayward enacted a rent control ordinance that has been amended several times, most recently in January 2003. Under the terms of this ordinance, residential units are covered if they are within the Hayward city limits, a certificate of occupancy was issued prior to July 1979 and the owner owns five or more units in the City of Hayward. If the apartment is under rent control, the rent can only be increased 5 percent a year unless they have not received an increase in the previous year, in which case the landlord can increase the rent by a maximum of 10 percent. With respect to the subject's 66-units, 50 units are rent restricted by regulatory agreement, 1-unit is the manager's unit and rent free. The appraiser's discussion with the Hayward Rent Review Department disclosed that the subject's development has not been exempted from the rent control ordinance. As such, the 15 market-rate units are restricted to annual rent increases of no more than 5.0 percent. However, rents on the units are allowed

to be increased to market levels upon vacancy of the existing tenants. In reality, the project will be 100% LIHTC based upon the sale transaction currently in process.

An agreement with Alameda County recorded in July 1992 requires at least 32 two-bedroom and three, three-bedroom units within the subject project to be affordable to Very Low-income households (no greater than 50 percent of AMI) and Low-income households (no greater than 60% AMI). This agreement will expire in July 2051. The Regulatory agreement with the Department of Housing and Community Development (HCD) was signed in July 1992 and restricts 15 of the subject units to Very Low-income households (50% AMI) and another 35 units to Lower-income households (80% AMI). This agreement will terminate in July 2052. Lastly, the third agreement was signed in March 1994 and restricts 14 of the subject units to Very Low-income households (50% AMI). All three agreements are transferable with the title of the property and their terms extended. The County of Alameda will forgive accrued interest on their loan as well as CalHFA on our existing HAT loan. Based on the three agreements, 50 units out of the total 66-unit project are currently required to be set aside as affordable units.

Housing Supply and Demand

Housing Supply and Demand

- The demand for low-income housing in Alameda County, as well as the City of Hayward, is strong. In 2001, there were 3,500 households selected out of 12,700 applicants to be placed on the Section 8 waiting list in Alameda County, according to the Alameda County Housing Authority. Since then, the waiting list has been closed. According to the Housing Authority's website, as of October 2006, the Authority does not "anticipate opening the wait list for several years".
- In terms of below market rental units, there are currently 871 affordable units in Hayward according to Development of Community and Economic Development of the City of Hayward. Interviews with property managers of affordable housing projects indicate a waiting list of up to five years.
- Currently, most of the newer multi-family housing developments proposed, or in the planning process, in the City are for-sale housing. There is also an affordable family apartment complex developed by Eden Housing in Hayward. This project is the Sara Conner Court Apartments which recently completed construction in September 2006. This 57-unit complex is located at the corner of Mission Boulevard and Pulaski Drive. Coupling the limited supply of affordable housing units and the strong demand in the market area, this development is not considered to negatively impact the leasing and/or occupancy levels of the subject project.

PROJECT FEASIBILITY

Estimated Lease-up Period

- Villa Springs is currently 78% occupied. The units are purposely being kept off-line to provide temporary relocation during the rehabilitation stage.

ENVIRONMENTAL

Environmental Services completed a Phase I Environmental Assessment report for the project on November 19, 2007. The report concludes that there are no adverse environmental conditions that warrant further investigation or remedial action on this property.

SEISMIC

URS Corporation performed a preliminary seismic review assessment. The damage ratio met the Agency's seismic risk criteria and no further review is needed.

DEVELOPMENT TEAM**Borrower**Villa Springs Apartments, L.P.

- The non-profit Managing General Partner will be Eden Housing, Inc., located in Hayward, California. Linda Mandolini is the President and Executive Director. Eden Housing, Inc. has over 35 years of experience in affordable multifamily development.

Management AgentEden Housing Management, Inc.

- The Eden Housing Management, Inc. will manage the property. The Eden Housing Management, Inc. has over 35 years of experience and provides management, development and consulting services for non-profit and private sector clients throughout California. The Eden Housing Management, Inc. services units for low-income to extremely low-income persons. The Eden Housing Management, Inc. manages various types of properties including senior communities, tax credit projects, HUD, and Section 8 properties.

ArchitectAnne Phillips Architecture

- Anne Phillips Architecture, located in Berkeley, has provided planning and design services since 1995. Anne Phillips, the principal of the firm, has twenty-nine years of experience in the design and construction fields. Anne Phillips has been hired to assist them in project design, renovation, and construction management during the rehabilitation process.

Contractor**D & H Construction**

- D & H Construction is a corporation formed in 1981. Their work includes primarily multi-family, government assisted (LIHTC assisted) and commercial properties. They have extensive experience working with projects that have Prevailing Wage and Davis-Bacon wage standards, along with other local requirements.

PROJECT SUMMARY

PROJECT NUMBER: 17-015-A/N

Final Commitment

Project: Villa Springs
Location: 22328-22330 S.Garden Ave.
City: Hayward
County: Alameda
Zip Code: 94544

Developer: Eden Hsg.
Partner: Same
Investor: Enterprise

Project Type: Existing
Occupancy: Family
Total Units: 66
Style Units: Flats
Elevators: none
Total Parking Covered: 121 / 0

No. of Buildings: 6
No. of Stories: 2
Residential Space: 54,468 sq. ft.
Office Space: 200 sq. ft.
Commercial Space: 0 sq. ft.
Gross Area: 54,668 sq. ft.
Land Area: 129,373 sq. ft.
Units per acre: 22

CalHFA Construction Financing	Amount	Rate	Term (Mths)
CalHFA Construction Financing	\$5,700,000	5.00%	12

Permanent Sources of Funds	Amount	Rate	Years
CalHFA First Mortgage	\$3,100,000	5.00%	30
CalHFA Bridge Loan	\$0	0.00%	0
CalHFA HAT Loan	\$500,000	3.00%	30
Recast HCD CHRP-R Loan	\$338,868	3.00%	30
Recast County of Alameda	\$48,775	3.00%	55
Existing Reserves	\$128,559	0.00%	0
City of Hayward	\$250,000	3.00%	55
Seller Takeback	\$1,682,332	0.00%	0
Accrued Interest during Const.	\$7,160	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	\$156,875		
Developer Contribution	\$380,793		
Deferred Dev. Fee	\$0		
Tax Credit Equity	\$3,410,000		

Construction Valuation	Appraisal	Value Upon Completion
Investment Value \$7,800,000	Appraisal Date: 11/28/2007	Restricted Value \$4,180,000
Loan / Cost 65%	Cap Rate: 5.50%	Perm. Loan / Cost 31%
Loan / Value 73%		Perm. Loan / Value 74%

CalHFA Fees and Reserve Requirements

CalHFA Loan Fees	Amount	Required Reserves	Amount
CalHFA Construction Loan Fee	\$28,500	Other Reserve	\$0
CalHFA Permanent Loan Fees	\$7,750	Replacement Resv. Initial Deposit	\$316,000
Other Fee	\$0	Repl. Reserve - Per Unit/ Per Yr	\$400
Construction Loan - Guarantees and Fees		CalHFA Operating Expense Reserve	\$0
Completion Guarantee Fee	\$0	Rent Up Reserve	\$0
Contractors Payment Bond	\$0	Capitalized Investor Req'd Reserve	\$137,282
Contractors Performance Bond	\$0	Tax-Exempt Bond Test (Min. 50%)	59.80%

Date: 1/3/2008

Senior Staff Date: 12/27/2007

UNIT MIX AND RENT SUMMARY

Villa Springs

07-015-A/N

Total Unit Mix			
# of Units	Unit Type	# of Baths	Average Sq. Ft.
1	1 Bedroom Flat	1	700
62	2 Bedroom Flat	1	814
3	3 Bedroom Flat	1.5	1,100
	2 Bedroom Townhome	2	
	3 Bedroom Townhome	2	
	4 Bedroom Townhome	2.5	
66			

Number of Regulated Units By Agency							
Agency	35%	45%	50%	60%	80%	Unrestricted	Total
CalHFA			13				
Tax Credits				66			
Locality							
HCD			15		35		
Ala. Co.			35				
Zoning							
Other			14				

Restricted Rents Compared to Average Market Rents					
Median Income Rent Levels	Units Restricted	Restricted Rents	Avg. Market Rate Rents	Dollars Difference	% of Market
One Bedroom			\$740		
35%	0	\$0		\$0	0%
45%	0	\$0		\$0	0%
50%	1	\$666		\$74	90%
60%	0	\$0		\$0	0%
80%	0	\$0		\$0	0%
Two Bedroom			\$900		
35%	0	\$0		\$0	0%
45%	0	\$0		\$0	0%
50%	32	\$797		\$103	89%
60%	29	\$797		\$103	89%
80%	0	\$0		\$0	0%
Three Bedroom			\$1,050		
35%	0	\$0		\$0	0%
45%	0	\$0		\$0	0%
50%	3	\$925		\$125	88%
60%	0	\$0		\$0	0%
80%	0	\$0		\$0	0%
Four Bedroom			\$0		
35%	0	\$0		\$0	0%
45%	0	\$0		\$0	0%
50%	0	\$0		\$0	0%
60%	0	\$0		\$0	0%
80%	0	\$0		\$0	0%

Sources and Uses of Funds

Villa Springs

07-015-A/N

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	5,700,000				
Construction Only Source 2	-				
Construction Only Source 3	-				
CalHFA First Mortgage		3,100,000	3,100,000	46,970	31%
CalHFA HAT Loan	500,000	-	500,000	7,576	5%
Recast HCD CHRP-R Loan	338,868	-	338,868	5,134	3%
Recast County of Alameda	48,775	-	48,775	739	0%
Existing Reserves	-	128,559	128,559	1,948	1%
City of Hayward	250,000	-	250,000	3,788	2%
Seller Takeback	1,682,332	-	1,682,332	25,490	17%
Accrued Interest during Const.	-	7,160	7,160	108	0%
Source 8	-	-	-	-	0%
Source 9	-	-	-	-	0%
Source 10	-	-	-	-	0%
Source 11	-	-	-	-	0%
Source 12	-	-	-	-	0%
Income from Operations	156,875	-	156,875	2,377	2%
Developer Contribution	-	380,793	380,793	-	4%
Deferred Developer Fee	-	-	-	-	0%
Tax Credit Equity	50,000	3,360,000	3,410,000	51,667	34%
Total Sources	8,726,850	6,976,512	10,003,362	151,566	100%
(Gap)/Surplus	-	(0)	(0)		

USES OF FUNDS:	Construction (\$)	Permanent (\$)	Total Development Costs		
			Total Uses of Funds (\$)	Cost per Unit	%
<u>LOAN PAYOFFS & ROLLOVERS</u>					
Construction Loan payoffs		\$5,700,000			
<u>ACQUISITION</u>					
Pay-off CalHFA 1st Mtg.	1,820,727	-	1,820,727	27,587	18%
Pay-off CalHFA HAT Loan	289,298	-	289,298	4,383	3%
Roll-over HCD CHRP Loan	338,868	-	338,868	5,134	3%
Subtotal - Land Cost / Value	2,448,893	-	2,448,893		
Roll-over Co. of Alameda Loan	48,775	-	48,775	739	0%
Existing Replacement Reserve	128,559	-	128,559	1,948	1%
Seller take-back	1,682,332	-	1,682,332	25,490	17%
Total Acquisition	4,308,559	-	4,308,559	65,281	43%
<u>REHABILITATION</u>					
Site Work	15,000	-	15,000	227	0%
Rehab to Structures	2,573,830	-	2,573,830	38,997	26%
General Requirements	147,653	-	147,653	2,237	1%
Contractors Overhead	157,989	-	157,989	2,394	2%
Contractors Profit	-	-	-	#VALUE!	#VALUE!
Contractor's Bond	26,778	-	26,778	406	0%
General Liability Insurance	48,299	-	48,299	732	0%
Environmental Mitigation Expense	-	-	-	-	0%
Personal Property	25,000	-	25,000	379	0%
Other	-	-	-	-	0%
Total Rehabilitation	2,994,549	-	2,994,549	45,372	30%
<u>RELOCATION EXPENSES</u>					
Relocation Expense	150,000	-	150,000	2,273	1%
Relocation Compliance Monitoring	-	-	-	-	0%
Total Relocation	150,000	-	150,000	2,273	1%

(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	-	-	-	-	0%
Structures (Hard Costs)	-	-	-	-	0%
General Requirements	-	-	-	-	0%
Contractors Overhead	-	-	-	-	0%
Contractors Profit	-	-	-	-	0%
Contractor's Perf. & Pymt Bond	-	-	-	-	0%
General Liability Insurance	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total New Construction	-	-	-	-	0%
<u>ARCHITECTURAL & ENGINEERING</u>					
Architectural Design	208,800	-	208,800	3,164	2%
Architect's Supv during Construction	-	-	-	-	0%
Total Architectural	208,800	-	208,800	3,164	2%
Engineering Expense	-	-	-	-	0%
Engineers Supv. during Construction	-	-	-	-	0%
ALTA Survey	6,000	-	6,000	91	0%
Total Engineering & Survey	6,000	-	6,000	91	0%
<u>CONSTRUCTION LOAN COSTS</u>					
Construction Loan Interest	261,169	-	261,169	3,957	3%
CalHFA Construction Loan Fee	28,500	-	28,500	432	0%
Other Construction Loan Fees	-	-	-	-	0%
CalHFA Outside Legal Counsel Fees	-	-	-	-	0%
Other Lender Req'd Legal Fees	-	-	-	-	0%
Title and Recording fees	15,000	-	15,000	227	0%
CalHFA Req'd Inspection Fees	22,500	-	22,500	341	0%
Other Req'd Inspection Fees	-	-	-	-	0%
Prevailing Wage Monitoring Expense	-	-	-	-	0%
Taxes & Insurance during construction	50,000	-	50,000	758	0%
Predevelopment Interest	-	-	-	-	0%
Cost for Completion Guarantee	-	-	-	-	0%
Other	-	-	-	-	0%
Total Construction Loan Expense	377,169	-	377,169	5,715	4%
<u>PERMANENT LOAN COSTS</u>					
CalHFA Perm Loan Fees	-	7,750	7,750	117	0%
CalHFA Bridge Loan Fees	-	-	-	-	0%
CalHFA Loan Application Fee	500	-	500	8	0%
Other Lender Perm. Loan Fees	-	-	-	-	0%
Title and Recording	-	10,000	10,000	152	0%
Perm. Bridge Loan Interest Expense	-	-	-	-	0%
Bond Origination Guarantee Fee	-	-	-	-	0%
Tax Exempt Bond Allocation Fee	600	-	600	9	0%
Other	-	-	-	-	0%
Total Permanent Loan Expense	1,100	17,750	18,850	286	0%
<u>LEGAL FEES</u>					
Borrower Legal Fee	25,000	35,000	60,000	909	1%
Other	30,000	-	30,000	455	0%
Total Attorney Expense	55,000	35,000	90,000	1,364	1%

USES OF FUNDS (Cont'd):	Construction (\$)	Permanent (\$)	Total Development Costs		
			Permanent of Funds (\$)	Per Unit per Unit	%
<u>CONTRACT / REPORT COSTS</u>					
Appraisal	16,000	-	16,000	242	0%
Market Study	8,000	-	8,000	121	0%
Physical Needs Assessment	6,600	-	6,600	100	0%
HUD Risk Share Environ. Review	-	-	-	-	0%
CalHFA EQ Seismic Review Fee	3,200	-	3,200	48	0%
Environmental Phase I / II Reports	6,000	-	6,000	91	0%
Soils / Geotech Reports	-	-	-	-	0%
Asbestos / Lead-based Paint Report	-	-	-	-	0%
Noise/Acoustical/Traffic Study Report	-	-	-	-	0%
Termite	1,200	-	1,200	18	0%
Other	-	-	-	-	0%
Total Contract Costs	41,000	-	41,000	621	0%
<u>CONTINGENCY</u>					
Hard Cost Contingency	359,182	-	359,182	5,442	4%
Soft Cost Contingency	50,000	-	50,000	758	0%
Total Contingency	409,182	-	409,182	6,200	4%
<u>RESERVES</u>					
CalHFA Operating Expense Reserve	-	-	-	-	0%
Replacement Resv. Initial Deposit	-	316,000	316,000	4,788	3%
Rent-Up Reserve	-	-	-	-	0%
Capitalized Investor Req'd Reserve	-	137,282	137,282	2,080	1%
Other	-	-	-	-	0%
Total Reserves	-	453,282	453,282	6,868	5%
<u>OTHER</u>					
CTCAC App/Alloc/Monitor Fees	30,491	-	30,491	462	0%
Local Permit Fees	50,000	-	50,000	758	0%
Local Development Impact Fees	-	-	-	-	0%
Other Local Fees	-	-	-	-	0%
Advertising & Marketing Expenses	5,000	-	5,000	76	0%
1st Year Taxes & Insurance	-	-	-	-	0%
Furnishings	25,000	-	25,000	379	0%
Final Cost Audit Expense	-	10,000	10,000	152	0%
Miscellaneous Admin Fees	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Other Expenses	110,491	10,000	120,491	1,826	1%
SUBTOTAL PROJECT COSTS	8,661,850	6,216,032	9,177,882	139,059	92%
<u>DEVELOPER COSTS</u>					
Developer Overhead/Profit (5% Acq.)	-	760,480	760,480	11,522	8%
Developer Overhead/Profit (NC/Rehab)	-	-	-	-	0%
Consultant / Processing Agent	40,000	-	40,000	606	0%
Construction Manager	25,000	-	25,000	379	0%
Broker Fees to a related party	-	-	-	-	0%
Construction Mgmt. Oversight	-	-	-	-	0%
Other	-	-	-	-	0%
Total Developer Fee / Costs	65,000	760,480	825,480	12,507	8%
Total Costs	8,726,850	6,976,512	10,003,362	151,566	100%

Annual Operating Budget

Villa Springs

Final Commitment

INCOME:	\$ Amount	Per Unit	% of Total
Total Rental Income	\$624,696	\$9,465	98.25%
Laundry	\$11,154	\$169	1.75%
Other Income	\$0	\$0	0.00%
Gross Potential Income (GPI)	\$635,850	\$9,634	100.00%

Less:			
Vacancy Loss	\$31,793	\$482	5.26%
Effective Gross Income	\$604,058	\$9,152	

EXPENSES:	Total Cost	Per Unit	% of Total
Payroll	\$104,600	\$1,585	27.32%
Administrative	\$23,091	\$350	6.03%
Management fee	\$30,888	\$468	8.07%
Utilities	\$53,000	\$803	13.84%
Operating and Maintenance	\$96,434	\$1,461	25.19%
Insurance and Business Taxes	\$33,836	\$513	8.84%
Locality Compliance Monitoring Fee	\$0	\$0	0.00%
Other	\$0	\$0	0.00%
Subtotal Expenses	\$341,849	\$5,180	89.28%
Replacement Reserves	\$26,400	\$400	6.90%
Taxes & Assessments	\$14,633	\$222	3.82%
Total Expenses	\$382,882	\$5,801	100.00%

Financial Expenses

CalHFA First Mortgage	\$199,698	\$3,026
CalHFA HAT Loan	\$0	\$0
Other Required Debt Service	\$0	\$0

NET OPERATING INCOME	\$21,478	\$325
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Cash Flow Final Commitment CalHFA Project Number: J7-015-A/N Villa Springs

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
RENTAL INCOME										
Affordable Rents	624,696	640,313	656,321	672,729	689,547	706,786	724,456	742,567	761,131	780,160
Affordable Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Rental Subsidies	0	0	0	0	0	0	0	0	0	0
Rental Subsidy Increases	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Market Rate Units	0	0	0	0	0	0	0	0	0	0
Unrestricted/Market Unit Increases	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
TOTAL RENTAL INCOME	624,696	640,313	656,321	672,729	689,547	706,786	724,456	742,567	761,131	780,160

OTHER INCOME										
Laundry	11,154	11,377	11,605	11,837	12,073	12,315	12,561	12,812	13,069	13,330
Other Income	0	0	0	0	0	0	0	0	0	0
Other Income Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
TOTAL OTHER INCOME	11,154	11,377	11,605	11,837	12,073	12,315	12,561	12,812	13,069	13,330

GROSS POTENTIAL INCOME	635,850	651,690	667,926	684,566	701,621	719,101	737,017	755,380	774,200	793,490
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VACANCY ASSUMPTIONS										
Affordable (Blended Average)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Rental Subsidy Income	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Unrestricted Units / Market Rate Units	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Laundry & Other Income	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
LESS: VACANCY LOSS	31,793	32,585	33,396	34,228	35,081	35,955	36,851	37,769	38,710	39,674

EFFECTIVE GROSS INCOME	604,058	619,106	634,530	650,338	666,540	683,146	700,166	717,611	735,490	753,815
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OPERATING EXPENSES										
Expenses	341,585	353,540	365,914	378,721	391,977	405,696	419,895	434,592	449,802	465,545
Annual Expense Increase	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Taxes and Assessments	14,633	14,779	14,927	15,076	15,227	15,379	15,533	15,689	15,845	16,004
Annual Tax Increase	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Replacement Reserve	26,664	26,931	27,200	27,472	27,747	28,024	28,304	28,587	28,873	29,162
Percentage Increase Yearly	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
TOTAL EXPENSES	382,882	395,250	408,041	421,270	434,950	449,099	463,733	478,867	494,521	510,711

NET OPERATING INCOME	221,176	223,856	226,488	229,068	231,589	234,047	236,433	238,743	240,969	243,104
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DEBT SERVICE										
CalHFA - 1st Mortgage	199,698	199,698	199,698	199,698	199,698	199,698	199,698	199,698	199,698	199,698
CalHFA - Bridge Loan	0	0	0	0	0	0	0	0	0	0
CalHFA - 2nd Mortgage	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
None	0	0	0	0	0	0	0	0	0	0

DEBT COVERAGE RATIO	1.11	1.12	1.13	1.15	1.16	1.17	1.18	1.20	1.21	1.22
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Cash Available for distribution	21,478	24,158	26,790	29,370	31,892	34,349	36,736	39,046	41,272	43,406
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Cash Flow **CalHFA Project Number: J7-015-A/N** **Villa Springs**

	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
RENTAL INCOME										
Affordable Rents	799,664	819,655	840,147	861,150	882,679	904,746	927,365	950,549	974,313	998,670
Affordable Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Rental Subsidies	0	0	0	0	0	0	0	0	0	0
Rental Subsidy Increases	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Market Rate Units	0	0	0	0	0	0	0	0	0	0
Unrestricted/Market Unit Increases	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
TOTAL RENTAL INCOME	799,664	819,655	840,147	861,150	882,679	904,746	927,365	950,549	974,313	998,670

OTHER INCOME										
Laundry	13,597	13,869	14,146	14,429	14,717	15,012	15,312	15,618	15,931	16,249
Other Income	0	0	0	0	0	0	0	0	0	0
Other Income Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
TOTAL OTHER INCOME	13,597	13,869	14,146	14,429	14,717	15,012	15,312	15,618	15,931	16,249

GROSS POTENTIAL INCOME	813,260	833,524	854,293	875,579	897,397	919,758	942,677	966,167	990,243	1,014,920
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VACANCY ASSUMPTIONS										
Affordable (Blended Average)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Rental Subsidy Income	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Unrestricted Units / Market Rate Units	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Laundry & Other Income	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
LESS: VACANCY LOSS	40,663	41,676	42,715	43,779	44,870	45,988	47,134	48,308	49,512	50,746

EFFECTIVE GROSS INCOME	772,597	791,848	811,578	831,800	852,527	873,770	895,543	917,859	940,731	964,174
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OPERATING EXPENSES										
Expenses	481,839	498,704	516,158	534,224	552,922	572,274	592,304	613,034	634,490	656,698
Annual Expense Increase	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Taxes and Assessments	16,164	16,326	16,489	16,654	16,820	16,988	17,158	17,330	17,503	17,678
Annual Tax Increase	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Replacement Reserve	29,454	29,748	30,046	30,346	30,650	30,956	31,266	31,578	31,894	32,213
Percentage Increase Yearly	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
TOTAL EXPENSES	527,457	544,778	562,693	581,224	600,392	620,219	640,728	661,942	683,888	706,569

NET OPERATING INCOME	245,140	247,070	248,885	250,576	252,135	253,551	254,815	255,916	256,843	257,585
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DEBT SERVICE										
CalHFA - 1st Mortgage	199,698	199,698	199,698	199,698	199,698	199,698	199,698	199,698	199,698	199,698
CalHFA - Bridge Loan	0	0	0	0	0	0	0	0	0	0
CalHFA - 2nd Mortgage	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
None	0	0	0	0	0	0	0	0	0	0

DEBT COVERAGE RATIO	1.23	1.24	1.25	1.25	1.26	1.27	1.28	1.28	1.29	1.29
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Cash Available for distribution	45,443	47,373	49,187	50,879	52,437	53,854	55,118	56,219	57,146	57,887
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Cash Flow CalHFA Project Number: 07-015-A/N Villa Springs

	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
RENTAL INCOME										
Affordable Rents	1,023,637	1,049,228	1,075,459	1,102,345	1,129,904	1,158,151	1,187,105	1,216,783	1,247,202	1,278,383
Affordable Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Rental Subsidies	0	0	0	0	0	0	0	0	0	0
Rental Subsidy Increases	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Market Rate Units	0	0	0	0	0	0	0	0	0	0
Unrestricted/Market Unit Increases	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
TOTAL RENTAL INCOME	1,023,637	1,049,228	1,075,459	1,102,345	1,129,904	1,158,151	1,187,105	1,216,783	1,247,202	1,278,383
OTHER INCOME										
Laundry	16,574	16,906	17,244	17,589	17,941	18,299	18,665	19,039	19,419	19,808
Other Income	0	0	0	0	0	0	0	0	0	0
Other Income Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
TOTAL OTHER INCOME	16,574	16,906	17,244	17,589	17,941	18,299	18,665	19,039	19,419	19,808
GROSS POTENTIAL INCOME	1,040,211	1,066,134	1,092,703	1,119,934	1,147,844	1,176,451	1,205,771	1,235,821	1,266,622	1,298,190
VACANCY ASSUMPTIONS										
Affordable (Blended Average)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Rental Subsidy Income	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Unrestricted Units / Market Rate Units	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Laundry & Other Income	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
LESS: VACANCY LOSS	52,011	53,307	54,635	55,997	57,392	58,823	60,289	61,791	63,331	64,910
EFFECTIVE GROSS INCOME	988,201	1,012,827	1,038,067	1,063,937	1,090,452	1,117,628	1,145,482	1,174,030	1,203,291	1,233,281
OPERATING EXPENSES										
Expenses	679,682	703,471	728,092	753,576	779,951	807,249	835,503	864,745	895,011	926,337
Annual Expense Increase	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Taxes and Assessments	17,855	18,034	18,214	18,396	18,580	18,766	18,953	19,143	19,334	19,528
Annual Tax Increase	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Replacement Reserve	32,535	32,860	33,189	33,521	33,856	34,195	34,537	34,882	35,231	35,583
Percentage Increase Yearly	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
TOTAL EXPENSES	730,072	754,365	779,495	805,493	832,387	860,210	888,993	918,770	949,577	981,448
NET OPERATING INCOME	258,129	258,462	258,572	258,445	258,065	257,419	256,489	255,260	253,714	251,833
DEBT SERVICE										
CalHFA - 1st Mortgage	199,698	199,698	199,698	199,698	199,698	199,698	199,698	199,698	199,698	199,698
CalHFA - Bridge Loan	0	0	0	0	0	0	0	0	0	0
CalHFA - 2nd Mortgage	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
None	0	0	0	0	0	0	0	0	0	0
DEBT COVERAGE RATIO	1.29	1.29	1.29	1.29	1.29	1.29	1.28	1.28	1.27	1.26
Cash Available for distribution	58,431	58,764	58,874	58,747	58,368	57,721	56,791	55,562	54,016	52,135

Cash Flow **CalHFA Project Number: 07-015-A/N** **Villa Springs**

	Year 31	Year 32	Year 33	Year 34	Year 35	Year 36	Year 37	Year 38	Year 39	Year 40
RENTAL INCOME										
Affordable Rents	1,310,342	1,343,101	1,376,678	1,411,095	1,446,372	1,482,532	1,519,595	1,557,585	1,596,525	1,636,438
Affordable Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Rental Subsidies	0	0	0	0	0	0	0	0	0	0
Rental Subsidy Increases	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Market Rate Units	0	0	0	0	0	0	0	0	0	0
Market Rate Unit Increases	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
TOTAL RENTAL INCOME	1,310,342	1,343,101	1,376,678	1,411,095	1,446,372	1,482,532	1,519,595	1,557,585	1,596,525	1,636,438

	Year 31	Year 32	Year 33	Year 34	Year 35	Year 36	Year 37	Year 38	Year 39	Year 40
OTHER INCOME										
Laundry	20,204	20,608	21,020	21,441	21,869	22,307	22,753	23,208	23,672	24,146
Other Income	0	0	0	0	0	0	0	0	0	0
Other Income Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
TOTAL OTHER INCOME	20,204	20,608	21,020	21,441	21,869	22,307	22,753	23,208	23,672	24,146

GROSS POTENTIAL INCOME	1,330,546	1,363,709	1,397,698	1,432,536	1,468,242	1,504,839	1,542,348	1,580,793	1,620,197	1,660,583
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	Year 31	Year 32	Year 33	Year 34	Year 35	Year 36	Year 37	Year 38	Year 39	Year 40
VACANCY ASSUMPTIONS										
Affordable (Blended Average)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Rental Subsidy Income	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Unrestricted Units / Market Rate Units	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Laundry & Other Income	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
LESS: VACANCY LOSS	66,527	68,185	69,885	71,627	73,412	75,242	77,117	79,040	81,010	83,029

EFFECTIVE GROSS INCOME	1,264,019	1,295,523	1,327,813	1,360,909	1,394,830	1,429,597	1,465,231	1,501,753	1,539,187	1,577,554
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	Year 31	Year 32	Year 33	Year 34	Year 35	Year 36	Year 37	Year 38	Year 39	Year 40
OPERATING EXPENSES										
Expenses	958,759	992,315	1,027,046	1,062,993	1,100,198	1,138,704	1,178,559	1,219,809	1,262,502	1,306,690
Annual Expense Increase	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Taxes and Assessments	19,723	19,920	20,120	20,321	20,524	20,729	20,936	21,146	21,357	21,571
Annual Tax Increase	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Replacement Reserve	35,939	36,298	36,661	37,028	37,398	37,772	38,150	38,532	38,917	39,306
Percentage Increase Yearly	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
TOTAL EXPENSES	1,014,421	1,048,534	1,083,827	1,120,342	1,158,120	1,197,206	1,237,646	1,279,486	1,322,776	1,367,566

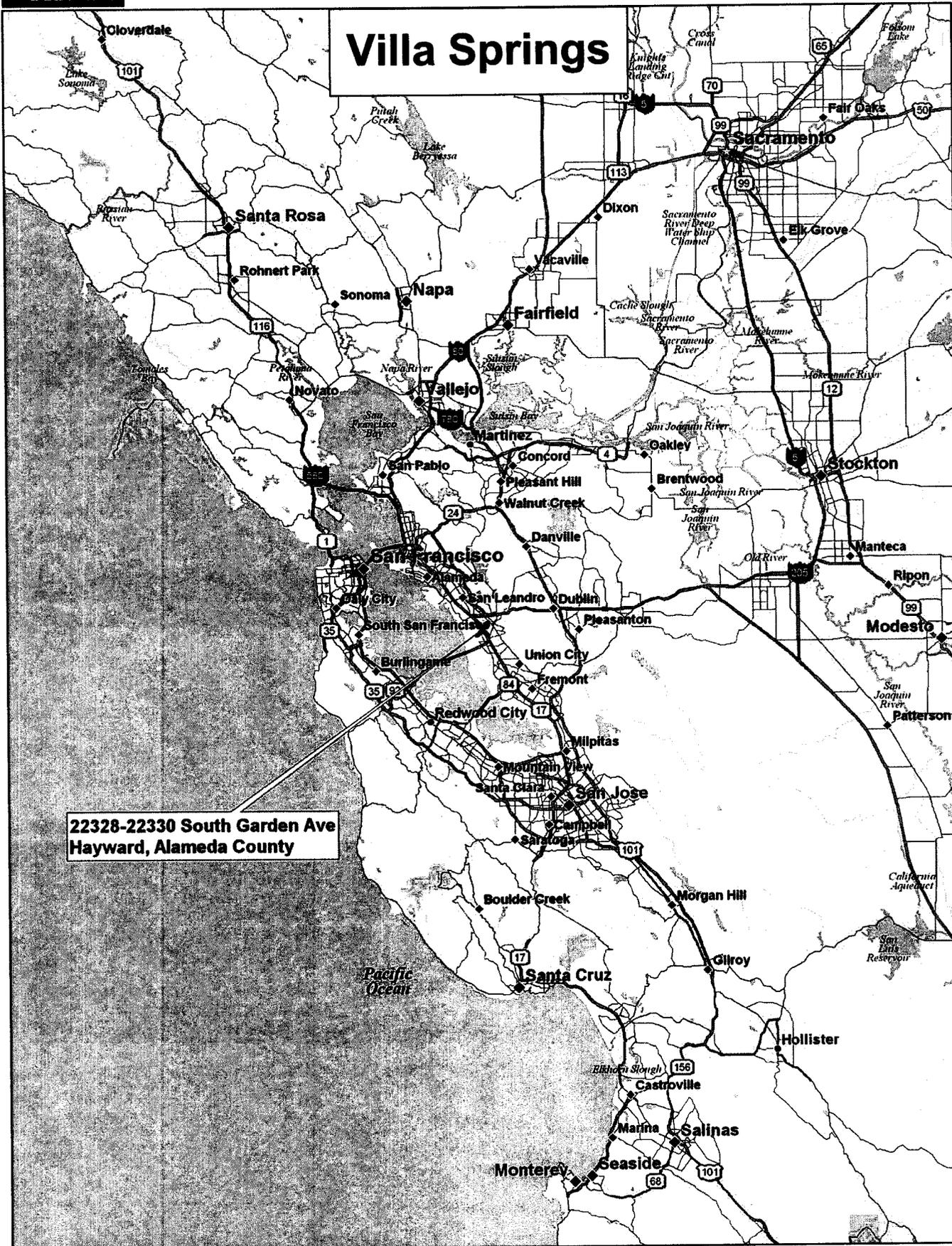
NET OPERATING INCOME	249,598	246,989	243,986	240,567	236,710	232,391	227,585	222,267	216,411	209,988
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	Year 31	Year 32	Year 33	Year 34	Year 35	Year 36	Year 37	Year 38	Year 39	Year 40
DEBT SERVICE										
CalHFA - 1st Mortgage	0	0	0	0	0	0	0	0	0	0
CalHFA - Bridge Loan	0	0	0	0	0	0	0	0	0	0
CalHFA - 2nd Mortgage	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
None	0	0	0	0	0	0	0	0	0	0
DEBT COVERAGE RATIO	0.00									

Cash Available for distribution	249,598	246,989	243,986	240,567	236,710	232,391	227,585	222,267	216,411	209,988
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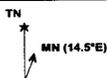


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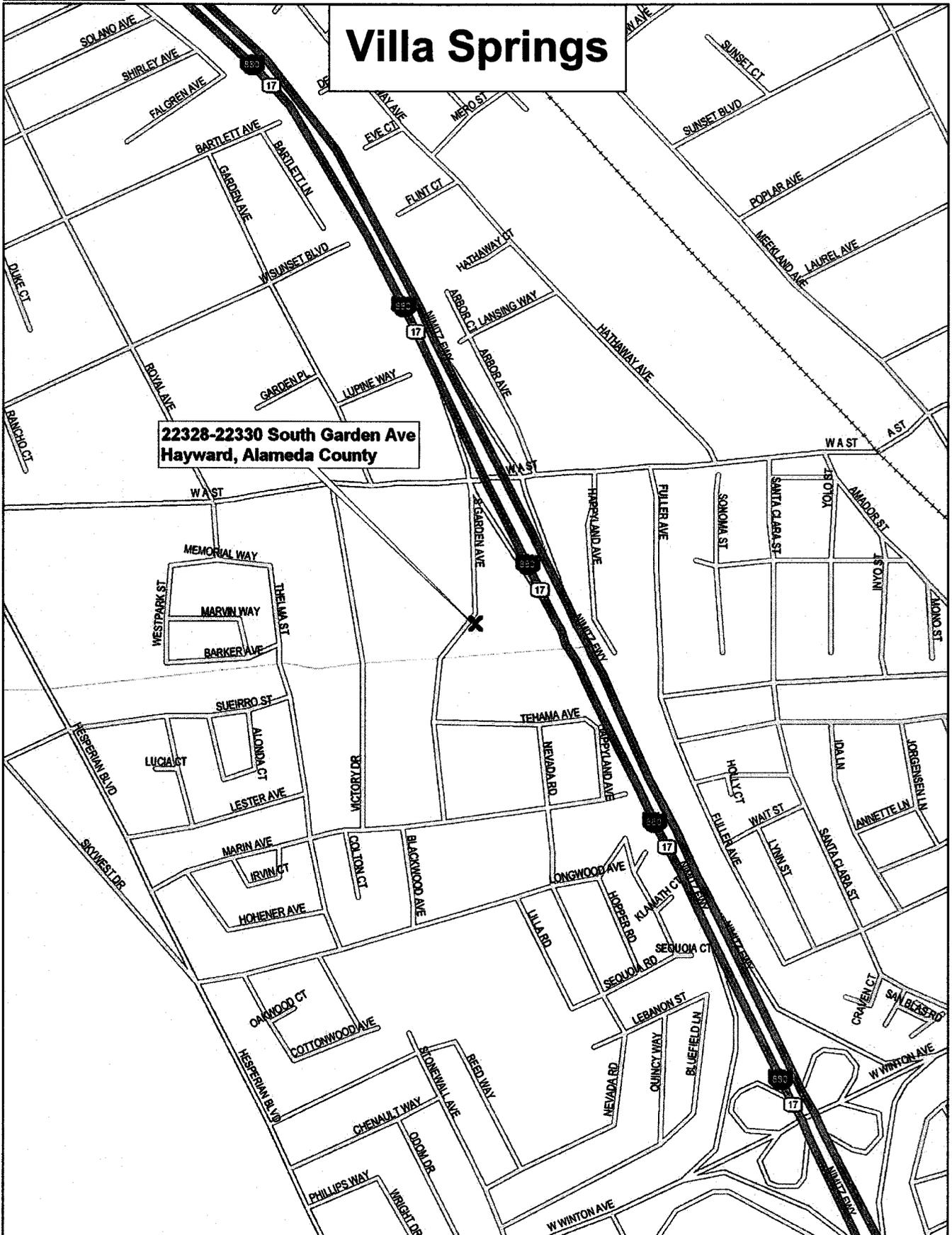
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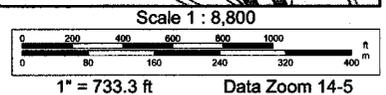
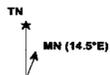
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RESOLUTION 08-02

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Villa Springs apartments, L.P., 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 Hayward, Alameda County, California, to be known as Villa Springs 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 27, 2007, 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>MORTGAGE AMOUNT</u>
07-015-A/N	Villa Springs Apartments Hayward, Alameda County, California	\$5,700,000.00 First Mortgage \$ 500,000.00 Second Mortgage

1 Resolution 08-02

2 Page 2

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4

5 2. The Executive Director may modify the terms and conditions of the loans or
6 loans as described in the Staff Report, provided that major modifications, as defined below,
7 must be submitted to this Board for approval. "Major modifications" as used herein means
8 modifications which either (i) increase the total aggregate amount of any loans made pursuant to
9 the Resolution by more than 7%; or (ii) modifications which in the judgment of the Executive
10 Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily
11 Programs of the Agency, adversely change the financial or public purpose aspects of the final
12 commitment in a substantial way.

13

14 I hereby certify that this is a true and correct copy of Resolution 08-02 adopted at a duly
15 constituted meeting of the Board of the Agency held on January 17, 2008 at Millbrae,
16 California.

17

18

19

20

ATTEST: _____

21

Secretary

22

23

24

25

State of California

MEMORANDUM**To:** Board of Directors**Date:** January 3, 2008**From:** Bruce D. Gilbertson, Director of Financing
CALIFORNIA HOUSING FINANCE AGENCY**Subject:** ANNUAL SINGLE FAMILY BOND REAUTHORIZATION RESOLUTION 08-03

Resolution 08-03 would authorize the sale and issuance of CalHFA single family bonds (with related interest rate swaps and other financial agreements) for another year. In addition, the resolution would authorize the Agency to borrow for homeownership purposes using short-term credit facilities.

This resolution would also modify the homeownership lending program to provide financial assistance to families of low and moderate income to refinance their moderately valued single family homes. In light of the current residential mortgage market, Agency staff has been asked repeatedly about our authority to offer refinancing programs. The Agency's General Counsel, after a review of relevant statutes has indicated that the Agency does indeed have statutory authority to offer such assistance. Approval of Resolution 08-03 would create board authority consistent with this statutory authority and allow the Agency to respond to these inquiries. Any refinance loan program would only be proposed if and when economic conditions would make such a program viable.

Annual reauthorization, a practice approved by the Board every year since 1987, enables the staff to schedule and size our bond transactions to meet demand for loan funds throughout the year without regard to the timing of individual Board meetings.

Resolution 08-03 would authorize single family bonds to be issued in various amounts by category, as follows:

- (1) Equal to the amount of prior single family bonds being retired, including eligible bonds of other issuers;
- (2) Equal to the amount of private activity bond volume cap made available for our single family program by the California Debt Limit Allocation Committee; and
- (3) Up to \$900 million of federally-taxable single family bonds (in addition to any taxable bonds issued under the first category).

Bonds would be authorized to be issued under any of the previously-approved forms of indenture as listed in the resolution. We anticipate using the Home Mortgage Revenue Bonds indenture, with its Aa2/AA- ratings, for our single family bond issuances in 2008. As of this writing, we are not planning to issue bonds under the Residential Mortgage Revenue Bond indenture due to the uncertainty surrounding our mortgage-backed securities program due to credit tightening and re-pricing of risk by Fannie Mae; all stemming from a softening real estate market related to the subprime mortgage market collapse.

Last year's sale of subordinate loans to Fannie Mae is expected to provide the necessary liquidity to finance Agency down payment assistance loans for calendar year 2008. However, if we decide to again issue bonds for purposes of financing homeownership down payment assistance loans, we would anticipate using the Housing Program Bond indenture.

The resolution would also authorize the full range of related financial agreements, including contracts for investment of bond proceeds, for warehousing of mortgages pending the availability of bond proceeds, for interest rate hedging (including the continued use of interest rate swaps), and for forward delivery of bonds through August 1, 2010. The resolution would also authorize contracts for consulting services or information services related to the financial management of the Agency, including advisors or consultants on interest rate swaps, cash flow management, and similar matters, and contracts for financial printing and similar services.

The resolution would also reauthorize short-term credit facilities in an aggregate amount not to exceed \$500 million (for the Homeownership Programs, Multifamily Programs and Bay Area Housing Plan). This authorization would allow us to continue to utilize our warehouse line from the State's Pooled Money Investment Board and up to \$150 million from the Bank of America credit line.

In addition, the resolution would reauthorize cooperation with local agencies similar to that accomplished in recent years with the Southern California Home Financing Authority, the City of Los Angeles Department of Housing and the CRHMFA Homebuyers Fund.

In order to allow for necessary overlap of authority for bond issues scheduled during the time that reauthorization is being considered, Resolution 08-03 would not expire until 30 days after the first Board meeting in the year 2009 at which there is a quorum. Likewise, last year's single family resolution (07-03) will not expire until 30 days after this meeting.

In past years we have strived to lock in our cost of funds approximately every 60 days, whether by means of pricing fixed-rate bonds or via the interest rate swap market. In 2008, we will continue to do our best to periodically match our cost of funds to our lending rates.

Attachment

RESOLUTION NO. 08-03

RESOLUTION OF THE CALIFORNIA HOUSING FINANCE AGENCY
AUTHORIZING THE AGENCY'S SINGLE FAMILY BOND INDENTURES, THE
ISSUANCE OF SINGLE FAMILY BONDS, SHORT- TERM CREDIT FACILITIES FOR
HOMEOWNERSHIP PURPOSES, AND RELATED FINANCIAL AGREEMENTS AND
CONTRACTS FOR SERVICES

WHEREAS, the California Housing Finance Agency (the "Agency") has determined that there exists a need in California for providing financial assistance, directly or indirectly, to persons and families of low or moderate income to enable them to purchase or refinance moderately priced single family residences ("Residences");

WHEREAS, the Agency has determined that it is in the public interest for the Agency to provide such financial assistance by means of various programs, including whole loan and mortgage-backed securities programs (collectively, the "Program") to make loans to such persons and families, or to developers, for the acquisition, development, construction and/or permanent financing of Residences (the "Loans");

WHEREAS, pursuant to Parts 1 through 4 of Division 31 of the Health and Safety Code of the State of California (the "Act"), the Agency has the authority to issue bonds to provide sufficient funds to finance the Program, including the purchase of Loans and mortgage-backed securities, the payment of capitalized interest on the bonds, the establishment of reserves to secure the bonds, and the payment of other costs of the Agency incident to, and necessary or convenient to, the issuance of the bonds;

WHEREAS, the Agency, pursuant to the Act, has from time to time issued various series of its Single Family Mortgage Purchase Bonds (the "SFMP Bonds"), its Home Ownership and Home Improvement Revenue Bonds (the "HOHI Bonds"), its Home Mortgage Revenue Bonds (the "HMP Bonds"), its Home Ownership Mortgage Bonds (the "HOM Bonds"), its Single Family Mortgage Bonds (the "SFMor Bonds"), and its Housing Program Bonds (the "HP Bonds"), and is authorized pursuant to the Act to issue its Residential Mortgage Revenue Bonds (the "RMR Bonds") and additional SFMP Bonds, HOHI Bonds, HMP Bonds, HOM Bonds, SFMor Bonds, and HP Bonds (collectively with bonds authorized under this resolution to be issued under new indentures, the "Bonds") to provide funds to finance the Program;

WHEREAS, pursuant to the Act, the Agency has the authority to enter into short-term credit facilities for the purpose of financing the Program, including the making of Loans and the payment of other costs of the Agency incident to, and necessary or convenient to, the issuance of the bonds;

WHEREAS, pursuant to Chapter 6 of Part 5 of Division 31 (Sections 52060 et seq.) of the Health and Safety Code of the State of California (the "Local Agency Assistance Act"), the Agency also has the authority to enter into agreements with cities, counties and joint powers authorities created by cities and counties (collectively, "Local Agencies"), which provide that the Agency shall sell bonds on behalf of such Local Agencies for the purpose of providing

1 funds for home mortgages financing residences within the respective jurisdictions of such Local
2 Agencies; and

3 WHEREAS, the Local Agency Assistance Act provides that although such bonds
4 are to be bonds of the Local Agency ("Local Agency Bonds"), the proceeds of such Local
5 Agency Bonds may be utilized in the Agency's Program, including borrowing such proceeds
6 through the issuance of Bonds to the Local Agency;

7 NOW, THEREFORE, BE IT RESOLVED by the Board of Directors (the
8 "Board") of the California Housing Finance Agency as follows:

9 **Section 1. Determination of Need and Amount.** The Agency is of the opinion
10 and hereby determines that the issuance of one or more series of Bonds, in an aggregate amount
11 not to exceed the sum of the following amounts, is necessary to provide sufficient funds for the
12 Program:

13 (a) the aggregate amount of Bonds and/or other qualified mortgage bonds
14 (including bonds of issuers other than the Agency) to be redeemed or maturing in
15 connection with such issuance,

16 (b) the aggregate amount of private activity bond allocations under federal tax
17 law heretofore or hereafter made available to the Agency (including any such allocations
18 made available to a Local Agency in connection with the issuance of Local Agency
19 Bonds) for such purpose, and

20 (c) if and to the extent interest on one or more of such series of Bonds is
21 determined by the Executive Director to be intended not to be excludable from gross
22 income for federal income tax purposes, \$900,000,000.

23 **Section 2. Authorization and Timing.** The Bonds are hereby authorized to be
24 issued in such aggregate amount at such time or times on or before the day 30 days after the date
25 on which is held the first meeting of the Board in the year 2009 at which a quorum is present, as
26 the Executive Director of the Agency (the "Executive Director") deems appropriate, upon
27 consultation with the Treasurer of the State of California (the "Treasurer") as to the timing of
28 each such issuance; provided, however, that if the bonds are sold at a time on or before the day
29 30 days after the date on which is held such meeting, pursuant to a forward purchase or
30 drawdown agreement providing for the issuance of such Bonds on or before August 1, 2010
31 upon specified terms and conditions, such Bonds may be issued on such later date.

32 **Section 3. Approval of Forms of Indentures.** The Executive Director and the
33 Secretary of the Board of Directors of the Agency (the "Secretary") are hereby authorized and
34 directed, for and on behalf and in the name of the Agency in connection with the issuance of
35 Bonds, to execute and acknowledge and to deliver to the Treasurer as trustee and/or, if
36 appropriate, to a duly qualified bank or trust company selected by the Executive Director to act
37 as trustee or co-trustee with the approval of the Treasurer (collectively, the "Trustees"), one or
38 more new indentures (the "New Indentures"), in one or more forms similar to one or more of the
39 following (collectively, the "Prior Indentures"):

1 (a) that certain indenture pertaining to the SFMP Bonds (the "SFMP
2 Indenture");

3 (b) that certain indenture pertaining to the HOHI Bonds (the "HOHI
4 Indenture");

5 (c) that certain indenture pertaining to the HOM Bonds (the "HOM
6 Indenture");

7 (d) those certain indentures pertaining to the HMP Bonds (the "HMP
8 Indentures");

9 (e) that form of general indenture approved by Resolution No. 92-41, adopted
10 November 12, 1992 (the "SHOP Indenture");

11 (f) that form of master trust indenture proposed by Fannie Mae ("Fannie
12 Mae") in connection with their "MRB Express" program and approved by Resolution No.
13 93-30, adopted September 7, 1993 (the "Fannie Mae MRB Express Program Indenture");

14 (g) that form of general indenture designed for the Fannie Mae Index Option
15 Program and approved by Resolution No. 94-01, adopted January 13, 1994 (the "Fannie
16 Mae Index Option Program Indenture");

17 (h) those certain indentures pertaining to the SFMor Bonds (the "SFMor
18 Indentures");

19 (i) the form of draw down bond indenture approved by Resolution No. 01-04,
20 as amended by Resolution No. 01-39, adopted November 8, 2001;

21 (j) the form of bond indenture approved by Resolution No. 02-01, as
22 amended by Resolution 02-17, adopted June 6, 2002;

23 (k) that certain indenture pertaining to the HP Bonds (the "HP Indenture");
24 and/or

25 (l) that certain indenture relating to the RMR Bonds.

26 Each such New Indenture may be executed, acknowledged and delivered with such changes
27 therein as the officers executing the same approve upon consultation with the Agency's legal
28 counsel, such approval to be conclusively evidenced by the execution and delivery thereof.
29 Changes reflected in any New Indenture may include, without limitation, provision for a
30 supplemental pledge of Agency moneys or assets (including but not limited to, a deposit from the
31 Supplementary Bond Security Account created under Section 51368 of the Act) and provision
32 for the Agency's general obligation to additionally secure the Bonds if appropriate in furtherance
33 of the objectives of the Program.

34 **Section 4. Approval of Forms of Series and Supplemental Indentures.** The
35 Executive Director and the Secretary are hereby authorized and directed, for and on behalf and in

1 the name of the Agency, to execute and acknowledge and to deliver with respect to each series of
2 Bonds, if and to the extent appropriate, series and/or supplemental indentures (each a
3 "Supplemental Indenture") under either one of the Prior Indentures or a New Indenture and in
4 substantially the form of the respective supplemental indentures previously executed and
5 delivered or approved, each with such changes therein as the officers executing the same approve
6 upon consultation with the Agency's legal counsel, such approval to be conclusively evidenced
7 by the execution and delivery thereof. Changes reflected in any Supplemental Indenture may
8 include, without limitation, provision for a supplemental pledge of Agency moneys or assets
9 (including but not limited to, a deposit from the Supplementary Bond Security Account created
10 under Section 51368 of the Act) and provision for the Agency's general obligation to
11 additionally secure the Bonds if appropriate in furtherance of the objectives of the Program.

12 The Executive Director is hereby expressly authorized and directed, for and on
13 behalf and in the name of the Agency, to determine in furtherance of the objectives of the
14 Program those matters required to be determined under the applicable Prior Indenture or any
15 New Indenture, as appropriate, in connection with the issuance of each such series, including,
16 without limitation, any reserve account requirement or requirements for such series.

17 **Section 5. Approval of Forms and Terms of Bonds.** The Bonds shall be in
18 such denominations, have such registration provisions, be executed in such manner, be payable
19 in such medium of payment at such place or places within or without California, be subject to
20 such terms of redemption (including from such sinking fund installments as may be provided for)
21 and contain such terms and conditions as each Supplemental Indenture as finally approved shall
22 provide. The Bonds shall have the maturity or maturities and shall bear interest at the fixed,
23 adjustable or variable rate or rates deemed appropriate by the Executive Director in furtherance
24 of the objectives of the Program; provided, however, that no Bond shall have a term in excess of
25 fifty years or bear interest at a stated rate in excess of fifteen percent (15%) per annum or in the
26 case of variable rate bonds, a maximum floating interest rate of twenty-five percent (25%) per
27 annum. Any of the Bonds and the Supplemental Indenture(s) may contain such provisions as
28 may be necessary to accommodate an option to put such Bonds prior to maturity for purchase by
29 or on behalf of the Agency or a person other than the Agency, to accommodate the requirements
30 of any provider of bond insurance or other credit enhancement or liquidity support or to
31 accommodate the requirements of purchasers of Dutch auction bonds or indexed floaters.

32 **Section 6. Authorization of Disclosure.** The Executive Director is hereby
33 authorized to circulate one or more Preliminary Official Statements relating to the Bonds and,
34 after the sale of the Bonds, to execute and circulate one or more Official Statements relating to
35 the Bonds, and the circulation of such Preliminary Official Statements and such Official
36 Statements to prospective and actual purchasers of the Bonds is hereby approved. The Executive
37 Director is further authorized to hold information meetings concerning the Bonds and to
38 distribute other information and material relating to the Bonds.

39 **Section 7. Authorization of Sale of Bonds.** The Bonds are hereby authorized to
40 be sold at negotiated or competitive sale or sales. The Executive Director is hereby authorized
41 and directed, for and in the name and on behalf of the Agency, to execute and deliver one or
42 more purchase contracts (including one or more forward purchase agreements) relating to the
43 Bonds, by and among the Agency, the Treasurer and such underwriters or other purchasers

1 (including, but not limited to, Fannie Mae) as the Executive Director may select (the
2 "Purchasers"), in the form or forms approved by the Executive Director upon consultation with
3 the Agency's legal counsel, such approval to be evidenced conclusively by the execution and
4 delivery of said purchase contract by the Executive Director.

5 The Treasurer is hereby authorized and requested, without further action of the
6 Board and unless instructed otherwise by the Board, to sell each series of Bonds at the time and
7 place and pursuant to the terms and conditions set forth in each such purchase contract as finally
8 executed. The Treasurer is hereby further authorized and requested to deposit the proceeds of
9 any good faith deposit to be received by the Treasurer under the terms of a purchase contract in a
10 special trust account for the benefit of the Agency, and the amount of said deposit shall be
11 retained by the Agency, applied at the time of delivery of the applicable Bonds as part of the
12 purchase price thereof, or returned to the Purchasers, as provided in such purchase contract.

13 **Section 8. Authorization of Execution of Bonds.** The Executive Director is
14 hereby authorized and directed to execute, and the Secretary is hereby authorized to attest, for
15 and on behalf and in the name of the Agency and under its seal, the Bonds, in an aggregate
16 amount not to exceed the amount authorized hereby, in accordance with the Prior Indenture(s),
17 the Supplemental Indenture(s) or the New Indenture(s) and in one or more of the forms set forth
18 in the Prior Indenture(s), the Supplemental Indenture(s) or the New Indenture(s), as appropriate.

19 **Section 9. Authorization of Delivery of Bonds.** The Bonds, when so executed,
20 shall be delivered to the Trustees to be authenticated by, or caused to be authenticated by, the
21 Trustees. The Trustees are hereby requested and directed to authenticate, or cause to be
22 authenticated, the Bonds by executing the certificate of authentication and registration appearing
23 thereon, and to deliver the Bonds when duly executed and authenticated to the Purchasers in
24 accordance with written instructions executed on behalf of the Agency by the Executive
25 Director, which instructions said officer is hereby authorized and directed, for and on behalf and
26 in the name of the Agency, to execute and deliver. Such instructions shall provide for the
27 delivery of the Bonds to the Purchasers upon payment of the purchase price or prices thereof.

28 **Section 10. Authorization of Related Financial Agreements.** The Executive
29 Director and the other officers of the Agency are hereby authorized to enter into, for and in the
30 name and on behalf of the Agency, any and all agreements and documents designed (i) to reduce
31 or hedge the amount or duration of any payment, interest rate, spread or similar risk, (ii) to result
32 in a lower cost of borrowing when used in combination with the issuance or carrying of bonds or
33 investments, or (iii) to enhance the relationship between risk and return with respect to the
34 Program or any portion thereof. To the extent authorized by law, including Government Code
35 Section 5922, such agreements or other documents may include (a) interest rate swap
36 agreements; (b) forward payment conversion agreements; (c) futures or other contracts providing
37 for payments based on levels of, or changes in, interest rates or other indices; (d) contracts to
38 exchange cash flows for a series of payments; (e) contracts, including, without limitation, interest
39 rate floors or caps, options, puts or calls to hedge payment, interest rate, spread or similar
40 exposure; or (f) contracts to obtain guarantees, including guarantees of mortgage-backed
41 securities or their underlying loans; and in each such case may be entered into in anticipation of
42 the issuance of bonds at such times as may be determined by such officers. Such agreements and
43 other documents are authorized to be entered into with parties selected by the Executive

1 Director, after giving due consideration for the creditworthiness of the counterparties, where
2 applicable, or any other criteria in furtherance of the objectives of the Program.

3 Section 11. **Authorization of Program Documents.** The Executive Director
4 and the other officers of the Agency are hereby authorized to enter into, for and in the name and
5 on behalf of the Agency, all documents they deem necessary or appropriate in connection with
6 the Program, including, but not limited to, one or more mortgage purchase and servicing
7 agreements (including mortgage-backed security pooling agreements) and one or more loan
8 servicing agreements with such lender or lenders or such servicer or servicers as the Executive
9 Director may select in accordance with the purposes of the Program, and any such selection of a
10 lender or lenders or a servicer or servicers is to be deemed approved by this Board as if it had
11 been made by this Board. The mortgages to be purchased may be fixed rate, step rate, adjustable
12 rate, graduated payment, deferred payment or any combination of the foregoing, may have terms
13 of 40 years or less and may be insured by such mortgage insurers as are selected by the
14 Executive Director in furtherance of the objectives of the Program.

15 The Executive Director and the other officers of the Agency are hereby authorized
16 to enter into, for and in the name and on behalf of the Agency, one or more mortgage sale
17 agreements with such purchasers as the Executive Director may select in accordance with the
18 objectives of the Program. Any such sale of Loans may be on either a current or a forward
19 purchase basis.

20 The Executive Director and the other officers of the Agency are hereby authorized
21 to enter into, for and in the name and on behalf of the Agency, contracts to conduct foreclosures
22 of mortgages owned or serviced by the Agency with such attorneys or foreclosure companies as
23 the Executive Director may select in accordance with the objectives of the Program.

24 The Executive Director and the other officers of the Agency are hereby authorized
25 to enter into, for and in the name and on behalf of the Agency, contracts for the sale of
26 foreclosed properties with such purchasers as the Executive Director may select in accordance
27 with the objectives of the Program. Any such sale of foreclosed properties may be on either an
28 all cash basis or may include financing by the Agency. The Executive Director and the other
29 officers of the Agency are also authorized to enter into any other agreements, including but not
30 limited to real estate brokerage agreements and construction contracts necessary or convenient
31 for the rehabilitation, listing and sale of such foreclosed properties.

32 The Executive Director and the other officers of the Agency are hereby authorized
33 to enter into, for and in the name and on behalf of the Agency, (i) contracts or agreements for the
34 purchase or sale of mortgage-backed securities; (ii) servicing agreements, including master
35 servicing agreements, in connection with the operation of a program of mortgage-backed
36 securities; (iii) agreements with government-sponsored enterprises, or other secondary market
37 issuers or guarantors of mortgage-backed securities; and (iv) such other program documents as
38 are necessary or appropriate for the operation of a program of mortgage-backed securities.

39 Section 12. **Authorization of Short-term Credit Facilities.** The Executive
40 Director and the other officers of the Agency are hereby authorized to enter into, for and in the
41 name and on behalf of the Agency, one or more short-term credit facilities for the purposes of

1 (i) financing the purchase of Loans and/or mortgage-backed securities on an interim basis, prior
2 to the financing thereof with Bonds, whether issued or to be issued and (ii) financing
3 expenditures of the Agency incident to, and necessary or convenient to, the issuance of Bonds,
4 including, but not limited to, Agency expenditures to pay costs of issuance, capitalized interest,
5 redemption price of prior bonds of the Agency, costs relating to credit enhancement or liquidity
6 support, costs relating to investment products, or net payments and expenses relating to interest
7 rate hedges and other financial products. Any such short-term credit facility may be from any
8 appropriate source, including, but not limited to, the Pooled Money Investment Account pursuant
9 to Government Code Section 16312; provided, however, that the aggregate outstanding principal
10 amount of short-term credit facilities authorized under this resolution or Resolution No. 08-04
11 (the multifamily financing resolution adopted at the same meeting) or Resolution 06-06 (the Bay
12 Area Housing Plan resolution), as amended from time to time, may not at any time exceed
13 \$500,000,000 (separate and apart from the amount of Bonds authorized by Section 1 of this
14 resolution).

15 The Executive Director and the other officers of the Agency are hereby authorized
16 to use available Agency moneys (other than and in addition to the proceeds of bonds) to make or
17 purchase Loans and/or mortgage-backed securities to be financed by bonds (including bonds
18 authorized by prior resolutions of this Board) in anticipation of draws on a credit facility, the
19 issuance of Bonds or the availability of Bond proceeds for such purposes.

20 **Section 13. Local Agency Cooperation.** (a) The Executive Director is hereby
21 authorized and directed, for and in the name and on behalf of the Agency, to execute and deliver
22 one or more agreements with one or more Local Agencies providing that the Agency shall sell
23 Local Agency Bonds for the purpose of providing funds for the Program for the purchase of
24 Loans financing Residences (or mortgage-backed securities underlain by loans financing such
25 Residences) within the jurisdiction of the applicable Local Agency. Each such agreement shall
26 contain the provisions required by Section 52062 of the Local Agency Assistance Act and shall
27 provide that the method by which the Agency shall utilize the proceeds of Local Agency Bonds
28 in the Agency's Program shall be for the Agency to borrow such proceeds by the issuance of
29 Bonds to the Local Agency. The Bonds shall be in the form and shall be issued under the terms
30 and conditions authorized by this resolution, applied as appropriate under the circumstances.
31 The Bonds shall serve as the primary source of payment of and as security for the Local Agency
32 Bonds.

33 The Local Agency Bonds are hereby authorized to be sold at such time or times,
34 on or before the day 30 days after the date on which is held the first meeting of the Board in the
35 year 2009 at which a quorum is present, as the Executive Director deems appropriate, upon
36 consultation with the Treasurer as to the timing of each such sale.

37 (b) The Executive Director is hereby authorized to circulate one or more
38 Preliminary Official Statements relating to the Local Agency Bonds and, after the sale of the
39 Local Agency Bonds, to execute and circulate one or more Official Statements relating to the
40 Local Agency Bonds, and the circulation of such Preliminary Official Statements and such
41 Official Statements to prospective and actual purchasers of the Local Agency Bonds is hereby
42 approved. The Executive Director is further authorized to hold information meetings concerning

1 the Local Agency Bonds and to distribute other information and material relating to the Local
2 Agency Bonds.

3 (c) The Local Agency Bonds are hereby authorized to be sold at negotiated or
4 competitive sale or sales. The Executive Director is hereby authorized and directed, for and in
5 the name and on behalf of the Agency and the Local Agency, to execute and deliver one or more
6 purchase contracts (including one or more forward purchase agreements) relating to the Local
7 Agency Bonds, by and among the Agency, the Treasurer, the Local Agency (if appropriate) and
8 such underwriters or other purchasers (including, but not limited to, Fannie Mae) as the
9 Executive Director may select (the "Local Agency Bond Purchasers"), in the form or forms
10 approved by the Executive Director upon consultation with the Agency's legal counsel, such
11 approval to be evidenced conclusively by the execution and delivery of said purchase contract by
12 the Executive Director.

13 (d) The Treasurer is hereby authorized and requested, without further action of
14 the Board and unless instructed otherwise by the Board, to sell each series of Local Agency
15 Bonds at the time and place and pursuant to the terms and conditions set forth in each such
16 purchase contract as finally executed. The Treasurer is hereby further authorized and requested
17 to deposit the proceeds of any good faith deposit to be received by the Treasurer under the terms
18 of a purchase contract in a special trust account for the benefit of the Agency and the Local
19 Agency, and the amount of said deposit shall be applied at the time of delivery of the applicable
20 Local Agency Bonds, as the case may be, as part of the purchase price thereof or returned to the
21 Local Agency Bond Purchasers as provided in such purchase contract.

22 Section 14. Ratification of Prior Actions. All actions previously taken by the
23 Agency relating to the implementation of the Program, the issuance of the Bonds, the issuance of
24 any prior bonds, the execution and delivery of related financial agreements and related program
25 agreements and the implementation of any credit facilities as described above, including, but not
26 limited to, such actions as the distribution of the Agency's Lender Program Manual, Mortgage
27 Purchase and Servicing Agreement, Servicing Agreement, Developer Agreement, Servicer's
28 Guide, Program Bulletins and applications to originate and service loans, and the sale of any
29 foreclosed property, are hereby ratified.

30 Section 15. Authorization of Related Actions and Agreements. The Treasurer,
31 the Executive Director and the officers of the Agency, or the duly authorized deputies thereof,
32 are hereby authorized and directed, jointly and severally, to do any and all things and to execute
33 and deliver any and all agreements and documents which they deem necessary or advisable in
34 order to consummate the issuance, sale, delivery, remarketing, conversion and administration of
35 Bonds and otherwise to effectuate the purposes of this resolution, including declaring the official
36 intent of the Agency for purposes of U.S. Treasury Regulations Section 1.150-2, and including
37 executing and delivering any amendment or supplement to any agreement or document relating
38 to Bonds in any manner that would be authorized under this resolution if such agreement or
39 document related to Bonds is authorized by this resolution. Such agreements may include, but
40 are not limited to, remarketing agreements, tender agreements or similar agreements regarding
41 any put option for the Bonds, broker-dealer agreements, market agent agreements, auction agent
42 agreements or other agreements necessary or desirable in connection with the issuance of Bonds
43 in, or the conversion of Bonds to, an auction rate mode or an indexed rate mode, agreements for

1 the investment of moneys relating to the Bonds, reimbursement agreements relating to any credit
2 enhancement or liquidity support or put option provided for the Bonds, continuing disclosure
3 agreements and agreements for necessary services provided in the course of the issuance of the
4 bonds, including but not limited to, agreements with bond underwriters and placement agents,
5 bond trustees, bond counsel and financial advisors and contracts for consulting services or
6 information services relating to the financial management of the Agency, including advisors or
7 consultants on interest rate swaps, cash flow management, and similar matters, and contracts for
8 financial printing and similar services. The Agency's reimbursement obligation under any such
9 reimbursement agreement may be a special, limited obligation or a general obligation and may,
10 subject to the rights of the Bondholders, be secured by a pledge of the same revenues and assets
11 that may be pledged to secure Bonds or by a pledge of other revenues and assets.

12 This resolution shall constitute full, separate, complete and additional authority
13 for the execution and delivery of all agreements and instruments described in this resolution,
14 without regard to any limitation in the Agency's regulations and without regard to any other
15 resolution of the Board that does not expressly amend and limit this resolution.

16 Section 16. Additional Delegation. All actions by the Executive Director
17 approved or authorized by this resolution may be taken by the Chief Deputy Director of the
18 Agency, the Director of Financing of the Agency, the Comptroller of the Agency or any other
19 person specifically authorized in writing by the Executive Director.

SECRETARY'S CERTIFICATE

I, Thomas C. Hughes, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of Resolution No. 08-03 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 17th day of January, 2008, of which meeting all said directors had due notice; and that at said meeting said Resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this 17th day of January, 2008.

[SEAL]

Thomas C. Hughes
Secretary of the Board of Directors of the
California Housing Finance Agency

1 SECRETARY'S CERTIFICATE

2 I, Thomas C. Hughes, Secretary of the Board of Directors of the California
 3 Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of
 4 Resolution No. 08-03 duly adopted at a regular meeting of the Board of Directors of the
 5 California Housing Finance Agency duly called and held on the 17th day of January, 2008, of
 6 which meeting all said directors had due notice; and that at said meeting said Resolution was
 7 adopted by the following vote:

8 AYES:

9 NOES:

10 ABSTENTIONS:

11 ABSENT:

12 I further certify that I have carefully compared the foregoing copy with the
 13 original minutes of said meeting on file and of record in my office; that said copy is a full, true,
 14 and correct copy of the original Resolution adopted at said meeting and entered in said minutes;
 15 and that said Resolution has not been amended, modified or rescinded in any manner since the
 16 date of its adoption, and the same is now in full force and effect.

17 IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of
 18 the Board of Directors of the California Housing Finance Agency hereto this ___ day of
 19 _____, ____.

20
 21 [SEAL]

 Thomas C. Hughes
 Secretary of the Board of Directors of the
 California Housing Finance Agency

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State of California

MEMORANDUM

To: Board of Directors

Date: January 3, 2008



From: Bruce D. Gilbertson, Director of Financing
CALIFORNIA HOUSING FINANCE AGENCY

Subject: ANNUAL MULTIFAMILY BOND REAUTHORIZATION RESOLUTION 08-04

Resolution 08-04 would authorize the sale and issuance of CalHFA multifamily bonds (with related interest rate swaps and other financial agreements) for another year. In addition, the resolution would authorize the Agency to borrow for multifamily purposes using short-term credit facilities.

Annual reauthorization, a practice approved by the Board every year since 1987, enables the staff to schedule and size our bond transactions to meet the demand for loan funds throughout the year without regard to the timing of individual Board meetings.

Resolution 08-04 would authorize multifamily bonds to be issued in various amounts by category, as follows:

- (1) Equal to the amount of prior multifamily bonds being retired, including eligible bonds of other issuers;
- (2) Equal to the amount of private activity bond volume cap made available for our multifamily program by the California Debt Limit Allocation Committee (CDLAC);
- (3) Up to \$800 million for the combined amount of 501(c)(3) bonds, "governmental purpose" bonds, and federally-taxable multifamily bonds (in addition to any taxable bonds issued under the first category); and
- (4) Up to \$300 million for financing or refinancing the acquisition of existing multifamily loans;

While bonds would be authorized to be issued under any of the previously-approved forms of indenture as listed in the resolution, we again anticipate continuing to utilize the Multifamily Housing Revenue Bonds III indenture, which relies on the Agency's general obligation ratings of Aa3/AA- for its credit. Our general obligation acts as the primary credit enhancement for our multifamily program, thus reducing the cost of outside sources of credit, while preserving our program's independence.

The resolution would also authorize the full range of related financial agreements, including contracts for investment of bond proceeds, for warehousing of mortgages pending the availability of bond proceeds, for interest rate hedging (including the continued use of interest rate swaps), and for forward delivery of bonds through August 1, 2010. The resolution would also authorize contracts for consulting services or information services related to the financial management of the Agency, including advisors or consultants on interest rate swaps, cash flow management, and similar matters, and contracts for financial printing and similar services.

The resolution would also reauthorize short-term credit facilities in an aggregate amount not to exceed \$500 million (for the Homeownership Programs, Multifamily Programs and Bay Area Housing Plan). This authorization would allow us to continue to utilize our warehouse line from the State's Pooled Money Investment Board and up to \$150 million from the Bank of America credit line. This bank line of credit is primarily used for multifamily loan warehousing.

In order to allow for necessary overlap of authority for bond issues scheduled during the time that reauthorization is being considered, Resolution 08-04 would not expire until 30 days after the first Board meeting in the year 2009 at which there is a quorum. Likewise, last year's multifamily resolution (07-04) will not expire until 30 days after this meeting.

During 2008 we anticipate up to three issues of our Multifamily Housing Revenue Bonds III -- in April, July and October -- each in connection with private activity volume cap authorized for our use by CDLAC. We expect that our issuance activity under the MHRB-III indenture to include additional bonds to be authorized by this resolution, such as 501(c)(3) bonds, refunding bonds, and taxable bonds.

Attachment

RESOLUTION NO. 08-04

RESOLUTION OF THE CALIFORNIA HOUSING FINANCE AGENCY
AUTHORIZING THE AGENCY'S MULTIFAMILY BOND INDENTURES, THE ISSUANCE
OF MULTIFAMILY BONDS, SHORT-TERM CREDIT FACILITIES FOR MULTIFAMILY
PURPOSES, AND RELATED FINANCIAL AGREEMENTS
AND CONTRACTS FOR SERVICES

WHEREAS, the California Housing Finance Agency (the "Agency") has determined that there exists a need in California for the financing of mortgage loans for the construction or development of multi-unit rental housing developments for the purpose of providing housing for persons and families of low or moderate income (the "Developments");

WHEREAS, the Agency has determined that it is in the public interest for the Agency to provide such financial assistance by means of an ongoing program (the "Program") to make or acquire, or to make loans to lenders to make or acquire, mortgage loans for the purpose of financing such Developments (the "Loans");

WHEREAS, pursuant to Parts 1 through 4 of Division 31 of the Health and Safety Code of the State of California (the "Act"), the Agency has the authority to issue bonds to provide sufficient funds to finance the Program, including the making of Loans, the payment of capitalized interest on the bonds, the establishment of reserves to secure the bonds, the payment of other costs of the Agency incident to, and necessary or convenient to, the issuance of the bonds, and for the other purposes provided by Sections 51065.5 and 51365 of the Act; and

WHEREAS, pursuant to the Act, the Agency has the authority to enter into short-term credit facilities for the purpose of financing the Program, including the making of Loans and the payment of other costs of the Agency incident to, and necessary or convenient to, the issuance of the bonds;

NOW, THEREFORE, BE IT RESOLVED, by the California Housing Finance Agency as follows:

Section 1. Determination of Need and Amount. The Agency is of the opinion and hereby determines that the offer, sale and issuance of one or more series of multifamily housing revenue bonds (the "Bonds") in an aggregate amount not to exceed the sum of the following amounts is necessary to provide sufficient funds for the Program:

- (a) the aggregate amount of prior multifamily bonds of the Agency (or of other issuers to the extent permitted by law) to be redeemed or maturing in connection with such issuance;
- (b) the aggregate amount of private activity bond allocations under federal tax law heretofore or hereafter made available to the Agency for such purpose;

- 1 (c) if and to the extent the Bonds are "qualified 501(c)(3) bonds" under federal tax
2 law, are not "private activity bonds" under federal tax law, or are determined by
3 the Executive Director of the Agency (the "Executive Director") to be intended
4 not to be tax-exempt for federal income tax purposes, \$800,000,000; and
- 5 (d) if and to the extent the Bonds are issued for the purpose of financing or
6 refinancing the acquisition of existing Loans that finance existing Developments,
7 or for the purpose of refinancing such Developments, \$300,000,000.

8 **Section 2. Authorization and Timing.** The Bonds are hereby authorized to be
9 issued at such time or times on or before the day 30 days after the date on which is held the first
10 meeting in the year 2008 of the Board of Directors of the Agency at which a quorum is present,
11 as the Executive Director deems appropriate, upon consultation with the Treasurer of the State of
12 California (the "Treasurer") as to the timing of each such issuance; *provided, however*, that if the
13 Bonds are sold at a time on or before the day 30 days after the date on which is held such
14 meeting, pursuant to a forward purchase or drawdown agreement providing for the issuance of
15 such Bonds on a later date on or before August 1, 2010, upon specified terms and conditions,
16 such Bonds may be issued on such later date; and *provided, further*, that Bonds being issued to
17 refund Bonds of the type described in Section 1(d) of this resolution or to refinance
18 Developments financed by Bonds of the type described in such Section 1(d) may be issued at any
19 time prior to the original maturity date of the original Loans financed by such Bonds.

20 **Section 3. Approval of Indentures, Supplemental Indentures and Certain**
21 **Other Financing Documents.** (a) The Executive Director and the Secretary of the Board of
22 Directors of the Agency (the "Secretary") are hereby authorized and directed, for and on behalf
23 and in the name of the Agency in connection with the issuance of Bonds, to execute and
24 acknowledge and to deliver to a duly qualified bank or trust company selected by the Executive
25 Director to act, with the approval of the Treasurer, as trustee (the "Trustee"), one or more new
26 indentures (the "New Indentures"), in one or more forms similar to one or more of the following
27 (collectively, the "Prior Indentures"):

- 28 (1) the Multi-Family Revenue Bonds (Federally Insured Loans) Indenture, dated as of
29 April 17, 1979;
- 30 (2) the Multi-Unit Rental Housing Revenue Bonds Indenture, dated as of July 12,
31 1979;
- 32 (3) the Rental Housing Revenue Bonds (FHA Insured Loans) Indenture, dated as of
33 June 1, 1982;
- 34 (4) the Multi-Unit Rental Housing Revenue Bonds II Indenture, dated as of
35 September 1, 1982;
- 36 (5) the Multifamily Rehabilitation Revenue Bonds, 1983 Issue A Indenture, dated as
37 of December 1, 1983;
- 38 (6) the Multifamily Housing Revenue Bond (Insured Letter of Credit 1984-I)
39 Indenture, dated as of March 1, 1984;

- 1 (7) the Housing Revenue Bond Indenture, dated as of July 1, 1984;
- 2 (8) the Multifamily Rehabilitation Revenue Bond, 1985 Issue A, Indenture, dated as
3 of March 1, 1985;
- 4 (9) the form of indenture approved by the Board of Directors of the Agency at its
5 May 11, 1989 meeting for the Financial Guaranty Insurance Company program;
- 6 (10) the Housing Revenue Bond II Indenture, dated as of July 1, 1992;
- 7 (11) the Multifamily Housing Revenue Refunding Bond Indentures, dated as of July 1,
8 1993 (including as originally delivered and as amended and restated);
- 9 (12) the Multifamily Housing Revenue Bond (Tara Village Apartments), 1994 Series
10 A, Indenture, dated as of November 1, 1994;
- 11 (13) the Multifamily Housing Revenue Bond (FHA Insured Mortgage Loans)
12 Indenture, dated February 1, 1995;
- 13 (14) the Multifamily Housing Revenue Bond II Indenture, dated as of October 1, 1995;
- 14 (15) the Multifamily Housing Revenue Bond III Indenture, dated as of March 1, 1997;
- 15 (16) the form of commercial paper note indenture presented to the May 11, 2000
16 meeting of the Agency;
- 17 (17) the Multifamily Loan Purchase Bond Indenture, dated as of July 1, 2000;
- 18 (18) the form of draw down bond indenture approved by Resolution No. 01-05, as
19 amended by Resolution No. 01-39, adopted November 8, 2001;
- 20 (19) the form of bond indenture approved by Resolution No. 02-02, as amended by
21 Resolution 02-17, adopted June 6, 2002; or
- 22 (20) the Housing Program Bond Indenture, dated as of November 1, 2004.

23 Each such New Indenture may be executed, acknowledged and delivered with
24 such changes therein as the officers executing the same approve upon consultation with the
25 Agency's legal counsel, such approval to be conclusively evidenced by the execution and
26 delivery thereof.

27 (b) For each series of Bonds, the Executive Director and the Secretary are hereby
28 authorized and directed, for and on behalf and in the name of the Agency, if appropriate, to
29 execute and acknowledge and to deliver with respect to each series of Bonds, a supplemental
30 indenture (a "Supplemental Indenture") under either one of the Prior Indentures or a New
31 Indenture and in substantially the form of any supplemental indenture or series indenture
32 executed or approved in connection with any of the Prior Indentures, in each case, with such

1 changes therein as the officers executing the same approve upon consultation with the Agency's
2 legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof.

3 The Executive Director is hereby expressly authorized and directed, for and on
4 behalf and in the name of the Agency, to determine in furtherance of the objectives of the
5 Program those matters required to be determined under the applicable Prior Indenture or the New
6 Indentures, as appropriate, in connection with the issuance of each such series.

7 (c) For each series of Bonds, the Executive Director is hereby authorized and
8 directed to execute, and the Secretary is hereby authorized to attest, for and in the name and on
9 behalf of the Agency and under its seal, if and to the extent appropriate, a reimbursement
10 agreement, a letter of credit agreement or any other arrangement with respect to credit
11 enhancement or liquidity support in substantially the forms of the reimbursement agreements,
12 letter of credit agreements or other such arrangements contemplated under the Prior Indentures
13 or New Indentures or used in connection with the bonds issued under one or more of the Prior
14 Indentures.

15 (d) Any New Indenture, Supplemental Indenture, reimbursement agreement,
16 letter of credit agreement or other such arrangement as finally executed may include such
17 modifications as the Executive Director may deem necessary or desirable in furtherance of the
18 objectives of the Program, including, but not limited to, one or more of the following provisions:

- 19 (1) for the Agency's insured or uninsured, limited or general, obligation to pay any
20 debt secured thereby,
- 21 (2) for a pledge of an amount of the Supplementary Bond Security Account to the
22 extent necessary to obtain an appropriate credit rating or appropriate credit
23 enhancement,
- 24 (3) for a pledge of additional revenues which may be released periodically to the
25 Agency from the lien of one or more indentures heretofore entered into by the
26 Agency, including but not limited to one or more of the following:
- 27 (A) the Prior Indentures,
- 28 (B) the Home Mortgage Revenue Bond Indenture, dated as of September 1,
29 1982, as amended, and
- 30 (C) the indentures under which are issued the Single Family Mortgage Bonds,
- 31 (4) for a deposit of such other available assets of the Agency in an appropriate
32 amount in furtherance of the Program,
- 33 (5) for risk sharing provisions dividing between the Agency and any credit provider
34 and/or FHA, in such manner as the Executive Director may deem necessary or
35 desirable in furtherance of the objectives of the Program, the credit and financing
36 risks relating to the Bonds and the Developments financed by the Bonds,

- 1 (6) for liquidity support,
2 (7) for contingent or deferred interest, or
3 (8) for the use or application of payments or receipts under any arrangement entered
4 into under Section 9 of this resolution.

5 **Section 4. Approval of Forms and Terms of Bonds.** The Bonds shall be in
6 such denominations, have such registration provisions, be executed in such manner, be payable
7 in such medium of payment at such place or places within or without California, be subject to
8 such terms of redemption (including from such sinking fund installments as may be provided for)
9 and contain such terms and conditions as each Indenture as finally approved shall provide. The
10 Bonds shall have the maturity or maturities and shall bear interest at the fixed, adjustable or
11 variable rate or rates deemed appropriate by the Executive Director in furtherance of the
12 objectives of the Program; *provided, however*, that no Bond shall have a term in excess of fifty
13 years or bear interest at a stated rate in excess of fifteen percent (15%) per annum, or in the case
14 of variable rate bonds, a maximum floating interest rate of twenty-five percent (25%) per annum.
15 Commercial paper shall be treated for these purposes as variable rate bonds. Any of the Bonds
16 and the Supplemental Indenture(s) may contain such provisions as may be necessary to
17 accommodate an option to put such Bonds prior to maturity for purchase by or on behalf of the
18 Agency or a person other than the Agency, to accommodate the requirements of any provider of
19 bond insurance or other credit enhancement or liquidity support or to accommodate the
20 requirements of purchasers of Dutch auction bonds or indexed floaters.

21 **Section 5. Authorization of Disclosure.** The Executive Director is hereby
22 authorized to circulate one or more preliminary official statements relating to the Bonds and,
23 after the sale of the Bonds, to execute and circulate one or more official statements relating to the
24 Bonds, and the circulation of such preliminary official statement and such official statement to
25 prospective and actual purchasers of the Bonds is hereby approved. The Executive Director is
26 further authorized to hold information meetings concerning the Bonds and to distribute other
27 information and material relating to the Bonds.

28 **Section 6. Authorization of Sale of Bonds.** The Bonds are hereby authorized to
29 be sold at negotiated or competitive sale or sales. The Executive Director is hereby authorized
30 and directed, for and in the name and on behalf of the Agency, to execute and deliver one or
31 more agreements, by and among the Agency, the Treasurer and such purchasers or underwriters
32 as the Executive Director may select (the "Purchasers"), relating to the sale of the Bonds, in such
33 form as the Executive Director may approve upon consultation with the Agency's legal counsel,
34 such approval to be evidenced conclusively by the execution and delivery of said agreements by
35 the Executive Director.

36 The Treasurer is hereby authorized and requested, without further action of this
37 Board and unless instructed otherwise by this Board, to sell the Bonds pursuant to the terms and
38 conditions set forth in each such agreement as finally executed on behalf of the Agency. The
39 Treasurer is hereby further authorized and requested to deposit the proceeds of any good faith
40 deposit to be received by the Treasurer under the terms of such agreement in a special trust
41 account for the benefit of the Agency, and the amount of such deposit shall be retained by the

1 Agency, applied at the time of delivery of the applicable Bonds as part of the purchase price
2 thereof, or returned to the Purchasers, as provided in such agreement.

3 **Section 7. Authorization of Execution of Bonds.** The Executive Director is
4 hereby authorized and directed to execute, and the Secretary of this Board is hereby authorized
5 and directed to attest, for and on behalf and in the name of the Agency and under its seal, the
6 Bonds, in an aggregate amount not to exceed the amount authorized hereby, in accordance with
7 each New Indenture or Supplemental Indenture in one or more of the forms set forth in such
8 New Indenture or Supplemental Indenture.

9 **Section 8. Authorization of Delivery of Bonds.** The Bonds when so executed,
10 shall be delivered to the Trustee to be authenticated by or caused to be authenticated by the
11 Trustee. The Trustee is hereby requested and directed to authenticate, or cause to be
12 authenticated, the Bonds by the execution of the certificate of authentication and registration
13 appearing thereon, and to deliver or cause to be delivered the Bonds when duly executed and
14 authenticated to the Purchasers in accordance with written instructions executed on behalf of the
15 Agency by the Executive Director, which instructions said officer is hereby authorized and
16 directed, for and on behalf and in the name of the Agency, to execute and deliver to the Trustee.
17 Such instructions shall provide for the delivery of the Bonds to the Purchasers, upon payment of
18 the purchase price thereof.

19 **Section 9. Authorization of Related Financial Agreements.** The Executive
20 Director and the other officers of the Agency are hereby authorized to enter into, for and in the
21 name and on behalf of the Agency, any and all agreements and documents designed (i) to reduce
22 or hedge the amount or duration of any payment, interest rate, spread or similar risk, (ii) to result
23 in a lower cost of borrowing when used in combination with the issuance or carrying of bonds or
24 investments, or (iii) to enhance the relationship between risk and return with respect to the
25 Program or any portion thereof. To the extent authorized by law, including Government Code
26 Section 5922, such agreements or other documents may include (a) interest rate swap
27 agreements, (b) forward payment conversion agreements, (c) futures or other contracts providing
28 for payments based on levels of, or changes in, interest rates or other indices, (d) contracts to
29 exchange cash flows for a series of payments, or (e) contracts, including, without limitation,
30 interest rate floors or caps, options, puts or calls to hedge payment, interest rate, spread or similar
31 exposure, and in each such case may be entered into in anticipation of the issuance of bonds at
32 such times as may be determined by such officers. Such agreements and other documents are
33 authorized to be entered into with parties selected by the Executive Director, after giving due
34 consideration for the creditworthiness of the counterparties, where applicable, or any other
35 criteria in furtherance of the objectives of the Program.

36 **Section 10. Authorization of Program Documents.** The Executive Director
37 and the other officers of the Agency are hereby authorized and directed to execute all documents
38 they deem necessary or appropriate in connection with the Program, including, but not limited to,
39 regulatory agreements, loan agreements, origination and servicing agreements (or other loan-to-
40 lender documents), servicing agreements, developer agreements, financing agreements,
41 investment agreements, agreements to enter into escrow and forward purchase agreements,
42 escrow and forward purchase agreements, refunding agreements and continuing disclosure

1 agreements, in each case with such other parties as the Executive Director may select in
2 furtherance of the objectives of the Program.

3 The Executive Director and the other officers of the Agency are hereby authorized
4 to enter into, for and in the name and on behalf of the Agency, one or more mortgage sale
5 agreements with such purchasers as the Executive Director may select in accordance with the
6 objectives of the Program. Any such sale of Loans may be on either a current or a forward
7 purchase basis.

8 The Executive Director and the other officers of the Agency are hereby authorized
9 to enter into, for and in the name and on behalf of the Agency, contracts to conduct foreclosures
10 of mortgages owned or serviced by the Agency with such attorneys or foreclosure companies as
11 the Executive Director may select in accordance with the objectives of the Program.

12 The Executive Director and the other officers of the Agency are hereby authorized
13 to enter into, for and in the name and on behalf of the Agency, contracts for the sale of
14 foreclosed properties with such purchasers as the Executive Director may select in accordance
15 with the objectives of the Program. Any such sale of foreclosed properties may be on an all cash
16 basis or may include financing by the Agency. The Executive Director and the other officers of
17 the Agency are also authorized to enter into any other agreements, including but not limited to
18 real estate brokerage agreements and construction contracts, necessary or convenient for the
19 rehabilitation, listing and sale of such foreclosed properties.

20 Section 11. **Authorization of Short-Term Credit Facilities.** In addition, the
21 Executive Director and the other officers of the Agency are hereby authorized to enter into, for
22 and in the name and on behalf of the Agency, one or more short-term credit facilities for the
23 purposes of (i) financing the purchase of Loans on an interim basis, prior to the financing of such
24 Loans with Bonds, whether issued or to be issued, and (ii) financing expenditures of the Agency
25 incident to, and necessary or convenient to, the issuance of Bonds, including, but not limited to,
26 Agency expenditures to pay costs of issuance, capitalized interest, redemption price of prior
27 bonds of the Agency, costs relating to credit enhancement or liquidity support, costs relating to
28 investment products, or net payments and expenses relating to interest rate hedges and other
29 financial products. Any such short-term credit facility may be from any appropriate source,
30 including, but not limited to, the Pooled Money Investment Account pursuant to Government
31 Code Section 16312; *provided, however,* that the aggregate outstanding principal amount of
32 short-term credit facilities authorized under this resolution, Resolution No. 08-03 (the single
33 family financing resolution adopted at the same meeting), or Resolution No. 06-06 (the Bay Area
34 Housing Plan resolution), as amended from time to time, may not at any time exceed
35 \$500,000,000 (separate and apart from the amount of Bonds authorized by Section 1 of this
36 resolution).

37 The Executive Director and the other officers of the Agency are hereby authorized
38 to use available Agency moneys (other than and in addition to the proceeds of bonds) to make or
39 purchase loans to be financed by bonds (including bonds authorized by prior resolutions of this
40 Board) in anticipation of draws on a credit facility, the issuance of Bonds or the availability of
41 Bond proceeds for such purposes.

1 **Section 12. Ratification of Prior Actions.** All actions previously taken by the
2 officers of the Agency in connection with the implementation of the Program, the issuance of the
3 Bonds, the issuance of any prior bonds (the "Prior Bonds"), the execution and delivery of related
4 financial agreements and related program agreements and the implementation of any credit
5 facilities as described above are hereby approved and ratified.

6 **Section 13. Authorization of Related Actions and Agreements.** The Treasurer,
7 the Executive Director and the officers of the Agency, or the duly authorized deputies thereof,
8 are hereby authorized and directed, jointly and severally, to do any and all things and to execute
9 and deliver any and all agreements and documents which they deem necessary or advisable in
10 order to consummate the issuance, sale, delivery, remarketing, conversion and administration of
11 Bonds and Prior Bonds and otherwise to effectuate the purposes of this resolution, including
12 declaring the official intent of the Agency for purposes of U.S. Treasury Regulations Section
13 1.150-2, and including executing and delivering any amendment or supplement to any agreement
14 or document relating to Bonds or Prior Bonds in any manner that would be authorized under this
15 resolution if such agreement or document related to Bonds authorized by this resolution. Such
16 agreements may include, but are not limited to, remarketing agreements, tender agreements or
17 similar agreements regarding any put option for Bonds or Prior Bonds, broker-dealer agreements,
18 market agent agreements, auction agent agreements or other agreements necessary or desirable in
19 connection with the issuance of Bonds in, or the conversion of Bonds or Prior Bonds to, an
20 auction rate mode or an indexed rate mode, agreements for the investment of moneys relating to
21 the Bonds or Prior Bonds, reimbursement agreements relating to any credit enhancement or
22 liquidity support or put option provided for the Bonds or the Prior Bonds, continuing disclosure
23 agreements and agreements for necessary services provided in the course of the issuance of the
24 bonds, including but not limited to, agreements with bond underwriters and placement agents,
25 bond trustees, bond counsel and financial advisors and contracts for consulting services or
26 information services relating to the financial management of the Agency, including advisors or
27 consultants on interest rate swaps, cash flow management, and similar matters, and contracts for
28 financial printing and similar services. The Agency's reimbursement obligation under any such
29 reimbursement agreement may be a special, limited obligation or a general obligation and may,
30 subject to the rights of the Bondholders, be secured by a pledge of the same revenues and assets
31 that may be pledged to secure Bonds or by a pledge of other revenues and assets.

32 This resolution shall constitute full, separate, complete and additional authority
33 for the execution and delivery of all agreements and instruments described in this resolution,
34 without regard to any limitation in the Agency's regulations and without regard to any other
35 resolution of the Board that does not expressly amend and limit this resolution.

36 **Section 14. Additional Delegation.** All actions by the Executive Director
37 approved or authorized by this resolution may be taken by the Chief Deputy Director of the
38 Agency, the Director of Financing of the Agency, the Comptroller of the Agency or any other
39 person specifically authorized in writing by the Executive Director.

SECRETARY'S CERTIFICATE

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3 I, Thomas C. Hughes, Secretary of the Board of Directors of the California
4 Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of
5 Resolution No. 08-04 duly adopted at a regular meeting of the Board of Directors of the
6 California Housing Finance Agency duly called and held on the 17th day of January, 2008, of
7 which meeting all said directors had due notice; and that at said meeting said resolution was
8 adopted by the following vote:
9

10 AYES:

11
12 NOES:

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14 ABSTENTIONS:

15
16 ABSENT:
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18 IN WITNESS WHEREOF, I have executed this certificate and affixed the seal
19 of the Board of Directors of the California Housing Finance Agency hereto this 17th day of
20 January, 2008.
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24
25 [SEAL]

Thomas C. Hughes
Secretary of the Board of Directors of the
California Housing Finance Agency

SECRETARY'S CERTIFICATE

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I, Thomas C. Hughes, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of the Resolution No. 08-04 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 17th day of January, 2008, of which meeting all said directors had due notice; and that at said meeting said resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

I further certify that I have carefully compared the foregoing copy with the original minutes of said meeting on file and of record in my office; that said copy is a full, true, and correct copy of the original resolution adopted at said meeting and entered in said minutes; and that said resolution has not been amended, modified, or rescinded in any manner since the date of its adoption, and the same is now in full force and effect.

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this ____ day of _____, _____.

[SEAL]

Thomas C. Hughes
Secretary of the Board of Directors of the
California Housing Finance Agency

State of California

MEMORANDUM**To:** Board of Directors**Date:** January 3, 2008**From:** Bruce D. Gilbertson, Director of Financing
CALIFORNIA HOUSING FINANCE AGENCY**Subject:** AUTHORIZATION TO MAKE APPLICATION TO THE CALIFORNIA DEBT
LIMIT ALLOCATION COMMITTEE RESOLUTION 08-05

The California Debt Limit Allocation Committee ("CDLAC") is the State entity which, under California law, allocates the federal volume cap for "private activity bonds" to be issued each year by State and local bond issuers. Private activity bonds are federally tax-exempt bonds which are issued to benefit non-governmental borrowers such as first-time homebuyers or owners of affordable rental housing developments.

Resolution 08-05 would authorize application to CDLAC for a maximum of \$900 million of single family allocation and \$400 million of multifamily allocation. Such authorization would be in effect during the period of time in which Resolutions 08-03 and 08-04, which authorize the issuance of single family and multifamily bonds, are themselves in effect.

Included in this maximum request would be an amount to finance an "economic development" concept to achieve two public purposes, ie, putting "subprime" REO's back in ownership and increasing affordability to first-time homebuyers. Given CalHFA Board member's comments at the November 2007 meeting, staff are looking at the possibility of offering some kind of program that would bring these vacant REOs and qualified first time home-buyers together in "yet to be defined" areas to prevent further economic impact on areas with large foreclosures. Our concept, still in the early design phase, would be to use additional volume cap awarded by CDLAC (above levels to maintain our ongoing Business Plan devoted to our regular first time home-buyer programs), to be specifically dedicated for bonds that would be structured, without taxable bond leveraging, to achieve the lowest possible lending rates.

At the December 5, 2007 CDLAC meeting the committee approved action to grant to CalHFA the amount of any remaining unused 2007 volume cap for use in our homeownership program. As of this writing, the amount remaining was \$132.8 million, but it could grow if other issuers report any additional failure to use in their entirety allocations granted in 2007. In December of 2006 we were similarly allocated \$258.6 million of unused 2006 volume cap.

The amounts proposed in Resolution 08-05 are greater than we would expect to apply for. However, the presumption is that the Board would want CalHFA to be authorized to apply and eligible to do so under CDLAC rules if allocation is available.

The attached table shows the amount of volume cap allocated to housing purposes over the past five years and what portion of these amounts were allocated to CalHFA.

Attachments

CDLAC ALLOCATIONS 2003 - 2007

Year	Volume Cap for all Programs	MULTIFAMILY ALLOCATIONS			SINGLE FAMILY ALLOCATIONS		
		All Multifamily	To CalHFA	% of MF Total	All Single Family*	To CalHFA	% of SF Total
2003	\$2,633,702,475	\$1,436,702,475	\$236,565,000 ⁽¹⁾	16.5%	\$724,000,000	\$416,332,732 ⁽²⁾	57.5%
2004	\$2,838,756,240	\$1,552,900,000	\$214,187,800 ⁽³⁾	13.8%	\$782,650,000	\$695,804,851 ⁽⁴⁾	88.9%
2005	\$2,871,503,920	\$1,669,700,000	\$168,155,000 ⁽⁵⁾	8.9%	\$646,000,000	\$1,015,521,544 ⁽⁶⁾	157.2%
2006	\$2,890,571,760	\$1,635,000,000	\$56,550,000 ⁽⁷⁾	3.5%	\$610,000,000	\$618,625,729 ⁽⁸⁾	101.4%
2007	\$3,098,891,665	\$1,740,891,665	\$39,940,000	2.3%	\$640,000,000	\$442,800,000 ⁽⁹⁾	69.2%

* Includes MRBs and Extra Credit Teacher Home Purchase Program.

⁽¹⁾ Includes \$21,555,000 of multifamily carry forward allocation.

⁽²⁾ Includes \$86,460,327 of single family carry forward allocation.

⁽³⁾ Includes \$21,610,000 of multifamily carry forward allocation.

⁽⁴⁾ Includes \$307,804,851 of single family carry forward allocation.

⁽⁵⁾ Includes \$20,365,000 of multifamily carry forward allocation.

⁽⁶⁾ Includes \$756,521,544 of single family carryforward allocation.

⁽⁷⁾ Includes \$12,165,000 of multifamily carry forward allocation.

⁽⁸⁾ Includes \$258,625,729 of single family carry forward allocation.

⁽⁹⁾ Includes an estimated amount of \$132,800,000 of single family carry forward allocation.

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1
RESOLUTION NO. 08-052
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RESOLUTION OF THE CALIFORNIA HOUSING FINANCE AGENCY
APPROVING APPLICATIONS TO THE CALIFORNIA DEBT LIMIT ALLOCATION
COMMITTEE FOR PRIVATE ACTIVITY BOND ALLOCATIONS
FOR THE AGENCY'S HOMEOWNERSHIP AND MULTIFAMILY PROGRAMS6
7
8
9
WHEREAS, the California Housing Finance Agency (the "Agency") has
determined that there exists a need in California for providing financial assistance to persons and
families of low or moderate income to enable them to purchase moderately priced single family
residences (the "Residences");10
11
12
13
WHEREAS, the Agency has determined that it is in the public interest for the
Agency to provide such financial assistance by means of ongoing programs (collectively, the
"Homeownership Program") to make lower-than-market rate loans for the permanent financing
of Residences;14
15
16
WHEREAS, pursuant to Parts 1 through 4 of Division 31 of the Health and Safety
Code of the State of California (the "Act"), the Agency has the authority to issue bonds to
provide sufficient funds to finance the Homeownership Program;17
18
19
20
21
WHEREAS, the Agency has by its Resolution No. 08-03 authorized the issuance
of bonds for the Homeownership Program and desires to authorize application to the California
Debt Limit Allocation Committee for private activity bond allocations to be used in connection
with the issuance of a portion of such bonds in order for interest on such bonds to be excludable
from gross income for federal income tax purposes;22
23
24
25
WHEREAS, the Agency has also determined that there exists a need in California
for the financing of mortgage loans for the construction or development of multifamily rental
housing developments (the "Developments") for the purpose of providing housing for persons
and families of low or moderate income;26
27
28
29
WHEREAS, the Agency has determined that it is in the public interest for the
Agency to provide such financial assistance by means of an ongoing program (the "Multifamily
Program") to make or acquire, or to make loans to lenders to make or acquire, mortgage loans,
for the purpose of financing such Developments;30
31
WHEREAS, pursuant to the Act, the Agency has the authority to issue bonds to
provide sufficient funds to finance the Multifamily Program; and32
33
34
35
36
WHEREAS, the Agency has by its Resolution No. 08-04 authorized the issuance
of bonds for the Multifamily Program and desires to authorize application to the California Debt
Limit Allocation Committee for private activity bond allocations to be used in connection with
the issuance of a portion of such bonds in order for interest on such bonds to be excludable from
gross income for federal income tax purposes;

1 NOW, THEREFORE, BE IT RESOLVED by the Board of Directors (the
2 "Board") of the California Housing Finance Agency as follows:

3 Section 1. Authorization to Apply to CDLAC for the Homeownership

4 **Program.** The officers of the Agency are hereby authorized to apply from time to time to the
5 California Debt Limit Allocation Committee ("CDLAC") for private activity bond allocations in
6 an aggregate amount of up to \$900,000,000 per year to be used in connection with bonds issued
7 under Resolution No. 08-03 or resolutions heretofore or hereafter adopted by the Agency for the
8 Homeownership Program. In the alternative, subject to the approval of CDLAC and under such
9 terms and conditions as may be established by CDLAC, any such allocation received is
10 authorized by this Board to be used in connection with a mortgage credit certificate program or
11 in connection with a teacher home purchase program.

12 Section 2. Authorization to Apply to CDLAC for the Multifamily Program.

13 The officers of the Agency are hereby authorized to apply from time to time to CDLAC for
14 private activity bond allocations in an aggregate amount of up to \$400,000,000 per year, to be
15 used in connection with bonds issued under Resolution No. 08-04 or resolutions heretofore or
16 hereafter adopted by the Agency for the Multifamily Program.

17 Section 3. Authorization of Related Actions and Agreements.

18 The officers of the Agency, or the duly authorized deputies thereof, are hereby authorized and directed, jointly
19 and severally, to do any and all things and to execute and deliver any and all agreements and
20 documents which they may deem necessary or advisable in order to effectuate the purposes of
21 this resolution, including but not limited to satisfying in the best interests of the Agency such
22 officers and deputies are also hereby expressly authorized to accept on behalf and in the best
23 interests of the Agency any private activity bond allocations offered by CDLAC over and above
24 those which may be granted pursuant to any application authorized hereinabove or in any prior
25 resolution of the Board.

SECRETARY'S CERTIFICATE

I, Thomas C. Hughes, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of Resolution No. 08-05 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 17th day of January, 2008 of which meeting all said directors had due notice; and that at said meeting said Resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this 17th day of January, 2008

[SEAL]

Thomas C. Hughes
Secretary of the Board of Directors of the
California Housing Finance Agency

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Report to the Board of Directors Business Plan Mid-Year Review

January 2008



CaiHFA BUSINESS PLAN FY 2007/2008 SPECIAL PROGRAMS LOAN INITIATIVES PRODUCTION LEVELS

	HAT FUNDED PROGRAMS	GO BOND FUNDED PROGRAMS	PROPOSITION 63	TOTAL
Single Family Programs:				
Down Payment Assistance	\$ 30,700,000	\$ 47,800,000		\$ 78,500,000
SHBAP	1,300,000			\$ 1,300,000
Multifamily Programs:				
Residual Gap Loan Program	10,000,000			\$ 10,000,000
MHSA Housing / Special Needs			80,200,000	\$ 80,200,000
Homeless/Special Needs Program	5,000,000			\$ 5,000,000
Asset Management:				
Portfolio Assistance	10,000,000			\$ 10,000,000
Special Lending:				
Habitat for Humanity	3,000,000			\$ 3,000,000
HELP	15,000,000			\$ 15,000,000
RDLP		40,000,000		\$ 40,000,000
Total	\$ 75,000,000	\$ 87,800,000	\$ 80,200,000	\$ 243,000,000

TABLE II - PLAN SUMMARY
(in millions)

	2007/08	2008/09	2009/10	2010/11	2011/12	5 Yr Total
HOMEOWNERSHIP PROGRAMS ^(a)	\$1,500.0	\$1,500.0	\$1,500.0	\$1,500.0	\$1,500.0	\$7,500.0
Homeownership First Mortgages						
Agency Funded Down Payment Assistance	5.7	5.7	5.7	5.7	5.7	28.5
CalHFA Housing Assistance Program (CHAP) ^(b)	25.0	25.0	25.0	25.0	25.0	125.0
High Cost Area Home Purch. Assist. Prog. (HiCAP) ^(b)	1.3	1.3	1.3	1.3	1.3	6.5
Self-Help Builder Assistance (SHBAP) ^(b)						
Prop. 46 Down Payment Assistance	9.6	0.0	0.0	0.0	0.0	9.6
CA Homebuyer's Downpmt Assist. Prog. (CHDAP)	1.5	0.0	0.0	0.0	0.0	1.5
Homeownership In Revital. Areas Prog. (HIRAP)	6.6	0.0	0.0	0.0	0.0	6.6
Extra Credit Teacher Home Purchase Prog. (ECTP)	3.7	3.8	4.0	4.2	4.5	20.2
School Facility Fee Down Pay. Assist. Prog. (SFF)						
Prop. 1C Down Payment Assistance	26.4	36.0	32.6	0.0	0.0	95.0
CA Homebuyer's Downpmt Assist. Prog. (CHDAP)						
Total Homeownership Programs	\$1,579.8	\$1,572.3	\$1,568.6	\$1,536.2	\$1,536.5	\$7,793.4
INSURANCE SERVICES	\$675.0	\$700.0	\$725.0	\$750.0	\$775.0	\$3,625.0
CalHFA	0.0	0.0	0.0	0.0	0.0	0.0
Non-CalHFA						
Total Insurance Programs	\$675.0	\$700.0	\$725.0	\$750.0	\$775.0	\$3,625.0
MULTIFAMILY PROGRAMS ^(c)	\$30.0	\$30.0	\$30.0	\$30.0	\$30.0	\$150.0
Permanent Loans	60.0	60.0	60.0	60.0	60.0	300.0
Construction Loans	15.0	0.0	0.0	0.0	0.0	15.0
Bay Area Housing Plan						
Proposition 63 - MHSA Program	50.0	53.0	61.8	70.4	73.6	308.8
Loan Program	30.2	31.4	36.0	40.8	42.4	180.8
Operating Subsidy	5.0	0.0	0.0	0.0	0.0	5.0
Homeless/Special Needs Program ^(d)	10.0	10.0	10.0	10.0	10.0	50.0
Residual Gap Loan Program ^(d)	10.0	10.0	10.0	10.0	10.0	50.0
Asset Management Portfolio Preservation ^(e)						
Total Multifamily Programs	\$210.2	\$194.4	\$207.8	\$221.2	\$226.0	\$1,059.6
SPECIAL LENDING PROGRAMS ^(c)	\$15.0	\$15.0	\$15.0	\$15.0	\$15.0	\$75.0
Locality Programs						
Housing Enabled through Local Partnerships (HELP) ^(b)	20.0	20.0	20.0	20.0	20.0	100.0
Residential Development Loan Program (RDLP)	20.0	20.0	20.0	20.0	20.0	100.0
Prop 46	5.0	5.0	0.0	0.0	0.0	10.0
Prop 1C						
Habitat for Humanity Loan Purchase Program ^{(b)(d)}						
Total Special Lending Programs	\$60.0	\$60.0	\$55.0	\$55.0	\$55.0	\$285.0
TOTAL CalHFA PROGRAMS	\$2,525.0	\$2,526.7	\$2,558.6	\$2,562.4	\$2,592.5	\$12,783.0

(a) Production total represent anticipated Homeownership loans purchased.
 (b) Funded from Agency's Housing Assistance Trust.
 (c) Production totals represent anticipated Multifamily and Special Lending Programs final commitments.
 (d) Program Production levels will be revisited on an annual basis.

Homeownership and Mortgage Insurance Programs



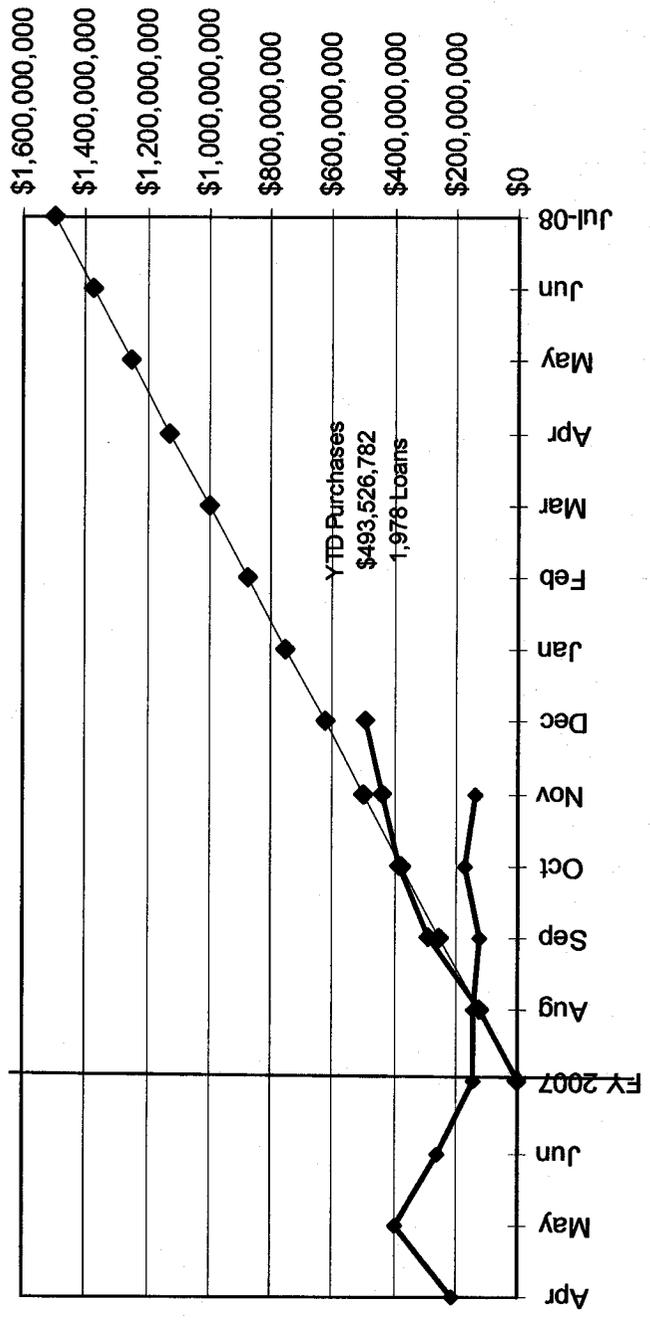
Homeownership Program Production Highlights

As of 11/30/07

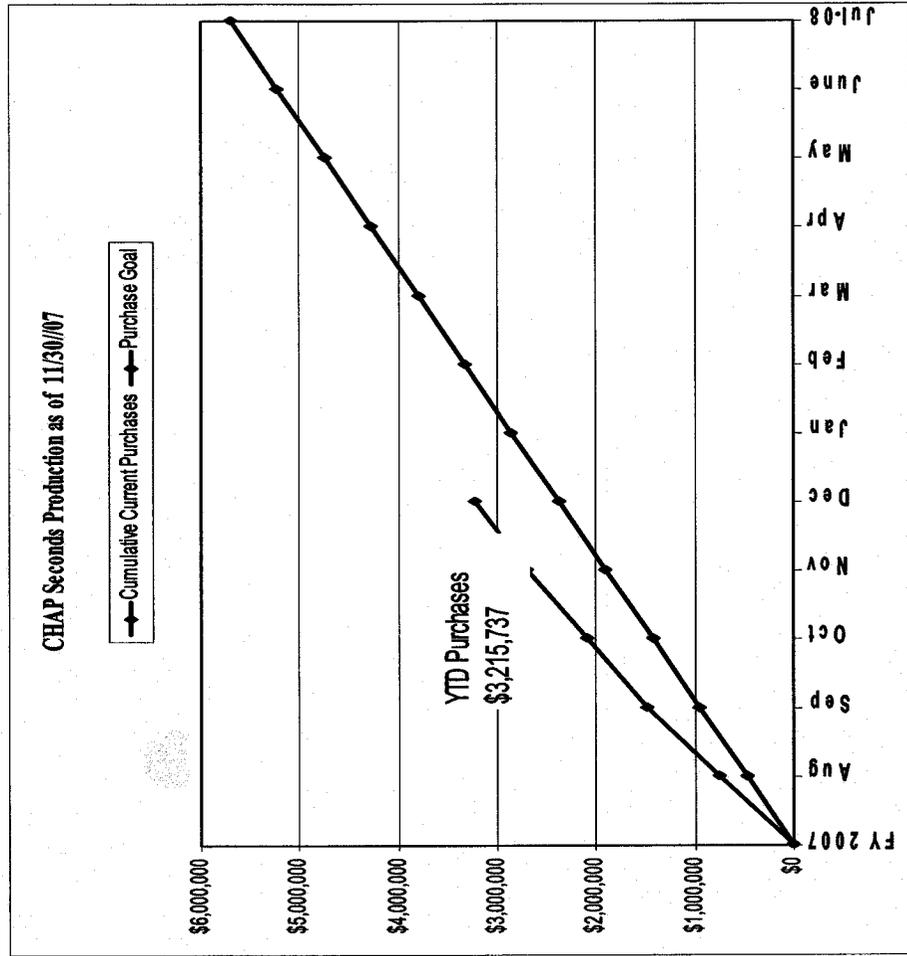
Highlights

- 1ST Mtg. Product % of No.
- 30-Year 67%
- 35-Year 24%
- 35-Year (MBS) .01%
- 40-Year 9%
- Down Pymt Asst. Pgms % of YTD Goal
- CHAP 135%
- HiCAP 66%
- CHDAP 110%
- HIRAP 126%
- ECTP 77%
- SFF 223%
- 55% of loans to minority homebuyers
- 40.6% of loans to low income homebuyers

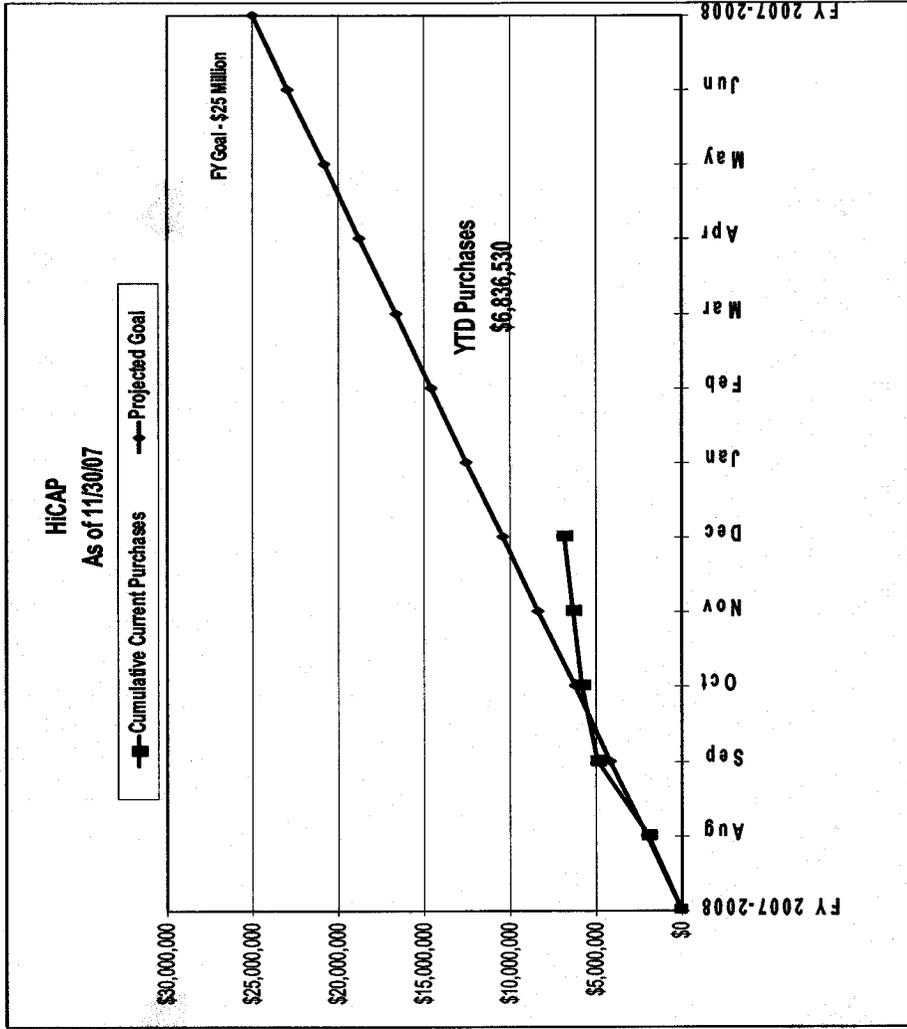
◆ Monthly Gross Reservations
 ◆ Cumulative Current Purchases
 ◆ Cumulative Purchase Goal



Housing Trust Fund Down Payment Programs CHAP and HiCAP – As of 11/30/07



FY Goal for Purchased Chap Loans: \$5,700,000
Percentage of YTD Total Goal: 135%

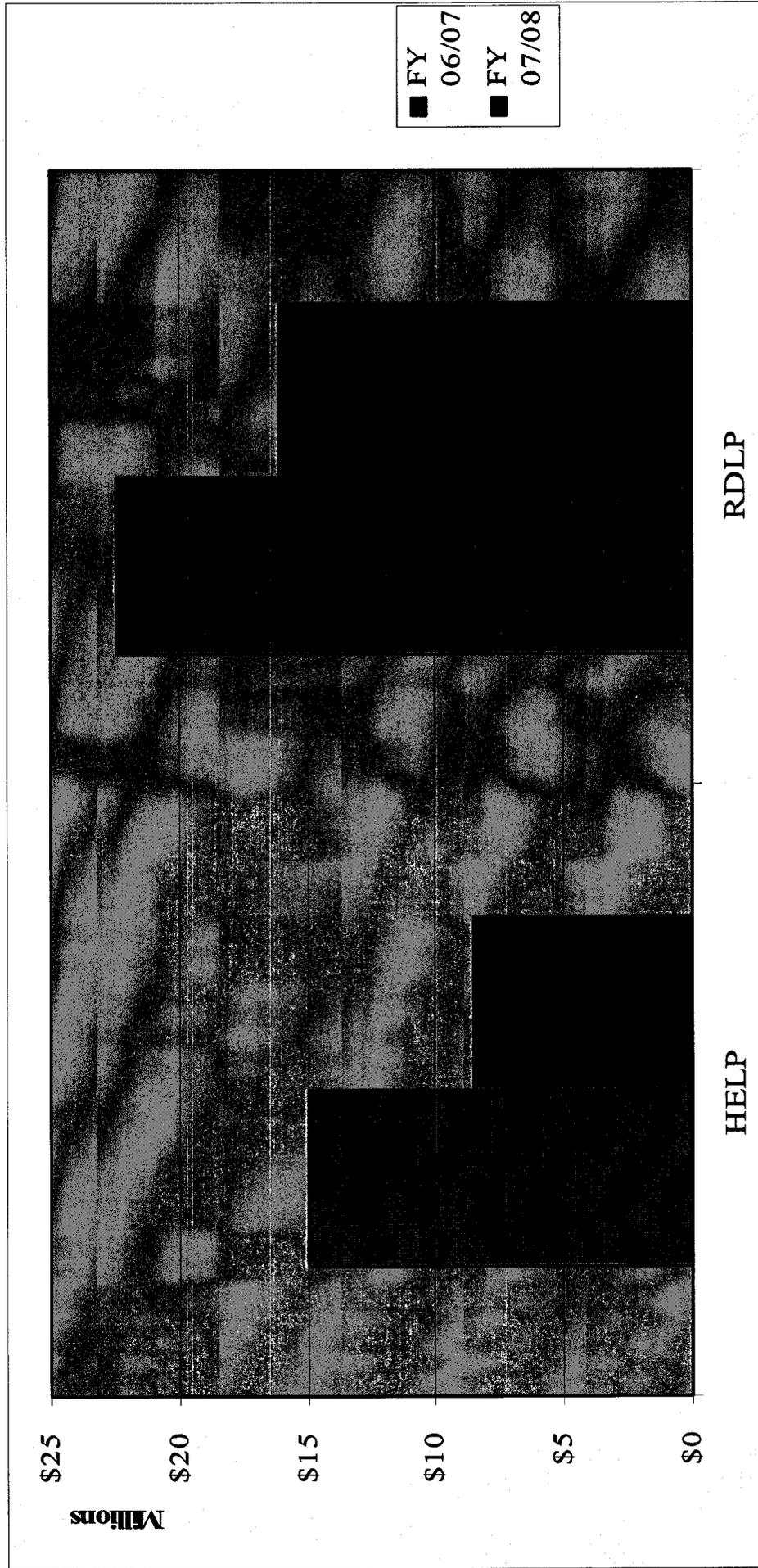


FY Goal for Purchased HiCAP Loans: \$25,000,000
Percentage of YTD Total Goal: 66%

Homeownership Prop. 46 and 1C Statistics

Program	Allocation	Funded		Recycled Funds/Interest	Available Balance
					As of 11/30/07
SFF	\$47,500,000.00	\$20,063,022	5,211 grants	\$1,503,592	\$28,940,570
ECTP	\$23,750,000	\$16,908,125	1,419 loans	\$2,454,568	\$9,296,443
CHDAP	\$115,329,748	\$147,378,855	18,557 loans	\$32,059,297	\$0
CHDAP	\$95,000,000	\$6,301,092	759 loans		\$88,698,908
HIRAP	\$11,900,000 (2/26/03)	\$2,502,349	161 loans		\$0.00 (Bal transferred to CHDAP)
	\$6,000,000 (5/6/05)	\$5,764,949	321 loans	\$348,928	\$583,979
RDLP	\$170,000,000	\$3,000,000	2 loans		\$167,000,000

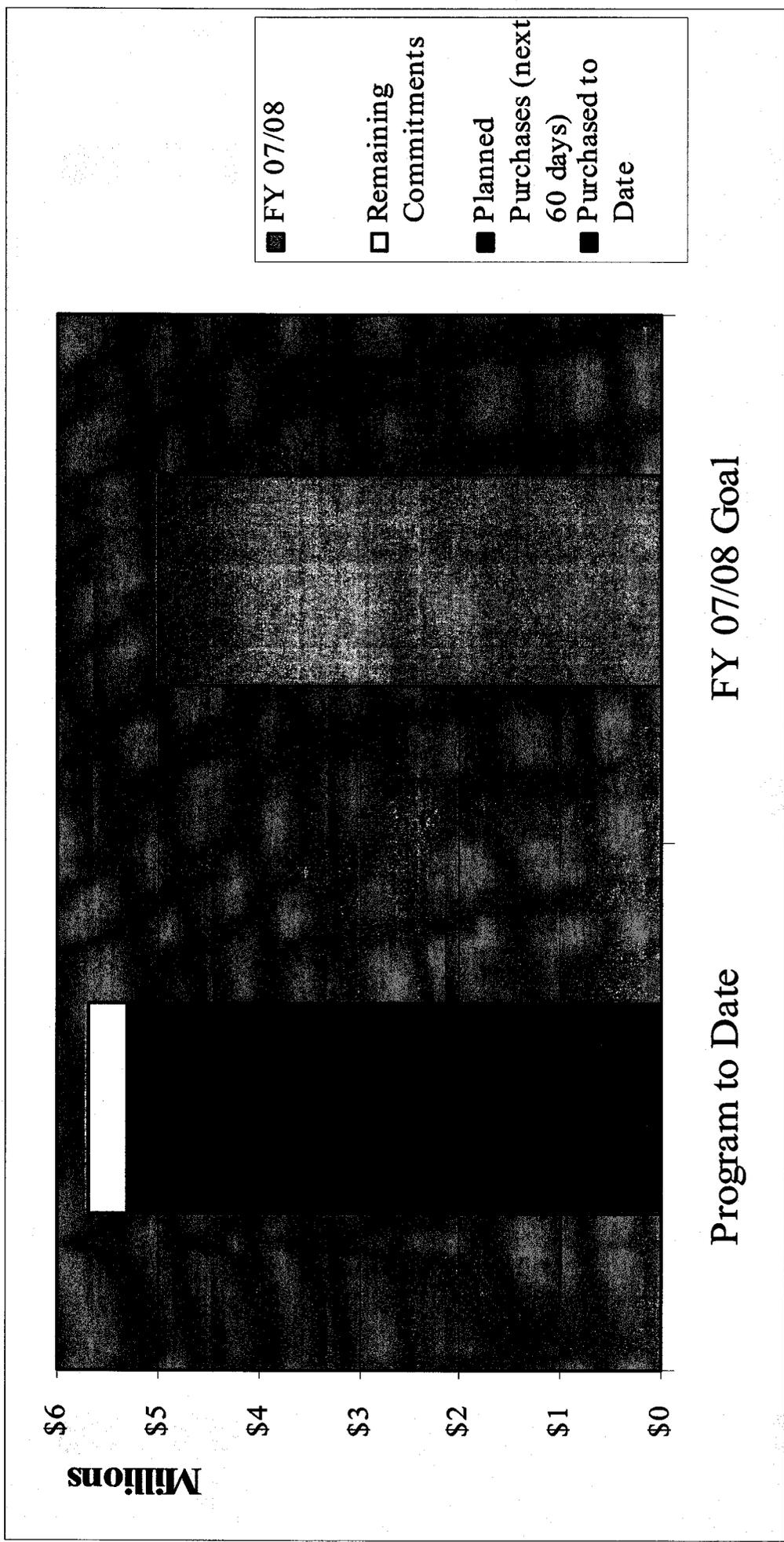
Special Lending Programs – HELP and RDLP



HELP -- FY 07/08 Represents 7 applications being reviewed by staff -- \$8.5 million for 358 housing units.

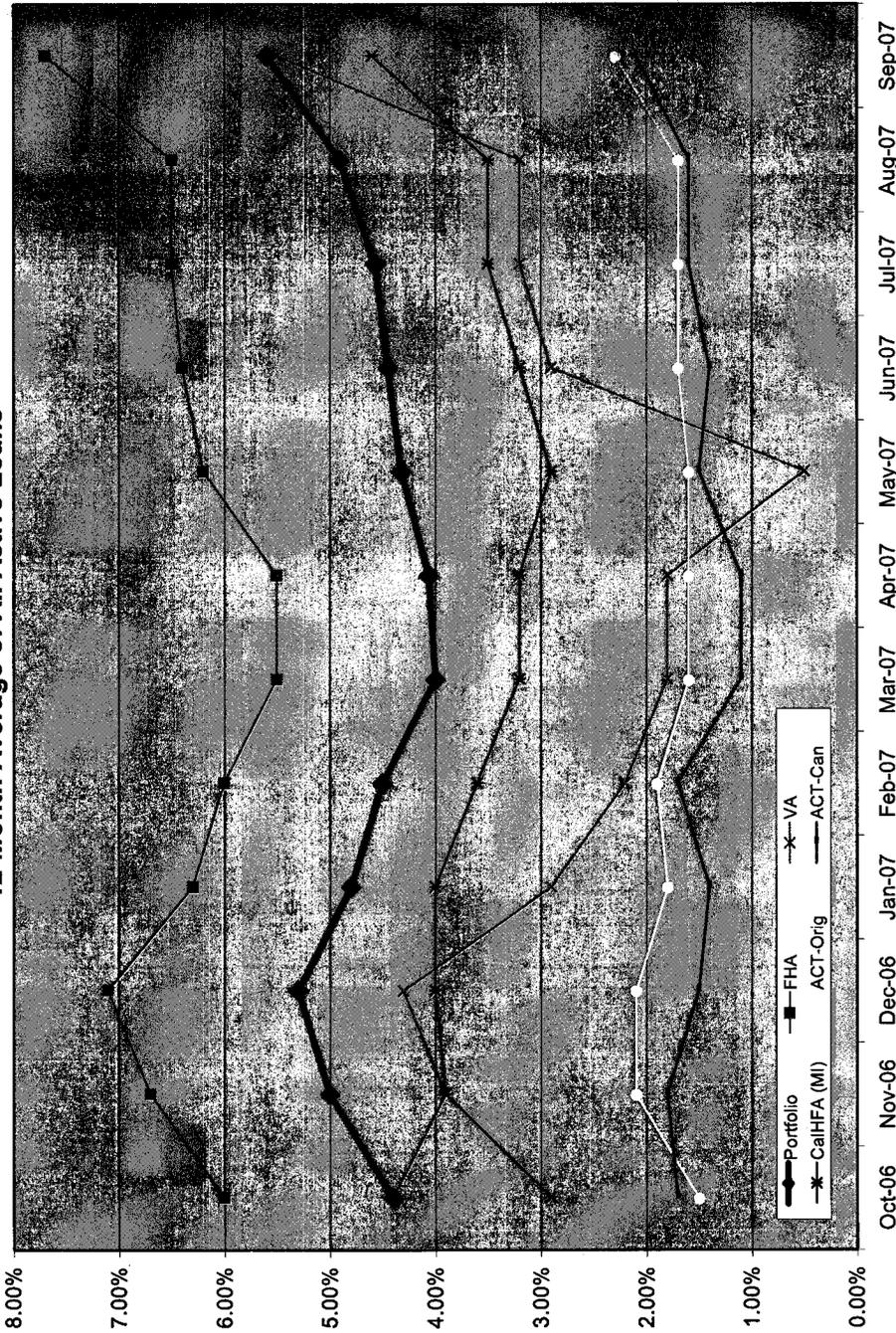
RDLP -- FY 07/08 Represents 4 applications being reviewed by staff -- \$16.086 million for 206 housing units.

Special Lending - Habitat for Humanity



Delinquency and REO Summary

Fully Reconciled Mortgage Loan Delinquency Ratios
12-Month Average of All Active Loans



Real Estate Owned Summary

Active Loans	2006 CY		2007 YTD
	As of 12/31/06	As of 9/30/07	As of 9/30/07
FHARS	15,768	15,317	15,317
Conventional	12,470	15,483	15,483
VA	515	506	506
Portfolio	28,753	31,306	31,306

Trustee Sales Held	During CY 2007	
	During CY 2006	(through 11/30/07)
FHARS	17	62
% of Portfolio	0.11%	0.40%
Conventional	3	46
% of Portfolio	0.02%	0.30%
VA	1	0
% of Portfolio	0.19%	0.00%
Portfolio	21	108
Total %	0.07%	0.34%

Current Inventory of REO
(As of November 2007)

Insurer	# of Properties	Dollars
CalHFA	38	\$9,949,865
FHA	36	\$7,664,965
ACT	0	\$0
Total	74	\$17,614,830

Homeownership Gains and Losses As of November 30, 2007

2007 Year to Date REO Uninsured Losses⁽¹⁾ (As of November 2007)

1st TD Sale Gain(Loss)	\$6,942
Subordinate Write-Off	(\$1,668,690)
Total Gain(Loss)	(\$1,661,748)

(1) Includes both reconciled and unreconciled gains/losses to date.

Composition of 1st Trust Deed Gain/(Loss) (Portfolio as of September 2007; REO as of November 2007)

Loan Type	Active Loans	Outstanding Dollars	Trustee Sales Held	%	Gain/(Loss)
FHA/RHS	15,317	\$2,103,558,568	62	0.40%	\$15,856
Conventional	15,483	\$3,705,928,834	46	0.30%	(\$8,914)
VA	506	\$74,940,086	0	0.00%	\$0
Portfolio	31,306	\$5,884,427,488	108	0.34%	\$6,942

Composition of Subordinate Write-Offs by Loan Type⁽¹⁾ (As of November 2007)

Loan Type	Active Loans	Outstanding Dollars	Write-Offs	%	Write-Off Dollars	%
CHAP/HICAP	10,879	\$124,928,833	86	0.79%	\$1,039,697	0.83%
CHDAP/ECTP	16,850	\$142,453,996	87	0.52%	\$628,993	0.44%
Other ⁽²⁾	795	\$12,098,389	0	0.00%	\$0	0.00%
	28,524	\$279,481,218	173	0.61%	\$1,668,690	0.60%

(1) Does not include FNMA subordinates.

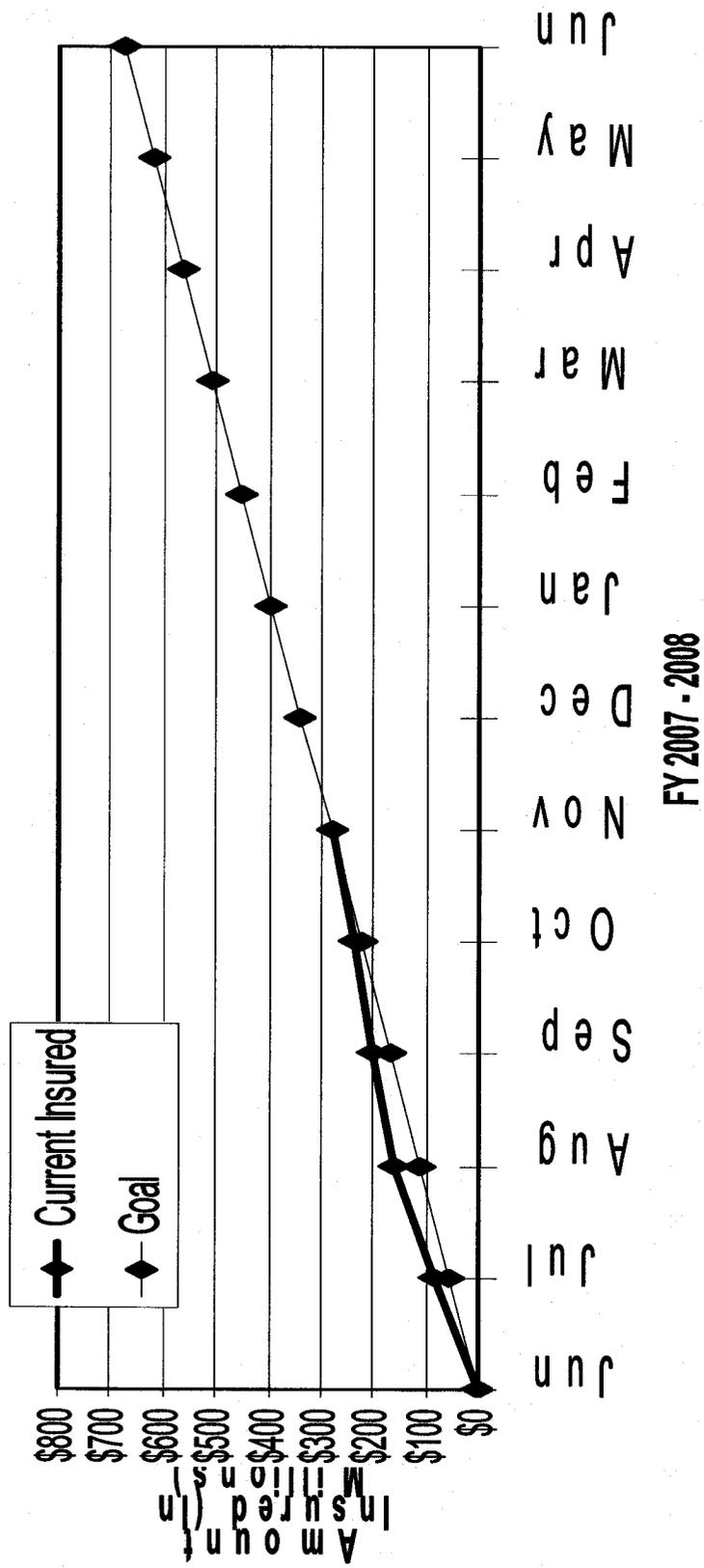
(2) Includes HIRAP, HPA, MDP, OHPA, SSLP, and CalSTRS.

Loan Origination Project Procurement Status

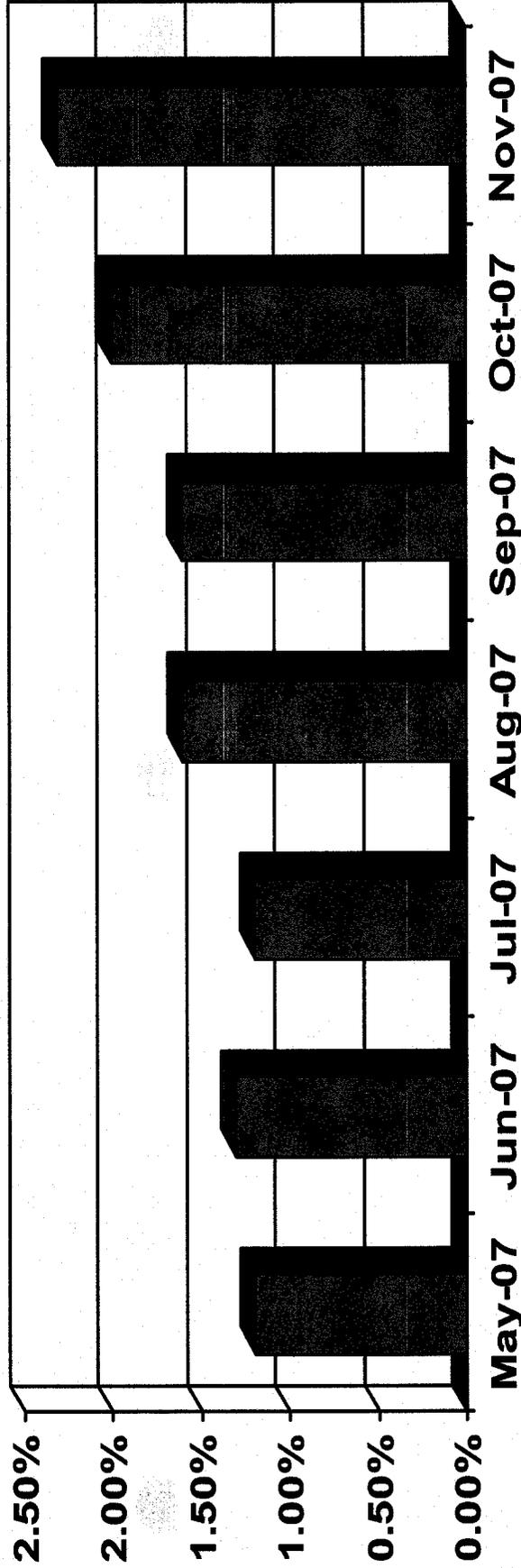
- RFP is in draft and through Core Team and Steering Committee Review;
- Legal review of RFP nearly complete;
- Outside counsel assisting with Model Contract;
- Late January 2008 RFP Release anticipated;
- If RFP and Model Contract released in January:
 - Draft proposals due March;
 - Final proposals due in June;
 - Proposals reviewed, followed by site visits and interviews in June/July;
 - Contract presented to Board in September for approval.

Mortgage Insurance Highlights

As of 12/31/07



CalHFA Mortgage Insurance Delinquency Trends as of November 30, 2007



	May 07	June 07	July 07	Aug 07	Sept 07	Oct 07	Nov 07
CalHFA MI Delinquencies	1.2%	1.3%	1.2%	1.6%	1.6%	2.0%	2.3%

CalHFA Mortgage Insurance Loan Delinquency Status As of November 30, 2007

Delinquency Category	<120 Days Delinquent	>=120 Days Delinquent	In Foreclosure	Title Held By Servicer	MI Claim Received	MI Claim Pending	Grand Total
Number of Loans Delinquent	97	43	50	23	22	4	239
Amount of Loans Delinquent	\$24,912,121	\$11,954,574	\$11,791,736	\$5,990,072	\$5,029,944	\$1,266,177	\$60,944,624

CalHFA and the Current Market

- **Update on Current Market Conditions**
 - Home Values – Impact LTVs, REO sales
 - Liquidity Markets – Impact Financing
- **CalHFA 100% Financing**
 - Broader market retrenching from 100% LTV
- **MBS Delivery Platform**
 - Viability of MBS in Current Market
- **Fannie Mae Negotiations**
 - March deadline

Multifamily and Special Lending



Affordable Housing is our Business

CalHFA Multifamily - Mid-Year Report

Committed Loans FY July 1, 2007 - June 30, 2008

Total Committed Units: 330

Projects: 7 Loans: \$64,033,000

MF Commitments (Year-to-Date)	MF Commitments (Goal-2007/08)	Percentage of Goal
\$64,033,000	\$52,500,000	122%
	\$105,000,000	61%

*Mid-Year Goal

*Year Goal

*These goals include funds for Perm, Const, Acq/Rehab, and HAT funds.

MF Commitments (Year-to-Date)	Allocation	Percentage of Goal
N/A	\$15,000,000	N/A
\$0	\$50,000,000	0%

**BAHP

**MHSA

**It has been determined that BAHP \$15m will not be utilized as planned. MHSA Program is still in discussions with DMH, and as a result, has been delayed. In addition, we have \$30.2m in MHSA Operating Subsidy that will remain unused this FY.

******Closed Loans FY July 1, 2007 - June 30, 2008**

Total Closed Units: 937

Projects: 9 Loans: \$59,895,646

******Pre-Application/Application Loans FY July 1, 2007 - June 30, 2008**

Total Pre-App/App Units: 1482

Projects: 13 Loans: \$213,610,000

*** This is the current Multifamily Pipeline in process which may go to Committee in the 2007-2008 Fiscal Year.

Multifamily Programs Mid-Year Accomplishments

- **New Director of Multifamily Programs**
- **Multifamily production pipeline – Up to \$200 million.**
- **Architectural Processing Requirements Manual underwent detailed review and updating, and has been released as Architectural Recommendations**
- **New Multifamily Programs Under Development**
- **Universal application – July 2007**
- **Earthquake Insurance Requirements – Being reviewed and updated.**
- **Bay Area Housing Plan:**
 - **Purchased 8 of the loans from BofA - approximately \$13M.**
 - **Commitments to BofA to purchase an additional 34 loans -- \$56M**

Mid-Year Accomplishments - Continued

- **Mental Health Services Act (MHSA) Housing Program**
 - **Working with Department of Mental Health (DMH) and the County Mental Health Director's Association (CMHDA);**
 - **Application made available in August 2007;**
 - **Workshops and conferences around the state.**
 - **DMH emergency regulations – BTH Review in process**
 - **DMH issued contracts to the county mental health departments:**
 - **Authorize transfer of \$300M in FY 2007/08 to CalHFA to start the program, and \$100M in 2008/09.**
 - **Currently accepting applications**
 - **No final commitments until the DMH regulations become effective, CalHFA enters into an interagency agreement with DMH, and the Counties have authorized the transfer of funds to CalHFA.**
 - **Reviewing 20+/- projects in predevelopment.**
 - **Many MHSA developments will use CalHFA construction and permanent financing**

Asset Management

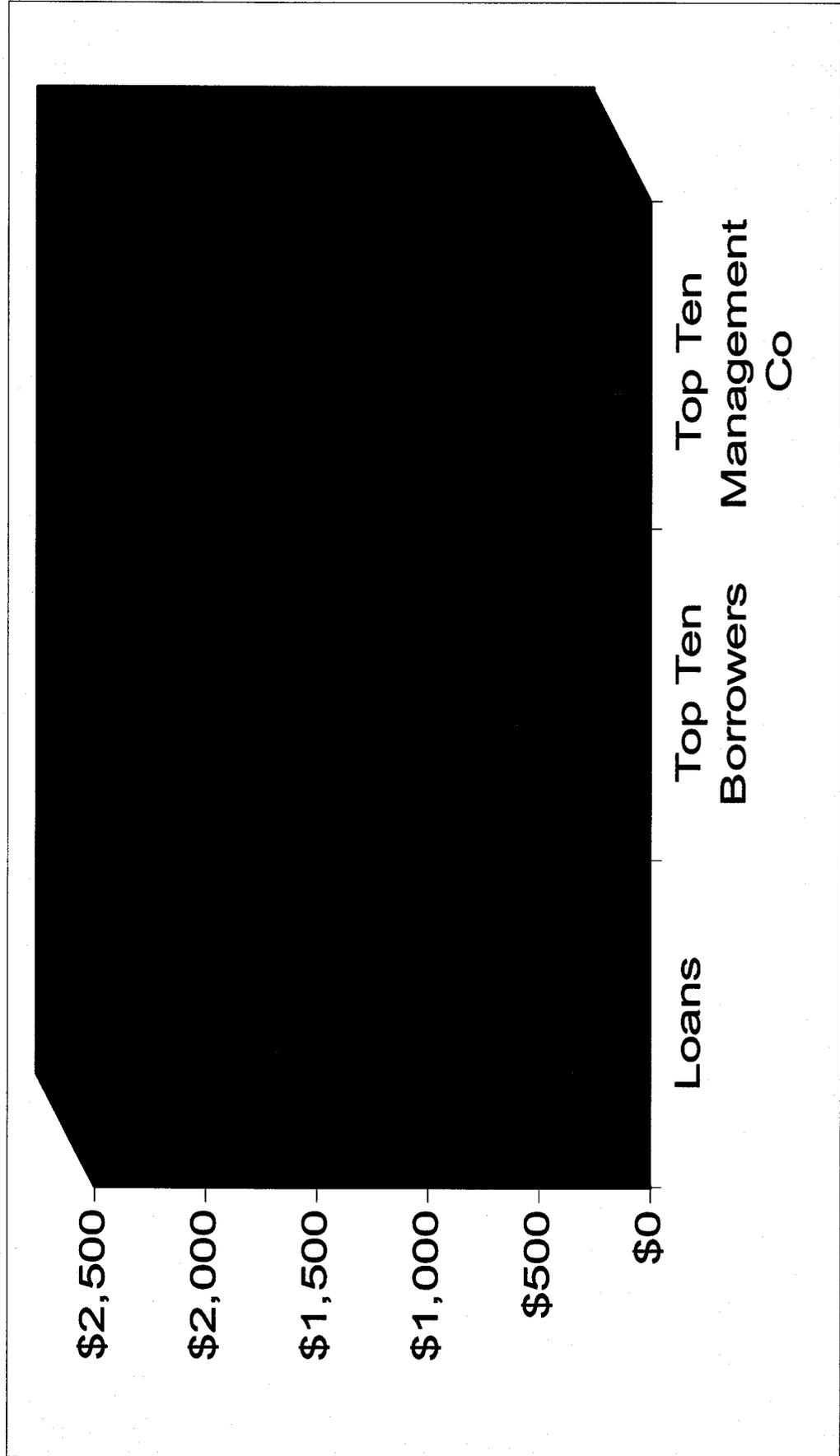


Affordable Housing is our Business

Asset Management Mid-Year Review

- Preservation/Rehabilitation tools for existing portfolio
 - \$10M HAT funds;
 - \$4,3868,900 committed to date for five portfolio refinances
 - \$50M Earned Surplus (Section 8 only):
 - No funds committed this FY;
 - SB 707 Extension of RHCP Program:
 - Legislative action allows refinances beginning 7-1-2008;
 - Develop refinance plan for older 80/20s:
 - Interdepartmental work group developed to begin work on this;
- Mental Health Services Act:
 - Operating Subsidy Plan ready;
- Prepayment Policy.

Portfolio Concentration



Operating Budget and Staffing Levels

- **Operating Budget**
 - FY 07/08 Total Operating Budget - \$45.7 million;
 - Actual Nov YTD Expenditures -- \$14.7 million (32%);
 - Projected Dec YTD Expenditures -- \$18.2 million (40%);
 - Lower than expected expenditures in Strategic Projects.

- **Staffing**
 - Focus on Recruitment:
 - REO Staff in Homeownership Division
 - Loan Servicing Staff in Fiscal Services Division
 - Total Positions Filled - 272