CalHFA BOARD OF DIRECTORS

California Housing Finance Agency
Board of Directors

Wednesday, March 19, 2008

Clarion Hotel Sacramento
700 16th Street
Sacramento, California
(916) 444-8000

9:30 a.m.

1. Roll Call.

2. Approval of the minutes of the January 17, 2008 and February 6, 2008 Board of Directors meetings.

3. Chairman/Executive Director comments.

4. Discussion, recommendation and possible action relative to final loan commitment for the following projects: (Bob Deaner/Edwin Gipson/Ruth Vakili/Roger Kollias)

NUMBER	DEVELOPMENT	LOCALITY	UNITS
07-028-C	Tahoe Senior Plaza II	South Lake Tahoe/ El Dorado	33

NUMBER	DEVELOPMENT	LOCALITY	UNITS
08-002-C/N	Bay Avenue Senior Apartments	Capitola/ Santa Cruz	109

5. Discussion, recommendation and possible action regarding the adoption of a resolution amending existing Board Resolution 08-04, to permit the use of additional forms of bond indentures to finance multifamily housing projects. (Bruce Gilbertson)

6. Update on Bay Area Housing Plan. (Bruce Gilbertson)

11. Discussion of other Board matters.

12. Public testimony: Discussion only of other matters to be brought to the Board's attention.

NOTES

HOTEL PARKING: Attendees will need to pick up free parking permit (available at front desk) upon arrival.

FUTURE MEETING DATE: Next CalHFA Board of Directors Meeting will be May 14, 2008, at the Burbank Airport Marriott, Burbank, California.

STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

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BOARD OF DIRECTORS

PUBLIC MEETING

ORIGINAL

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The Westin Bayshore Ballroom
1 Old Bayshore Road
Millbrae, California

Thursday, January 17, 2008
9:31 a.m. to 1:27 p.m.

Minutes approved by the Board of Directors at its meeting held:
03/19/2008
Attest:

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

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STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

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BOARD OF DIRECTORS

PUBLIC MEETING

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A P P E A R A N C E S

Directors Present:

JOHN A. COURSON, Chairperson
President
Central Pacific Mortgage

PETER N. CAREY
President/CEO
Self-Help Enterprises

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

CAROL GALANTE
President
BRIDGE Housing Corporation

LYNN L. JACOBS
Director
Housing and Community Development

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

THERESA A. PARKER
Executive Director
California Housing Finance Agency

WILLIAM J. PAVAO
for Bill Lockyer
State Treasurer

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CalHFA Staff Present:

MARGARET ALVAREZ
Director
Asset Management

BRUCE D. GILBERTSON
Director of Financing
Fiscal Services

THOMAS C. HUGHES
General Counsel

JIM LISKA
Loan Officer
Asset Management

CHARLES K. McManus
Director
Mortgage Insurance

JOJO OJIMA
Office of the General Counsel

JACKIE RILEY
Director
Administration

GERALD F. SMART
Chief
Homeownership Programs

KATHY WEREMIUK
Multifamily Loan Officer

LAURA WHITTALL-SCHERFEE
Chief
Multifamily Programs

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Speakers from the Public:

ALAN FISHER
Executive Director
California Reinvestment Coalition

STANLEY KEASLING
Chief Executive Officer
Rural Community Assistance Corporation

HEATHER PETERS
Deputy Secretary for Business Regulations
Business, Transportation and Housing Agency

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Board of Directors Meeting - January 17, 2008

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BE IT REMEMBERED that on Thursday, January 17, 2008, commencing at the hour of 9:31 a.m., at The Westin, Bayshore Ballroom, 1 Old Bayshore Road, Millbrae, California, before me, YVONNE K. FENNER, CSR #10909, RPR, the following proceedings were held:

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Item 1. Roll Call

CHAIRPERSON COURSON: We will call the Board meeting to order and ask to call the roll.

MS. OJIMA: Thank you.

Mr. Davi for Mr. Bonner.

MR. DAVI: Here.

MS. OJIMA: Mr. Carey.

MR. CAREY: Here.

MS. OJIMA: Ms. Galante.

MS. GALANTE: Here.

MS. OJIMA: Ms. Jacobs.

MS. JACOBS: Here.

MS. OJIMA: Ms. Javits.

MS. JAVITS: Here.

MS. OJIMA: Mr. Pavao for Mr. Lockyer.

MR. PAVAO: Here.

MS. OJIMA: Mr. Morris.

(No audible response.)

MS. OJIMA: Mr. Shine.

(No audible response.)

MS. OJIMA: Ms. Bryant.

(No audible response.)

MS. OJIMA: Mr. Genest.

(No audible response.)

MS. OJIMA: Ms. Parker.

MS. PARKER: Here.

MS. OJIMA: Mr. Courson.

CHAIRPERSON COURSON: Here.

MS. OJIMA: Thank you. We have a quorum.

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Item 2. Approval of the minutes of the November 15, 2007 Board of Directors meeting

CHAIRPERSON COURSON: The first order of business for us this morning is the approval of the Board minutes from the Thursday, November 15th Board meeting. If you've had a chance to look at those in your Board book, a motion is in order to approve them.

MR. PAVAO: I move approval.

CHAIRPERSON COURSON: Mr. Pavao moves.

MS. JACOBS: Second.

CHAIRPERSON COURSON: Ms. Jacobs seconds.

Any discussion on the minutes?

Seeing none, let's call the roll.

MS. OJIMA: Thank you.

Mr. Davi.

MR. DAVI: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Ms. Galante.

MS. GALANTE: Yes.

MS. OJIMA: Ms. Jacobs.

MS. JACOBS: Yes.

MS. OJIMA: Ms. Javits.

MS. JAVITS: Yes.

MS. OJIMA: Ms. Pavao.

MR. PAVAO: Yes.

MS. OJIMA: Mr. Courson.

CHAIRPERSON COURSON: Yes.

MS. OJIMA: The minutes have been approved.

CHAIRPERSON COURSON: Thank you.

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Item 3. Chairman/Executive Director Comments

CHAIRPERSON COURSON: I have a few things I'd like to share and some comments this morning. One is that I know -- I have not talked to him, but I plan on it -- Mr. Shine is having some very difficult back problems, and so he is not able to travel. We wish him well. And I'll follow up after the meeting.

I'd like to mention a couple of things. One is a very good piece of good news for all of us. Ms. Galante has been reappointed by the Assembly --

MS. GALANTE: Senate.

CHAIRPERSON COURSON: -- or Senate, rather, to represent them on the Board, so she has another full term coming.

And Carol, we always appreciate your contributions and welcome back.

MS. GALANTE: Thank you.

CHAIRPERSON COURSON: I'd like to make a couple of comments, and some of this we will talk about later when we talk about subprime and what's going on, but I think it's important. Terri and Bruce and I traveled to a -- were invited to attend a Citimortgage Citibank function for HFAs to talk about the market, subprime and so on. And there was a group, I would judge maybe 20 different HFAs that were in attendance, all the senior people. It was a really good session.

And I came away from that and at the end I had the chance of giving the last, sort of, talk or presentation. And one of the things that struck me sitting there and listening to that all day was the challenge -- the time I spent in Washington, the time I spent in the capital -- what's going to be role of HFAs after all of this smoke settles.

And when you think about it and you look at where our source of business is, particularly not so much on the multifamily side, but on the residential side, single-family side, is who is our customer going to be? Because our customers are either out of the business or going to exit the business during 2008. Our base of servicers, which tend to be some of the more median and small to median originators that use HFA single-family first-time products are the ones that getting squeezed out of the business.

And I said to that group, and as I listened to that group talking during the day, that I think one of the challenges for HFAs -- and Terri and I've talked about it -- is what is our role? Who's going to be our customer? Who is going to originate the product? What is the market? Are the origination channels going to be the same as they have been? And what is our mission? Certainly the first-time homebuyer is the mission, but coming out of this is there a different set of products? Is there a different set way of doing business?

And as we know, and I'm not certainly disparaging because we do a five-year plan, but that five-year plan makes a lot of assumptions over five years that things are going to stay pretty much the same in terms of the way we operate, and I'm not so sure that's true anymore.

And so one of the things that I think we're going to be challenged with is doing more than some goals and objectives and long-range planning is to really think through and do some strategic planning so that not now and not in the six months and not in the 12 months, but we're looking ahead, you know, two to five years about what our base and what our business is going to look like after the smoke settles on the market we're in now.

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Item 14. Update on Board Retreat Planning

CHAIRPERSON COURSON: And that's one of the reasons why, and certainly not whole reason because we talked about it at the last Board meeting, that I think it's important that we set the stage for that. And as you know we talked at the last Board meeting about the potential of having a one-day retreat, and you have in front of you a proposed agenda for that that I'm pleased to say that we got no "I cannot attends," no no-shows from anybody on the Board, and there was one "I'll be there if I can."

So we've picked the 6th of February in Sacramento, as you can see. And the idea of the day is to break it into two pieces. One is to talk about -- and there's a fellow that I've heard speak twice, John

Wagner. He's published some information, and he is -- and has done a substantial amount of work in board training. I've heard him at two events. He's very good.

And the idea is to come in and share with us what he sees in other HFAs, how they conduct their business, the types of policy decisions they get involved in, the types of activities, the way the board interreacts. And I think it will be a very good session for us. Terri and I talked to John last Thursday and sort of briefed him on some of the areas we want to emphasize, and we'll do that again before he arrives.

And then we want to take that opportunity while everybody was there -- and he'll talk for a couple of hours -- take the opportunity while everybody is there -- and I think Bruce and Terri and I were very impressed with the presentations done by the senior folks at Citi. And they published and put out and gave to us a very extensive document and documents, really, dealing with the subprime, not so much just the subprime, but the financial markets, the impact on the financial markets both historically and looking forward. And I thought it was fascinating, certainly instructive to me.

And so the two senior people at Citi who made that presentation to us at their meeting have agreed to travel to California and present that same presentation in the afternoon. So we'll spend the rest of the -- a couple hours in the afternoon with them. It's really very, very interesting and good material.

And I think that sets -- both of those set the stage as I want to think through as chair and working with the staff and the Board is how do we -- how do we move down this path of thinking more strategically and using our staff and our Board resources to try to craft a more strategic plan as we try to think through how our business is going to look over the next two to five years.

So having said that, that's our plan. I know it's on the agenda later to talk about the retreat, but I thought I would do it now so if there are any questions. You can see our start time and the location, and we'll move through, take a 30-minute break around 12:30, and then move into the Citi part. So I think it will be a good day, and we'll try to be cognizant of getting a -- starting late enough so the folks from the southern part of the state can travel in that morning and we'll finish up early enough that they can get back that night.

So are there any questions from any of my fellow

Board members?

Okay. Seeing that, then I will -- seeing none, I will turn to our Executive Director.

MS. PARKER: JoJo, would you pass these out.

Good morning, everyone. Just kind of a couple newsy notes.

We'll talk more about this when we go through our presentation, but I do want to make sure that everybody is aware, if they were not, the decisions that Fannie Mae has made recently in the marketplace with the imposition of a change in their loan to values to 95 percent in what they are calling distressed markets, which California is sort of a poster child, and also an adverse market fee precipitated us to make a decision last week to announce that we were discontinuing the delivery platform of NVS for our 35-year IOP program and going back to using that as a home loan program.

And what I've passed out, and JoJo can add this for the public, is I thought it was worth to share with the Board we've gotten our first letter from a broker, Civic Center Home Loans and Realty, essentially commending the Agency for our decision to enforce the continuation of a hundred percent loan to value in this marketplace and the fact that we had lowered interest rates at the same time and the fact that this would benefit hundreds of low and moderate income families and that, you know, this is really a courageous thing on the Agency's part. And this particular entity wrote a real nice note to the staff about the fact that they really thank us for our leadership.

So I want to just tell you that -- we're going to talk more about this, that it's interesting that the market is changing, but we -- and we'll talk about this, obviously the importance for this group's continuation of reflecting from the risk standpoint where we should be and what our role is in the overall marketplace.

Following the theme about Fannie Mae, and I also wanted to say as you're well aware, we instigated over two years ago an FHA Fannie Mae partnership, affinity agreement, and it was to be almost a four-year affinity agreement that had two opportunities during that time for resets for pricing and terms. That first reset comes up at the end of March, and we are currently in negotiations with them seriously about those terms and fees.

Obviously, I think it's pretty transparent in the marketplace that we have benefited significantly, and HFAs across the country have benefited and our customers, from the agreement that was negotiated by having fees that were really only in the amounts for a very large lender, and for the HFAs it was a great thing that they had accomplished. So we're hoping that we can continue, it may be different sort of agreements, but to continue to do something that allows us to have some exclusivity in the marketplace to benefit our customers.

I just wanted to announce today that we all wish her -- that this is Kathy Weremiuk's birthday, so happy birthday Kathy Weremiuk.

And to tell you based on last Board meeting's action by the Board and discussion with the staff, action on the staff's part asking for the Board to approve a lengthened time frame for our salary increases, that the final pay letters have been processed by the Department of Personnel Administration and the Comptroller and so we would like to report that we believe with one minor problem, which we hope to get fixed, but other than that that issue has been resolved, and we can move into 2008, I believe, in a fresh start.

The last thing just to talk to you about, renewed my commitment about being very proactive in getting a Director of Homeownership, get that position filled. Clearly what's happened with the market, we need to get a person in here. We've done some -- we got several résumés. We're doing some interviews this week.

And so I hope to be really pushing along in helping us get quality candidates that we've been able to hire in the past year.

So with that, Mr. Chairman, that concludes my remarks.

CHAIRPERSON COURSON: Okay. Any questions or comments on Terri's remarks?

Seeing none, then let's move into our first agenda -- or our fourth agenda item, which is the project Grand Plaza.

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Item 4. Resolution 08-01, Grand Plaza

MR. DEANER: Good morning. We've got two deals to present today. I'm going to leave it to the experts here, our chief and our loan officer, for the details, but I'll be up here to ask -- answer any questions that the Board might have.

MS. WHITTALL-SCHERFEE: Good morning. The two deals that we're going to present today, Grand Plaza and Villa Springs, are both portfolio loans, so they are currently within the portfolio of the Agency.

We are requesting approval on Grand Plaza for acquisition and permanent financing. Grand Plaza is a 302-unit senior project located in Los Angeles. It was part of an original -- the original low income housing tax credit program, and it is no longer restricted by those tax credit requirements as of December 31st, 2006.

The loans that we are requesting include an acquisition loan in the amount 16,400,000. There is a typo on page 1 of the Board write-up. It's at an interest rate of 5-percent variable, not 5.1-percent variable, and it would be for 12 months interest only. At the same time we would be financing $3.5 million in tax exempt bonds at 6.25 percent.

It's a 30-year loan. The first 15 years are interest only, and then it's amortized, and Jim is going to talk to you a little bit more about what this bond structure involves. Both these loans can be prepaid with 120 days -- I'm sorry. The first is an acquisition loan. The second loan can be prepaid with 120 days' written notice, as can the permanent loan, which is going to be in the amount of 16,400,000 like the acquisition loan. It's at an interest rate that's fixed for 5 percent, and it can be prepaid after year 15 or the qualified project period with 120 days' notice.

The borrower -- the current owner is 601 North Grand Avenue Partners whose general partner is Care Housing Services Corp., and the new ownership entity will be Grand Plaza Preservation LP. We anticipate that the ownership structure is going to include Las Palmas

Foundation. They are a nonprofit well known to the Agency, and we're very comfortable with their involvement in this project.

This is an unrelated parties transaction, similar to what you saw at the last Board in November. AIMCO and the Richmond Group are involved in the current ownership structure, and AIMCO will also -- or its affiliates will be involved in the new ownership structure, but it is an unrelated parties transaction.

And with that, I'm going to pass it over to Jim, and he's going to take you through the slides and just explain a little bit more about the rehab and the structure of the project.

MR. LISKA: Good morning, Mr. Chairman, Board members.

The project circled with the red is our project. This is Highway 101. The project is located in central downtown, in the Chinatown area. It's close to sports, entertainment district of L.A. As you can see, it's convenient access to public transportation and the freeway system. And it's less than one mile from the Grand Avenue urban renovation.

And, next slide. Here's a little bit closer up of the project. Diagonally across the street is the -- it's under construction. It's the Central Los

Angeles -- it's a high school.

Across the street to the other direction is Orsini Apartments. I hope I'm pronouncing it right. It's a market-rate project, luxury rents, high-end scale. And our project is basically -- to be a little bit more specific, it's located in the Chinatown redevelopment area.

Here's a close up, looking across the subject from Cesar Chavez Avenue. This project was built in 1990, along Cesar Chavez Avenue, it's two floors of retail, and the retail is not included in our purchase price.

As you go around the corner from Cesar Chavez, you're on Grand Avenue now. This is the main access to the subject and to its entrance and the lobby area. And if you go right around the corner here, this will lead you down into the subterranean parking garage. There's 302 elderly units, and we have 147 parking spaces specifically for the elderly.

This is an interior courtyard. Nice area. It's sheltered, you know, environmentally very nice.

It's a very spacious lobby, a ballroom, community room. On one end you can go out into the balcony area that overlooks Cesar Chavez, and then it also opens up back into the open courtyard which you just previously saw.

Typical one-bedroom unit. Again we have seniors. Average age is around 78 years. And as far as turnover, a lot of the original people from when this project opened are still in the units, and they really only -- you know, when they go on to the next stage, as far as maybe going into assisted living, what have you, is when you see turnover.

I think this is the slide that I really want everybody to pay attention to. As Laura explained, the tax credit, the expiration has expired on this. The restrictions are off. What we've done as part of this sales transaction is you see the rents for the studios and the one bedrooms and two bedrooms, and really the one bedroom is it's 459 through 494.

What I tried to do is take the most recent rent roll and basically underwrite to those in place rents, and then we reached an agreement with the borrower that those rents will not increase more than 6 percent a year until they reach the maximum rent levels for 50-percent AMI and 60-percent AMI. Thirty percent of the units are at 50 percent, 20 percent are CalHFA's AMI, and 10 percent at tax credit, and then the remainder is at 80 percent at 60 percent.

I think you can see the dramatic effect if this project went to market the way it would affect our elderly because they would be looking at a spiked increase anywhere from four to five hundred dollars a month just in a rent increase, which obviously they couldn't afford. So our whole objective here is to maintain that deep affordability so that they can live there.

As Laura explained, this is our first project where we're doing a private placement. AIMCO will be buying the tax-exempt second mortgage at 3 and a half million dollars. We have a 6.25-percent rate. A quarter of that will be an administrative fee for CalHFA as well as the trustee. The trustee that -- for this, handling the private placement, will be U.S. Bank.

As far as preparation of documents, we have spent extensive time with Orrick, our bond counsel, as well as our legal department and our staff here. We are charging one point up-front on the 3 and a half million dollars.

You'll also see on the interest only for the 15 years, we have to have at least a minimum one-to-one coverage. And if you look at our cash flow on our chart, if we were just looking at the rents for the restricted rents, we start out at about a 1.21 just on rental income. When you couple that with the interest-only payment from the second mortgage, we're at about a 1.01, which meets the minimum. And we have to average about a 1.10 over the life span. And you can see in subsequent years that the interest rate has been increasing.

As far as the rehabilitation of the project, we're -- just on hard costs, we're looking at $3,165,835, which is about $10,483 a unit. This is a newer project. It's one of the most recent projects that we've done in our portfolio that needs minimum rehabilitation, but we are doing new roofs. We're doing dual paned windows. We're looking at drainage, exterior painting, repairing of balcony decks.

On the interior, we're looking at cabinetry. The cabinetry, even though it's elderly, the cabinetry is in fair condition. New appliances. Looking at the baseboard, electric heating, air-conditioning units. The interior hallways, painting and new carpeting. And then just embellishing the community center to give it a little bit more furnishings and sprucing it up. As you can see, it was pretty sparsely furnished in the pictures that you saw.

Relocation, we're not going to be really doing any interior intrusive rehabilitation. We have a budget of $75,000, which is adequate.

The project right now for -- even though it's an 80 percent, what we call an 80/20 project where 20 percent of the units are at 80 percent AMI, there's pretty much a spectrum or a range of rents. And even though this is not a Section 8 project, we did allocate a $570,000 transition operating reserve for this project for as needed in the event of as we get turnover or assistance that we need for the elderly. And it's just a contingency fund. That's the way I've looked at it.

With that, I'm open for questions.

CHAIRPERSON COURSON: Any questions on the -- on this project?

Ms. Galante.

MS. GALANTE: You know I think it's a very creative structure, and I don't have any problem with the actual deal. I guess I'm just curious as to why the original general partner is selling at all. I mean why -- you know, this was a tax credit deal. It doesn't look like it really needs a lot of rehab. Did they not have a right of first refusal or something to buy their tax credit investor out and continue to own this property?

MR. LISKA: As far as I know, no. They were looking to -- this has been placed on the market for the past couple years. It's been on and off the market.

And basically Care Housing, their managing general nonprofit, I think just wants out of the deal. And they turned it down, and they just put it on the open market.

And we still have an unrelated party, but AIMCO is still going to be part of the new structure. And we have -- again as was previously mentioned, we have Las Palmas, a nonprofit which we've done past deals with. And I mean they're very excited to get in on this project and add their expertise and the array of social services that they can provide to the elderly. Basically the original sellers want out.

MS. GALANTE: Right. And are they getting a lot of money to get out?

MR. LISKA: Yes. Our -- our outstanding -- our outstanding current mortgage is $7,539,616 as of December 2007. It was at a 9.25-percent interest rate, 40-year term. And I'm glad you raised that issue because there is a $1.2 million yield maintenance or prepayment penalty which the sellers are paying to our agency as part of the exit strategy for this deal.

If you look at it, yeah, it is a lot of money, $23 million, but, you know, if you look it at on a per-unit basis, it's $77,000 as is, and that's reasonable in today's market in downtown L.A. It's --

you know, it's a revitalization area. It's an active area. It's a prime real estate location, even in today's economy where we have sagging real estate prices.

MS. GALANTE: I don't disagree with any of that, I just, you know, as a matter of thinking about this at a bigger picture level, we are, as the Agency, financing an acquisition that has some risk. We're increasing the -- you know, the purchase price is higher, and I just -- you know, you wonder. You know, ideally the current owner would maintain the property, would have bought out the tax credit investor, you know, and refinanced it themselves.

So I just, you know -- I don't have any problem with the transaction. I just -- I think we're going to see a lot more of this, and I just think we need to, maybe as a matter of public policy, not as the Agency, but overall, be thinking about that. I guess it could be because this was an early deal, there's the regulatory agreement expired so quickly that, you know, there's a lot of value there that we won't see much as of in the future because the regulatory agreements are longer term.

MR. LISKA: Well, I mean, the whole what we're trying to do, this is a preservation effort.

MS. GALANTE: Yes.

MR. LISKA: I mean the way the composition of this project has turned out, it's a -- it's an affordable project. The tenants again, as you can see by those rent levels, they're at bare minimum. And, you know, this whole project can exit from the tax credit and go. And that's the overriding concern I think we've had.

And you're right. We've had a lot of internal discussion on this. Like you, we had our doubts in the beginning on whether -- how we were going to handle this project, whether we wanted to participate in it as a sale or what have you. And we decided in the best interests of the current tenants there and the affordability levels, that this is something that we want to see occur and that we want to see how we can extend it and make sure that their lives aren't disrupted, they don't have to relocate at this stage of their life, and that we're still giving them a unit, you know, where they have dignity and where they can enjoy the remainder of their lives.

MS. PARKER: Just to echo on that for the Board, we've spent a lot of time, the staff, meeting and talking this through. And my concern, as always, by doing any of these situations, is what precedence are we setting for the future. And we -- I think, you know, in some respects we would have preferred not have to done this, but when we looked at it relative to the impact on the tenants and talked about, you know, what is our role and our responsibility, we felt we really needed to work through and come up with something that was a workable solution, and not just say, you know, we're not interested.

So we -- we really spent a lot of time, and I think we negotiated in some respects as hard as we could for the public benefit side of this.

CHAIRPERSON COURSON: Ms. Javits.

MS. JAVITS: I guess I just wondered is there -- just thinking from the larger perspective of our role going forward, how many of these deals are we going to see, I just wonder if there's any information down the road on the portfolio of groups that have tax credits now that are nearing expiration that might just tell us kind of the size and scope of the potential market out there.

I don't know if at some point -- I'm not sure what you guys are doing around that, but at some point if there was some information, it might at least give us some sense of what might come at us.

CHAIRPERSON COURSON: Mr. Pavao.

MR. PAVAO: Yeah. We've been looking at our portfolio, and a number of projects have already exited our portfolio. That is those deals that were -- that received the credits in '87, '88, '89. Those generally were under 15-year regulatory agreements.

Since that time, that is, those projects where we awarded credits in 1990 forward, they generally were captured under 30-year agreements or more recently 55-year agreements, but --

AUDIENCE: Can't hear.

MR. PAVAO: Thank you. What I was saying was that our portfolio does have a number of deals, and I want to say the number is something like 150 deals that were originated in those first three years that have now exceeded their initial regulatory agreement, which at that time was just 15 years.

From 1990 forward, we captured them under 30-year regulatory agreements or more recently 55-year regulatory agreements. But there is a sizable pool of deals that are in this very same circumstance, unless there is some other public funding source that's regulating them for a longer period. This is a case where apparently there isn't.

The other reason for them wanting to have a sales transaction here, I'm sure, is to beef up that acquisition basis for building those tax credits into the deal, so I'm sure that's a big motivation.

One note is that over in the tax credit side of this picture, we are tightening down a bit on how much developer fee one can build into these kinds of transactions unless there's more significant rehab taking place. So in this case, I think, was it about $10,000 per unit worth of rehab, so they're going to be coming in at the slightly lower developer fee end basis as a result.

So we're also cognizant of trying to make sure that we're helping preserve affordable units without facilitating, you know, huge, huge exits of equity from these properties as the sale transaction takes place. It's a dilemma.

CHAIRPERSON COURSON: Other questions or comments?

Seeing none, is there a motion to -- there's a resolution on page 191 for someone to approve --

MS. JACOBS: Move approval of the resolution.

CHAIRPERSON COURSON: Ms. Jacobs moves.

Is there a second?

MS. GALANTE: I'll second.

CHAIRPERSON COURSON: Ms. Galante seconds.

Any further discussion from the Board?

Is there any discussion or comment from the public?

Seeing none --

MS. PARKER: Mr. Chairman, can I just ask one question?

CHAIRPERSON COURSON: Yes. Ms. Parker.

MS. PARKER: I've looked through here. I just want to confirm since the narrative had a typo, there's no reference in the resolution to the rate of 5 percent. I just want to make sure --

MS. WHITTALL-SCHERFEE: The resolution does not --

MS. PARKER: I -- I just want to make sure the Board all understands what the terms are.

CHAIRPERSON COURSON: Let's call the roll.

MS. OJIMA: Thank you.

Mr. Davi.

MR. DAVI: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Ms. Galante.

MS. GALANTE: Yes.

MS. OJIMA: Ms. Jacobs.

MS. JACOBS: Yes.

MS. OJIMA: Ms. Javits.

MS. JAVITS: Yes.

MS. OJIMA: Mr. Pavao.

MR. PAVAO: Yes.

MS. OJIMA: Mr. Courson.

CHAIRPERSON COURSON: Yes.

MS. OJIMA: Resolution 08-01 has been approved.

CHAIRPERSON COURSON: Okay. And our second project of the morning is the Villa Springs Apartments.

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Item 4. Resolution 08-02, Villa Springs

MS. WHITTALL-SCHERFEE: Right. Villa Springs Apartments -- Villa Springs Apartments is also a portfolio loan. All the Board members should have been sent a copy of a revised Villa Springs write-up, and that's the write-up that we will be speaking from. The change that we sent to you was really a more elaborate explanation of existing financing and of other financing on the project.

Villa Springs is a family project. It's a 66-unit project in Hayward, which is in Alameda County. It's currently owned by Eden Housing, Inc., a California nonprofit public benefit corporation, and it is being purchased by Villa Springs Apartments, a limited partnership with the managing general partner being Villa Springs LLC, another unrelated transaction involving Eden Housing in the limited liability corporation.

This is a request for acquisition, rehab and permanent financing. The acquisition and rehabilitation loan that would be made is in the amount of $5.7 million at a 5-percent variable interest rate for 12 months interest only. At the time of the acquisition rehab, we would be financing a second mortgage which is a HAT loan, Housing Assistance Trust money, from the asset management area. And that would be at a 3-percent interest rate for 30 years. It would be a residual receipt loan, which is what we have typically done with our HAT money. HAT money is the Agency money that we have at our disposal.

The permanent loan would be in the amount of $3.1 million. It would be a 5-percent fixed interest rate. It would be a 30-year amortization prepayable after year 15 or the qualified project period, and it would be tax-exempt financing.

And Jim's going to explain the structure because this is a deal that really needs a lot of rehabilitation and a lot of the other income sources on this project are making substantial contributions, as are we.

MR. LISKA: This project is located on the west side. This is Interstate 880. It's in an established neighborhood surrounded by similar apartments.

This, right through here -- oops. Right through here there's a -- traverses a -- the Alameda County flood channel. It's concrete, and it's a chain-link fence, and it is maintained supposedly by the County, even though our project does do a -- some maintenance work on it.

It's a gated entry.

A picture of the tot center.

Typical interior.

The exterior, which we're going to be -- T11 siding. All of this wood siding is going to be stripped off. I mean this is a project that Asset Management, which I give a lot of credit to, has spent a long time on this trying to work as far as doing this refinancing, working on extending regulatory agreements and just trying to take care of the project.

I think we would term this a troubled project. It desperately needs our refinancing, our help as far as for the rehabilitation and maintaining the habitability and livability of this project.

Next slide. As far as rent levels, again is this is a non-Section 8 project. It's got three regulatory agreements on it. It has our regulatory agreement. It has the County of Alameda regulatory agreement. It has HED. It's a CHRP regulatory agreement. And the last, we're in the city of Hayward, and the City of Hayward has a rent ordinance agreement.

Fifty of the 66 units are rent restricted. The other 15 units are market rate. And they're subject to rent restriction in which rents can't be increased more than 5 percent a year. And then we have one two-bedroom, which is the manager's unit, which is non-revenue-producing.

And given the rent levels of this project, this is part of the -- what we're trying to work out as to be able to provide the income necessary in order to debt service the project as well as do the necessary rehabilitation.

The existing mortgage on the project is $1.8 million plus at an 8.14-percent interest rate. One of the things, as you notice on page 2 of the new package, there is a swap determination. I'm asking the Board to waive the $206,000 swap determination fee because the project just can't afford it. In addition, the County has waived $1-million worth of their interest, and you're only looking at a County principal balance of $927,000, I believe.

We are going to be paying off our original HAT loan of $298,000. I'm also asking the Board to waive the accrued interest on that HAT loan of approximately a hundred thousand dollars. So there's a -- two waivers that I'm requesting in addition to our refinancing, $206,000 on the swap termination, a hundred thousand dollars on the HAT accrued interest.

We're also looking at in the financing where, since the new borrower is a -- there's a modification, an assumption of the previous loans. And the previous loans being the CHRP loan and the county loan. And the modification of these loans are that they're being assumed, and they're being extended to the end of the term of the new tax credit regulatory agreement, which takes that out another 55 years.

The regulatory agreements on these started back in 1988. And when we look at forward another 55 years, we're looking to the year 2063, I believe. And what we've done is to do a net present value of these loans in order to accommodate where we can allow a seller takeback of $1,682,332.

And this was basically -- how did we arrive at that number? We have a value, as-is value, on this property of $4,180,000, and we're paying off our first mortgage of one million, 800-some odd thousand dollars. We're paying off the HAT mortgage of $298,000. We're looking at the present value for the CHRP loan. We're looking at the present value of the county loan.

And that residual amount is 1,682,000, which is a seller takeback long term. It will paid out of resid receipts at 3 percent. And part of the tax credits scenario is that you have to look to see that these loans can be hypothetically repaid over the term of the regulatory period out to 2063. And that's the way we derived it.

As far as relocation, since we have a budget -- we have a budget of $150,000 allocated here. We have a professional relocation group, Overland, Pacific & Cutler, Inc., that is doing the oversight of the relocation. Five families we know are overqualified and will have to be relocated when we go to low income housing tax credits structure.

Originally we were estimating about $30,000 per family. Right now the total looks like it's going -- based upon Overland, Pacific & Cutler's preliminary analysis is $82,500. So we have that to take care of the overqualified families as far as relocation, plus the residual money will be used for temporary relocation.

This project will be subject to prevailing wage as far as the rehabilitation costs, and we will be doing the construction loan.

The rehab budget is $2,573,830 or $38,997 per unit. This does not include -- we have required in addition -- the $2,500,000 basically takes into consideration doing the exterior work for the siding, balconies, decks, what have you. We have also allocated an additional $250,000 for the interior, which will be done by Eden Mark Maintenance staff.

And this is one reason why we were pretty adamant that we wanted to see all the work done at this stage because of the project's condition. This is one reason why we're doing the HAT loan at 3-percent residual receipts so that we can have the work done properly.

It should also be noted that Eden Housing is located in the city of Hayward. They're one of our major nonprofits in the Bay Area. They're making a contribution of $380,792 of their funds towards this project.

As far as the recording, again, our regulatory agreement will be in first position. Our first deed of trust will be in first position, and then our HAT will be in second position, and then we'll still have, as we do previous right now in the existing financing scheme, the soft-money financing by the County of Alameda, CHRP and the City of Hayward.

The City of Hayward loan was a recent addition to this project out of necessity. The roofs were leaking, and Eden went to the City of Hayward this past year and got a loan for $250,000 to redo the roofs. That is part of our eligibility basis as far as figuring tax credits.

With that, I'll entertain questions.

CHAIRPERSON COURSON: Questions on the project?

MS. PARKER: Mr. Chairman, can I just add one other thing?

We've tried to make a little bit of a modification in the document that we submit to you to try to provide as much information as we can in articulating how a particular proposal to the Board affects our bottom-line numbers so you can take into consideration when we are asking for something that, you know, is, as Jim said, a waiver of dollars.

In this particular case, I just also want to make -- draw to your attention the -- as part of our business plan, we had by the Board adopted essentially a corpus of funds, our Housing Assistance Trust funds, that could be used in these particular cases. And so from the standpoint when we ask for these waivers, we really are covering those costs. Bruce, correct me if

I'm wrong, but we're tracking them relative to the item in our business plan where you have essentially allocated funds for us to go in when we do a project.

So for all of your -- you know, think about line item budgets. We are -- we have -- we're counting against that pot of money that you have essentially approved for these kinds of purposes. So it's not just asking you for a waiver and these dollars are going to come out of the ether somewhere.

CHAIRPERSON COURSON: Is it -- but is it, as it says in here, a fact that the $206,000 waiver, if you would, it's noted that that would be really basically neutral to the -- to the Agency just because of the effect of the reduction in the -- with the --

MS. WHITTALL-SCHERFEE: Yes, that's what's --

MS. PARKER: Federal trading.

CHAIRPERSON COURSON: -- federal trading. So it's a waiver on that budget, but we get it back on the other side.

MS. PARKER: But there's two waivers; right?

CHAIRPERSON COURSON: The other is the hundred thousand dollars of accrued interest, are the two waivers being asked for. That one would not be offset.

MR. LISKA: Right.

CHAIRPERSON COURSON: Ms. Javits.

MS. JAVITS: I'm just trying to -- I think reading between the lines it looks like, did Eden buy this in 1992? I mean that's when all these agreements are recorded with various public agencies.

MR. LISKA: Yes. Yes, Eden is the -- Eden Housing, Inc., is the original owner.

MS. JAVITS: It was built in '70. They didn't build it? Or they did build it? Have they owned it from the beginning?

MR. LISKA: No, they have not.

MS. JAVITS: No. So they bought it in the nineties -- is that --

MR. LISKA: Yes.

MS. JAVITS: I was just asking because you said it's in a pretty deteriorated state and it's one of the best affordable nonprofits we have.

MR. LISKA: They are one --

MS. JAVITS: What's been happening?

MR. LISKA: They are one of the best -- one of our best nonprofits that we have, you are correct. And, again, you know, given the income restrictions, what have you, and then not getting the increases, this is a project -- and not being able to -- with the CHRP loan as far as rent levels and what you can do for increases, what have you, there are certain restrictions based on that affordability component where you can't derive the cash flow that you need from the project in order to do the necessary repairs that's required over a period of time.

MS. JAVITS: But shouldn't -- were there replacement reserves?

MR. LISKA: Yes, there were replacement reserves and --

MS. JAVITS: They were inadequate?

MR. LISKA: They were inadequate, and we have used them. However, given the age of the project and the condition, we still need to do quite a bit. As you can see, our budget for bringing this back up to a more competitive status is one of our more expensive projects.

MS. JAVITS: Yeah. It just doesn't speak, obviously, too well to the way these were underwritten since they were underwritten already by so many public agencies, you know, to end up with a product in this kind of state.

CHAIRPERSON COURSON: Mr. Pavao.

MR. PAVAO: Yeah. To that point, it's probably the person who underwrote this thing for HCD back then.

MS. JAVITS: I withdraw my comments.

MR. PAVAO: I think part of this is -- I think part of this is the legacy of the CHRP-R program, which, you know, with the best of intentions was trying to stretch a modest sum of money among a lot of projects. We are finding in our tax credit portfolio the CHRP-R deals need significant reinvestment at Year 15.

So I'm aware of a number of properties that sort of fit this description. And again, I think it was, you know, sound public policy at the time, but over -- over the years, we've realized, gosh, you know, those dollars saved at the front end are coming back to bite us later. So I'm an advocate of, you know, when in doubt, let's be very aggressive with the rehabs on these deals and let's square it away and get good sound properties going forward.

MS. GALANTE: I would just like to -- I totally concur with that. And Bill knows, I think, of BRIDGE's entire portfolio the only property we have that struggles is an old CHRP project.

CHAIRPERSON COURSON: Other questions or comments from the Board?

Mr. Davi.

MR. DAVI: Just kind of following, I'm a little concerned about whenever you take off T11 siding, you don't know what you'll find underneath. Do we have adequate contingency in the 2.5 budget --

MR. LISKA: Yes, we have --

MR. DAVI: -- for other surprises?

MR. LISKA: Yes, we have a contingency reserve. We have been out on site with the general contractor. We've had a structural. Yes, we are taking off the T111 siding and we will also be doing reinforcement bracing, even though it's a two-story structure, to make sure that it's sound and adequate. And you'll probably be seeing like a Hardie board, which is what we've been using.

CHAIRPERSON COURSON: Other questions from the Board?

On page 215 is resolution 08-02. Is there a motion?

MS. GALANTE: So moved.

CHAIRPERSON COURSON: Ms. Galante moves.

Is there a second?

MR. DAVI: Second.

CHAIRPERSON COURSON: Mr. Davi seconds.

Any further discussion from the Board?

Any discussion or comment from the public?

Seeing none, we'll call the roll.

MS. OJIMA: Thank you.

Mr. Davi.

MR. DAVI: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Ms. Galante.

MS. GALANTE: Yes.

MS. OJIMA: Ms. Jacobs.

MS. JACOBS: Yes.

MS. OJIMA: Ms. Javits.

MS. JAVITS: Yes.

MS. OJIMA: Mr. Pavao.

MR. PAVAO: Yes.

MS. OJIMA: Mr. Courson.

CHAIRPERSON COURSON: Yes.

MS. OJIMA: Resolution 08-02 has been approved.

CHAIRPERSON COURSON: Okay. Thank you.

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Item 5. Resolution 08-03, 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

CHAIRPERSON COURSON: The next item on the agenda is we'll take items 5, 6 and 7. And those of you who have been on the Board for more than a year know that this is the time of the year where we discuss and review resolutions on our activity, issuance of securities. And so Bruce Gilbertson is going to take us through that. You have starting at page 217 the documents and the actual resolutions.

Mr. Davi.

MR. DAVI: Can I just interrupt you for just one second, Mr. Chairman.

I just want to take a second to introduce Heather Peters who's here today. She's the deputy secretary of regulation. This is regulation of housing, that BTH, and she too may be representing Secretary Bonner in my absence.

So thank you, Heather, for being here.

CHAIRPERSON COURSON: Heather, it's nice to have you here. We've talked by phone and by e-mail and it's nice to see you in person. Thank you for joining us.

MS. PETERS: And please excuse me, I'll need to leave early to head back to Sacramento to brief the cabinet on some of the issues on subprime you'll be discussing here today.

CHAIRPERSON COURSON: Okay. I'm sure there's a lot of that discussion going on in Sacramento these days.

MS. PETERS: Quite a bit.

CHAIRPERSON COURSON: There were hearings, I was in hearings the first three days of the week on the same topic.

Okay. Bruce.

MR. GILBERTSON: Great. Thank you, Mr. Chairman, and good morning, Members of the Board of Directors.

As the chairman mentioned, each January we present for the Board's consideration a series of resolutions to provide the continuing authority for us to issue bonds and enter into the full range of financial agreements that we use as part of managing our debt obligations.

This morning I have three resolutions that I'll discuss and present to the Board: One to reauthorize the issuance of single-family bonds to fund our loan programs, the second to authorize the issuance of multifamily bonds for the multifamily program and then thirdly an authorization for us to apply to the California Debt Limit Allocation Committee for purposes of securing private activity bond volume cap.

Resolution 08-03 is reauthorization for us to issue single-family bonds in the following amounts under any of the previously approved forms of indentures. Specifically, this resolution would authorize the issuance of bonds in the amount of bond principal being retired and eligible to be refunded pursuant to federal tax law, the amount of new project activity volume cap awarded to us by the California Debt Limit Allocation Committee and up to $900 million of federally taxable bonds.

New to this year's resolution is a modification to the homeownership lending programs to include the refinancing of existing loans of low and moderate income borrowers. This action would create Board authority consistent with statutory authority and would be limited to refinancing loans on moderately valued properties of low and moderate income individuals and families.

Of course any refinancing program would only be proposed where the economic conditions would allow a program to be viable. There are several obstacles that we're aware of in creating a viable program including a low cost source of capital to provide the financing as well as appropriate alignment of property values and loan amounts to deal with the deterioration in home values that we've experienced in the state.

Back to kind of the core purposes of the single-family resolution which you've heard me speak about before, but this resolution would authorize the full range of related financial agreements, allow for the investment of bond proceeds, hedge interest rate exposures in the derivatives market, to hire consultants as advisers as needed to help us manage our swap portfolio and do quantitative analysis.

The resolution would also reauthorize the use of short-term credit facilities not to exceed $500 million for all of our programmatic purposes. And lastly this resolution is a form of a continuing authorization, meaning that the authority provided here would not expire until 30 days after this Board met in early January of 2009, at which time, if there was a quorum so they could take action on a reauthorization.

In 2008, just briefly, you know, our plan is to continue to do use our double-A rated home mortgage revenue bond indenture to finance both whole loans and any and all remaining mortgage backed securities. As Terri mentioned in her opening comments, we've at this point converted back to a whole loan program for our interest-only product due in the disruptions in the marketplace and Fannie's reassessing of some fees and this whole repricing negotiation that's ongoing.

We will continue to use short-term credit facilities to temporarily warehouse loans in advance of the signing, then for a particular bond series through the use of in this case the borrowing that we have from the State's surplus money investment fund.

With that, I'll stop talking, and I'll open it up to any questions and be happy to respond.

CHAIRPERSON COURSON: Questions on the -- on the bond resolution for -- this is the single family, just the single family.

MR. GILBERTSON: Just the single family.

MS. JACOBS: Could I?

CHAIRPERSON COURSON: Yes. Ms. Jacobs.

MS. JACOBS: This is not so much a question as a comment. I'm very pleased to see that we are renewing the authorization at this point to do a refinance program. In case there is some authorization at the federal level during this year, we will be prepared to do that. I believe that is the intent here. The intent isn't to go ahead and just --

CHAIRPERSON COURSON: Right. That is --

MS. JACOBS: -- do a program, but I think it's very, very wise for us to be prepared so that if, in fact, there is some federal authorization to do this kind of program for CalHFA -- for HFAs, sorry, that we'll be -- we'll have the authority for our staff to work on a program.

CHAIRPERSON COURSON: That is the intent. And when we talk about the subprime agenda item, we'll be talking about the status of that potential federal legislation allowing that, so we're just trying to be prepared in case the authority comes forward.

MS. PARKER: Just other piece of that, though, and a part of it is I think that's an offshoot of it, and what happened was when we started getting all these questions about our ability to do these kinds of programs, Tom went back and did the old legal eye over it and realized that, in fact, it was worded this particular way in our statutes. And so really what we are trying to do, first of all, is to update our resolution to match what our statute says so -- and that's all we want to be doing at this point in time. Anything beyond that we would certainly be coming back as part of it, but we thought we should make sense to have the resolution match what the statute says.

CHAIRPERSON COURSON: Other questions?

Ms. Javits.

MS. JAVITS: I just wanted to clarify. So right now we can only make loans to first-time homebuyers.

CHAIRPERSON COURSON: Right.

MS. JAVITS: But our statute allows us in theory to do refinancing and then if they lifted that restriction, we could go ahead. Is that sort of the point?

MR. HUGHES: Yes, that's correct. There are a number of statutes that relate to refinancing, but essentially the definition of a mortgage loan in our statutes includes either a loan or refinancing. We realize that it had never been dealt with in the Board resolution simply because it was never possible economically to do a viable program. And again, as was said, we're simply trying to have the Board resolution match what we are legally able to do at a state law level apart from the issue of whether federal law will --

MS. PARKER: See, this doesn't change --

MR. HUGHES: -- ultimately authorize this.

MS. PARKER: This doesn't change federal tax law for us to use exempt financing. And so I think this is what we've been saying kind of in the past, well, you know, there is no economics that we have been able to identify to do a taxable -- which is what we had to do, a taxable bond relative to other programs out in the marketplace to help anybody in that situation, so.

CHAIRPERSON COURSON: Other questions? The resolution that we are considering is on page 219. It's resolution No. 08-03. Is there a motion to approve?

MS. JAVITS: So moved.

CHAIRPERSON COURSON: Ms. Javits approves.

Is there a second?

MS. JACOBS: Second.

CHAIRPERSON COURSON: Ms. Jacobs seconds.

Is there any comment?

Any comment, questions from the public?

Let's call the roll.

MS. OJIMA: Thank you.

Mr. Davi.

MR. DAVI: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Ms. Galante.

MS. GALANTE: Yes.

MS. OJIMA: Ms. Jacobs.

MS. JACOBS: Yes.

MS. OJIMA: Ms. Javits.

MS. JAVITS: Yes.

MS. OJIMA: Mr. Pavao.

MR. PAVAO: Yes.

MS. OJIMA: Mr. Courson.

CHAIRPERSON COURSON: Yes.

MS. OJIMA: Resolution 08-03 has been approved.

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Item 6. Resolution 08-04, discussion, recommendation and possible action relative to 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

CHAIRPERSON COURSON: Okay. The next item starts at page 231 and that is a multifamily bond resolution.

MR. GILBERTSON: Yes, correct. Resolution 08-04 is again reauthorization to issue multifamily bonds under any of our formerly approved forms of indenture in the following amounts including an amount equal to bond principal that's being retired, any amounts that are awarded to us as private activity bond cap by the California Debt Limit Allocation Committee and up to $800 million of qualified 501(c)(3) bonds and/or federally taxable bonds.

This resolution also authorizes if the opportunity presented itself the authority for us to issue up to $300 million to acquire an existing portfolio of rental housing loans.

Just, you know, quickly, again, a lot of these mirror one another, the single-family resolution and the multifamily resolution, but this includes authorization, again, for the full range of financial products allowing us to invest the bond proceeds, hiring consultants and other advisers as necessary, entering into the derivatives market to hedge variable rate bond exposure.

It would allow us, again, to have up to $500 million in the aggregate of short-term credit borrowings to use as a warehouse facility for purposes of warehousing loans in advance of either issuing bonds or assigning the loans to a bond financing. Just as the single-family resolution provides for continuing authorization and will not expire until 30 days after the Board first meets in calendar year 2009.

Quick look at our financing plan. Oops. Getting ahead of myself. For 2008, we plan to continue to use the multifamily Housing Revenue Bonds III indenture. That's the indenture that we opened a number of years ago backed by the Agency's general obligation ratings. As I mentioned earlier, we plan to use short-term credit facilities to warehouse loans. And in this case we typically use a credit line that we have from a commercial bank for purposes of warehousing the multifamily loans.

With that, I'd be happy to answer any questions.

CHAIRPERSON COURSON: Questions on the multifamily bond?

There is a resolution on page 233, which is Resolution 08-04, and a motion then would be in order.

MS. JACOBS: Move approval.

CHAIRPERSON COURSON: Ms. Jacobs moves.

MR. DAVI: Second.

CHAIRPERSON COURSON: Mr. Davi seconds.

Any further discussion?

Any discussion or comments from the public?

Seeing none, we'll call the roll.

MS. OJIMA: Thank you.

Mr. Davi.

MR. DAVI: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Ms. Galante.

MS. GALANTE: Yes.

MS. OJIMA: Ms. Jacobs.

MS. JACOBS: Yes.

MS. OJIMA: Ms. Javits.

MS. JAVITS: Yes.

MS. OJIMA: Mr. Pavao.

MR. PAVAO: Yes.

MS. OJIMA: Mr. Courson.

CHAIRPERSON COURSON: Yes.

MS. OJIMA: Resolution 08-04 has been approved.

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Item 7. Resolution 08-05, 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

CHAIRPERSON COURSON: And our final resolution is on page 2 -- the description is on page 243, which is a resolution regarding our CDLAC allocation.

MR. GILBERTSON: Yes. Resolution 08-05 would authorize our application to CDLAC for an award of private activity bond volume cap for both our single-family programs and our multifamily programs. The resolution would authorize application of a maximum amount of $900 million for our single-family program and $400 million for our multifamily program.

The authorization requested by this resolution, and historically resolutions in this regard, you know, would be in effect to cover the 08-03 resolution and 08-04 resolution for both the single-family and multifamily family programs.

But I would point out that this resolution is perhaps greater than we would expect to apply for and receive from CDLAC for either of these programs, but our presumption has always been that the Board would rather us have the authority to apply to CDLAC for additional volume cap if it were to, in fact, become available.

The -- I think specifically in that regard because of what's going on with the subprime market and what not, the single-family authorization is in an amount that we believe is sized sufficiently to allow for the application of additional volume cap that could be used to finance qualified first-time homebuyers' purchase of REO properties resulting from the subprime collapse. This is a concept that's currently being discussed. I know Terri's been heavily involved with this. And I think our notion is that it would include a special additional allocation of volume cap that we would use exclusively for this program.

We believe the benefits of this concept or proposal are twofold and would provide economic stimulus in targeted areas by putting REOs back into homeownership and also increasing housing affordability for first-time homebuyers.

With that, I'll open it up to any questions and be happy to respond.

CHAIRPERSON COURSON: Questions on the CDLAC resolution?

The -- page 247 is the resolution 08-05. Is there a motion?

MR. DAVI: So moved.

CHAIRPERSON COURSON: Mr. Davi moves.

MS. JACOBS: Second.

CHAIRPERSON COURSON: Ms. Jacobs seconds.

Any discussion or comments from the Board?

Any comments from the public?

Seeing none, we'll call -- oh, I'm sorry. Ms. Parker has a comment.

MS. PARKER: I do have a comment because -- and I think it's important to make it since Mr. Pavao as our colleague at the Board and from that standpoint a member of the Treasurer's Office, I just would want to say to the extent that the staff are able to come up with a creative proposal, that we would be working with the Treasurer's Office to make such a proposal. And, you know, we would be very transparent in wanting him to be aware of anything that we would be proposing, for the benefit of the State.

CHAIRPERSON COURSON: Let's call the roll.

MS. OJIMA: Thank you.

Mr. Davi.

MR. DAVI: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Ms. Galante.

MS. GALANTE: Yes.

MS. OJIMA: Ms. Jacobs.

MS. JACOBS: Yes.

MS. OJIMA: Ms. Javits.

MS. JAVITS: Yes.

MS. OJIMA: Mr. Pavao.

MR. PAVAO: Yes.

MS. OJIMA: Mr. Courson.

CHAIRPERSON COURSON: Yes.

MS. OJIMA: Resolution 08-05 has been approved.

CHAIRPERSON COURSON: Thank you, Bruce.

Just for the logistics, we're going to take a break around 11:00 o'clock in consideration of our reporter.

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Item 8. Update on the Bay Area Housing Plan

CHAIRPERSON COURSON: So let's move ahead and move through at least the Bay Area Housing Plan first.

Kathy, happy birthday.

MS. WEREMIUK: Thank you.

CHAIRPERSON COURSON: We have people looking longingly for the cake, but it hasn't been rolled in yet.

MS. WEREMIUK: Chairman Courson, Members of the Board, its a pleasure to come before you again.

This time the Bay Area Housing Plan has been moving forward so rapidly that it overwhelmed my ability to produce the spreadsheets that I usually provide to you. But the report is good, and the news is good. In the last two months, the Agency purchased two loans from Bank of America and issued two commitments. As each commit -- as we purchase each loan, there's -- it freed up in the line for additional commitments.

Hallmark Community Services completed construction on 15 of the 31 units that are currently on the Bank of America line, and they have overcome all of their construction difficulties. They have been moving forward so rapidly that we anticipate that all 31 of those units will be completed by the end of May. That means that the Agency will be both purchasing those loans over the next four months and also we anticipate issuing commitments on the remaining 21 units that Hallmark currently owns but has not yet put on the Bank of America line.

The goal of completing all 62 units by the end of June is in sight and possible. It may happen, or it may extend a few months over that time period.

On the credit side of the picture, we have been asked by Bank of America and the syndicate to extend the loan purchase agreement as a condition of their extending their construction loan agreement. That agreement expires on the 1st of April, and the loan purchase agreement expires six months later, giving us time for purchase. They have asked for a six-month extension until March of '09, which we anticipate -- that's going to senior staff next week, and we anticipate that that will go through.

As a condition for that extension, Bank of America has agreed to loosen some of their credit standards, allowing more -- more volume on their line and a fuller use of their line so that all of the remaining 21 properties that they haven't yet purchased will be able to get on the line and start construction.

The other issues that we're looking at, we anticipate a request for an extension of the use of the Bank of America line of credit. We offer to extend that through the end of February. We anticipate that we will be asked to continue to purchase loans on a one-by-one basis prior to bond purchase.

We think that somewhere around the end of April we will have purchased a sufficient number of loans, 50 million is what we're looking at, to allow for the first bond purchase or the first bond issuance. And currently Bruce's office and Tom's office and our office are looking at the remaining questions that we're getting from the rating agencies and trying to complete the due diligence that we started, I believe, last June, but there was a hiatus where the rating agencies had other issues that they were dealing with and not necessarily this -- this loan. But they have come back to us with a series of questions, and we'll be working on that and anticipate that -- I'm not sure on the timing of the rating, but hope to be able to report to you on that at the next meeting.

CHAIRPERSON COURSON: Okay. Are there questions on the project? We're moving them forward. The finish line is in sight out there.

MS. WEREMIUK: It's in sight. The only thing else that I would say is that as residents move in, some of the parents of the residents of Agnews had fears about the transition of their children who had lived in Agnews for 30 to 40 years. And what they have found is as soon as the residents -- the parents have seen the residence, they've been excited about it, and as the clients have moved in, their condition has improved in the new living situation, and they have been seeing marked improvements in their ability to function. So that part of it is also very exciting.

MR. CAREY: It's nice to swap houses for

spreadsheets.

MS. WEREMIUK: Thank you.

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Item 9. Update on Mental Health Services Act Housing Program

CHAIRPERSON COURSON: Kathy, while we have you, let's -- why don't we just go right ahead and talk about the Mental Health Services Project.

MS. WEREMIUK: On the Mental Health Services Project, the two -- we're waiting for two events to happen. One is the Department of Mental Health has submitted regulations for the program that we think will become effective in mid-March. And the other event is that the Department of Mental Health has given contracts to the counties which authorize the use of their funds and the transition of dollars to the Agency. We anticipate at least the largest ten counties will have completed those resolutions by the end -- by the end of this fiscal year in June and have transferred funds to us, allowing us to actually expend funds for the program.

While we've been waiting on that, we've been working very hard to make sure that the program is successful. And on -- we've been accepting and processing applications. We have been working --

meeting with the senior staff at executive level with Department of Mental Health and also with the County Mental Health Directors Association to deal with issues that have come up regarding the finance -- the transfer of funds, how that's going to happen, what funds to allow us to get to agreements that will allow us to execute the interagency agreement on the program.

We have also internally been pushing forward with developing loan documentation and policies, training, so that our staff would be able to process the loans as they come in.

And the other thing is that we've reconvened or Terri's reconvened the mental health working group, bringing back to the table at this point the Department of Mental Health, the mental -- the county mental health directors and their housing committee and Housing California representatives to make sure that any changes in the program allow the kind of predictability that developers need to rely on the funds.

On the real positives, I just wanted to say that we've received our first application. It's been noticed by a county. It's in hand. We expect the next full application to come next month, which means counties have set up policies. They have chosen developers, and they've done their 30-day noticing. Our staff also has an additional 21 preapplications from 12 county mental health departments and from 12 different developers for projects. They total right now 44 -- a request for $44 million of the first $400 million of funds.

And the counties that -- as we anticipated, the largest counties are coming in first, but there are also a few smaller counties. It includes Alameda, Los Angeles, Marin, Monterey, Sacramento, San Diego, Santa Clara, San Francisco, Sonoma, Ventura, Orange, and the City of Berkeley which somehow has its own mental health department.

And I think that's my report.

MS. PARKER: Mr. Chairman, just to add to that, we -- we're having a little bit of a hiccup in this in that when we announced this program, we thought we had an agreement with the counties that it was going to be $75 million a year for bricks and mortars, another $40 million for operating subsidies, with a commitment for five years and a commitment to reup for another five years.

People were uncomfortable with going 20 years, and we said, "We understand that. That's fine." And this was the agreement that counties, the director of the Department of Mental Health and CalHFA were involved in in May that led into the release of the program description and the report to the Legislature, et cetera, et cetera.

However, during the fall and there's been numerous discussions about why, whatever, we're now at a point in time where the counties have told us that they are committing $400 million of this money -- of money and it's -- we're trying to go through and understand not so much why or whatever because they're past that, but what it means from the standpoint of a commitment to this program for the future so that the developers can have some predictability.

We've done a couple of calls where we've actually gotten the county mental health directors and developers together, because developers were not aware of this change, certainly allowing them to express their grave concerns about if this is the only amount of money available for this, what it means. The counties think about these in terms that $400 million is a lot of money, and the developers have tried to explain to them because of them having to put money in first, that $400 million does not give them the confidence to do the kind of program that they were anticipating given a five -- at least ten year revenue stream.

We're trying to facilitate a discussion to work through this to find a way for the counties to give predictability and their commitment to this program on an ongoing basis, but I have to tell you right now that if we can't resolve this, my sense is the kind of program that we all talked about would be very, very different.

CHAIRPERSON COURSON: Mr. Pavao.

MR. PAVAO: I'm sorry, just to make sure I'm following you, the 400 million we're talking about, is this the operating subsidy money or the bricks and mortar money or all of --

MS. PARKER: It's both.

MR. PAVAO: -- the above?

MS. PARKER: Both. It's $400 million that would be -- that -- assuming we would have the same sort of distribution, you know, figure about 280 for bricks and mortar and 120 for -- did I make that add right? No, I didn't make that add right. Yeah, I did. Come on.

That would be -- so we have said one thing very clearly. When we started this process out, the discussion was that the $75 million would all be bricks and mortar and we weren't going to back off on that. But people essentially in the working group discussed that it really was important to have operating subsidies so that these projects wouldn't work. Counties had said, "It's so important, we're going to kick in $40 million of money from our community services operating appropriation." Everybody cheered, said California, major leadership in that.

What happened during the discussions to some extent was that the thought was that they could take some money off the top. In that sense the counties wouldn't have to then fight about what pot, it goes to them, it would come out of. It would be easier to start and get this program going.

Then there was further legal discussion which the conclusion was they couldn't do that. And so the counties at the moment have sort of a surplus of these dollars in their community service budgets, and so the discussion with the Department of Mental Health was that they would earmark this $400 million really from past tax years, and that would be available.

And to some extent there's been discussion back and forth saying is that a three-and-a-half year commitment now? Where is your five-year commitment? Where is your commitment, period? And it's not real clear.

So we're trying to work through that. Part of it is that they're saying they cannot commit to -- because the money comes to them on a cash basis, they cannot commit to future years. And those of us who have been around the state for a long time know that, you know, there's always that problem, not being able to commit future appropriations.

However, there are certain ways to essentially commit to partners that you are interested in making the financial commitment. So we need to work this through, because I think it changes. $400 million, what the developers have said to the counties is -- $400 million really is more for them a program where when they find, if they find those kinds of properties, they'll tuck them in with their other business as opposed to if it's a stream of money, they will be proactive.

And one of things the counties have kind of said is they want to have us look at this, do the first 400 million and then assess how -- how it works. And I think we've been trying to explain to them if you do it that way, it will be a self-fulfilling prophecy.

And I've also said, you know, we -- to the Board, we, CalHFA, came in and proposed a number of things that we thought would be helpful to the counties. We said irrespective of just the -- looking, making them not be housers, we would for one thing take their moneys as they came into this and do an investment, a longer term investment, so the interest earned would be greater rate than the pool would give them, in that sense helping us contribute to the greater units being developed.

Secondly, that we would also if there were more applications for any given year where the stream of money is coming in at cash flow, we would try to figure out a way to bridge that so that projects could continue and not have to wait around, which might add to costs. But I told them if we're now in a $400-million situation, you know, I have to go back and look at what -- what's CalHFA -- I just can't see developing investment policies, developing cash flow things, any of those other kinds of things.

So I just will tell you we're pushing very hard to see if we can bring these groups together. We have not said publicly that the counties have reneged on their agreement, but that certainly filters through the discussion.

CHAIRPERSON COURSON: Mr. Pavao.

MR. PAVAO: Just a couple of other things. Over on the tax credit side of this business, we have pending and we're taking to committee next week some regulatory changes in our program design, one of which specifically incorporates the Mental Health Services Act program effort into our homeless assistance funding priority.

And we specifically establish three priorities, that is deals that have either McKinney Act or Mental Health Services Act or HCD supportive housing dollars in the deal. Those will be our top priority among the projects that propose housing homeless populations.

Kathy alerted me to the fact that we also have a requirement in our regulations that all subsidy funding be tied down at the time of application, but we do have a provision where we have granted some exceptions for certain funding sources, so we are also proposing to add the Mental Health Services Act dollars to that exception, understanding the timing might not be exact and that we might be in a position where we would commit credits before completely tying down the commitment to the Mental Health Services Act dollars. So all of which is to say that we're trying to act in a way that's complementary.

And which leads me to a question, which is if you were to crystal ball this for calendar year 2008, if you were to estimate the number of applications that might actually be ready to come in for 9-percent credits, is the --

MS. WEREMIUK: The first application will probably come in to your first round. The one that we have in hand, it is going for 9-percent credits. I could -- what I can do is go back through the other 22 and see which are 9-percent credits. I think those will be coming second round.

What's a real characteristic of what we're seeing right now are developments that have been -- developers have had on the books for two years, two to three years in development, they're not new ones they've just developed, and this funding stream has bridged a gap that they had and allowed them to do deeper affordability, better targeting.

To follow up on what Terri said, the goal would be to in a downstream way help developers plan the projects they're looking at developing this year for three years out, to target those as well, so -- but we -- I can get you that information, and we've actually been compiling a list so we can do some predictions both for ourselves and also to help the counties make sure that the counties that have projects in, schedule their board of supervisors meetings in a timely way so that there's funding for that, but I'll try and answer that.

The other thing is we've also been meeting with HCD staff. We've had several meetings trying to work and successfully working through issues that might be conflicts between the two programs. It's been very, very positive.

MS. PARKER: To add to that, I think when we've been having these discussions, the Department of Mental Health and the counties, we -- it's not just, you know, sort of -- it is a situation put your money where your mouth is. We've demonstrated that CalHFA has come through with changes in our architectural guidelines that raises concerns, has come through with essentially HCD and TCAC with changing to make these programs align more efficiently. So we can demonstrate the things that we have continued to do and are looking for our partner to essentially step up.

So I think that serves us well in positioning and hopefully, again, we'll get this back on a track and be able to start fast-tracking it.

CHAIRPERSON COURSON: Other questions? Comments?

Ms. Javits.

MS. JAVITS: Well, I'd note with appreciation the department's leadership in trying to ensure that as a state we make good on a publicly announced commitment by the Governor to a 20-year program. And if there's anything that we can do as a Board, I guess I'd be interested in knowing what those things might be and not today, but at any point, and then if at any point -- I know we're trying to do this in as diplomatic a way as possible, but I'm sure the Legislature would also take an interest in the issue, and perhaps the Governor's Office will also.

CHAIRPERSON COURSON: I think as a Board we certainly committed ourselves to this project with enthusiasm and to do -- anything we can do to break through some of the -- any roadblocks, or any morass out there, we certainly would be willing to consider what action we can take as members of the Board or as a Board in total.

Other comments?

We will take a break and come back.

Tom, we should break for 15 minutes? Am I correct? So we'll take a 15-minute break. We'll be back at 11:20. To accommodate some schedules, we're going to -- first of all, let me say I have parking coupons for those who drove who need credit on their parking charge. You can pick those up up here as you leave.

To accommodate some schedules, we're going to rearrange the agenda a little bit. The next item we're going to talk about is, we're going to take item 11 and then item 12 subprime and counseling, and then we'll come back and move into discussion of the business plan. So the next item on the agenda is going to be item 11, which is the -- oh, and item 13, since Mr. Shine is not here, will not be on the agenda, unless there's anything else somebody has. He had some things he wanted to bring to our attention.

MS. JAVITS: Is there -- will there be a point later when we can comment on that item?

CHAIRPERSON COURSON: Of course. Sure. It's there, it's just Mr. Shine won't be making a report. You bet.

So let's do -- we're going to do item 11, 12, 10 and 13, in that order.

Ms. Parker.

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Item 11. Discussion and possible action regarding potential CalHFA involvement in programs related to the subprime lending crisis

MS. PARKER: It does say -- I'll sit here. Thank you, Mr. Chairman.

We put this item on the agenda because of the Board's continued interest in the discussion about subprime and different ways that the Housing Financing Agency might be able to play a role. And so we've been trying to, one, put this as an agenda item to make sure that we are continuing to give you as much information, almost minute by minute, by what we're finding out.

Let me step back for one minute and say to you all as Board members, the staff has made a commitment to all of you to really discipline ourselves that when we send out the Board books and agenda materials, that we get as much of the materials out in that Board book as we possibly can. In the past we have sometimes kept presentations and whatnot and used -- up to the last minute to make sure that we had the most current data to do that, but you have not had some of those materials with enough time to perhaps look at them ahead of time or brief some of your principals. And so we really are trying to discipline ourselves to get as much of every piece of material out to you.

The disadvantage may be in some circumstances that it might not be as fresh as we would like it to be, but if something changes during that period of time, that we would then send you updates but try to have you have those at least 24, 48 hours before that time comes so you're not coming to a Board meeting and getting something handed to you fresh. So I just want to alert you all that that's the commitment the staff is making to deal with the need for timely information.

What John and I thought we would do at this time is to give you an update on what is happening at the federal level. Di included in her comments some of the legislation that introduced before the end of the

Congressional session, but in some respects what we knew about that is now out of date. And I think John probably has as current an understanding about what is happening as anybody back in Washington and how that might then ripple through CalHFA if -- or opportunities in the state and certainly would lead us into the discussion under item No. 12.

So, Mr. Chairman.

CHAIRPERSON COURSON: Oh. Well, let me -- we've talked a little bit previously about this, the refinancing through HFAs. Let me sort of give everybody a brief background and then tell you of where we're at actually as of this minute.

As you know, there was a proposal developed earlier this year that would say that to part -- to play a part in helping these borrowers who are facing he interest rate resets that would there be an opportunity to provide additional bond cap to allow housing finance agencies to issue tax-exempt securities which would take obviously an increase in the cap and at the same time change the tax code for a limited period of time that would allow housing finance agencies to refinance borrowers for a period of time that would sunset at the end of 2010.

If you look at a bar chart of the interest rate resets that are coming forward primarily in these 228s and 327s, there's a very sharp growing bar graph up through the end of the third quarter of 2008, and then a slow diminution of that until you get into 2009. By the middle of 2009, they're there, but certainly in much smaller amounts.

And so the idea was that the authorization would be sought on a federal level and then each housing finance agency, their board or however they operate, staff, would make their own decisions as to what kind of loan programs they would offer, what kind of pricing, what kind of criteria and loan products, because it would be issued -- they would be issuing their own tax -- and they could make their own decision state by state, whether they wanted to take the authority given to them through the bond cap and issue those tax exempts and then they'd develop their own program, so leaving the authority and the responsibility with the states but opening it up at the federal level. And the federal level would identify in pretty broad terms the borrowers or the criteria of borrowers that could be put into these loans, facing imminent default and resets.

That percolated around and about two, maybe three, months ago an interest was expressed by the Treasury Department. Meetings were held at Treasury.

They were interested, thought it was an idea that was worthy of consideration. And about 30 days ago, Secretary Paulson held a -- gave a speech and a press conference on a Monday and announced the administration's support of this proposal.

And that gave it certainly new life. That was -- that was -- a press conference was held about three days before the following press conference where it was announced that the large major servicers and the American Securitization Forum had reached an agreement to do these resets too, so the Treasury was pushing both of those initiatives. Subsequent discussions have been held with Treasury, a number of meetings. And it now is -- basically a meeting was held a week ago. It is -- appears as though there may be a move to put this proposal into an economic -- the economic stimulus packages that they're talking.

Now, at the same time this proposal is percolating around, there was a bill introduced by Senator Kerry of Massachusetts and Senator Smith from Oregon that would -- the provisions of which would call for increasing the bond cap by $10 billion, and that provision, however -- and also opening up to allow housing finance agencies to refinance. That bill, however, would allow that the $10 billion in additional cap would not have to be used for refinancing.

So in effect it's -- and there have been discussions by some as to whether that was inadvertent or very, very crafty drafting. It would allow just opening the bond cap for the period of time in that bill without restricting it to refinancing. So that bill has been introduced.

I will tell you based on conversations I've had and people taking credit for it, I think it's more than just an oversight. I think it's crafty drafting. So that bill is out there, but I don't -- I don't know if it's got any legs or muscle. I don't hear -- it's been introduced. There's that.

There's rumors abounding and conversations that Senator Schumer will issue a bill. There's all sorts of numbers moving around, whether it's five billion for so many years and ten billion for so many years, but the bill still has not seen the light of day.

Having said that, I will tell you that there are intense discussions over the last two or three days and as late as about five minutes ago this morning, and both the Democrats and the Republicans are looking at economic stimulus packages. And both sides, Republicans and Democrats, are interested in this proposal, restricted to refinances of inclusion into the economic stimulus package. So those are both being formed.

I am told that Speaker Pelosi would like to come out with a Democratic economic stimulus proposal prior to the State of the Union and that the president would like to announce one in his State of the Union, so stay tuned as to whether this happens. If it's going to happen, any discussion with Treasury, clearly something needs to happen quickly because these resets now are really taking off.

If, in fact CalHFA or any HFA decides to get involved, it does take time to design and ramp up and roll out a program. The plus with the stimulus package is if it goes, it too is going to need to go quickly. And the other plus with getting into the stimulus package is that as a proposal by itself, just as would the Kerry-Smith bill, has to get scored by the CBO. And there's this pay-go rule that if you -- if there's a cost to a program, then there has to be offsetting revenues. In the economic stimulus package, you avoid some of that. The pay-go rules seemed to get loosened and much more generously interpreted, so there will be an opportunity to get this in without the scoring.

So that's where it stands. I think we'll know rather quickly whether it's in the package or out, clearly by next week. And if it's in and if it's in both packages, it probably has a likely chance of seeing the light of day. If it doesn't, it probably falls of its own weight and falls out and gets left by the wayside.

But then the question, and what we've talked about, is, of course, then we have to figure out how do we -- do we, in fact, participate, what do we use. The numbers out there in the stimulus package are anywhere under discussion from low of $10 billion in new tax-exempt authority between now and the end of 2010 to a high of 20 billion. So the number is somewhere in-between there.

And from the standpoint of utilization probably -- and Terri and I have talked to a number of people -- likely there's probably, I don't know, Terri, ten to 12, maybe as many as 15, states that might take advantage of this, clearly the states where the issue is larger. And so probably the entire bond cap allocation wouldn't be used because there would not be a reallocation since it does sunset in 2010.

So that's the up to the date.

MS. PARKER: I want to swing around here just so -- if I could talk a little bit about this to some extent as a precursor to our next discussion, but also as a precursor to the education meeting next month and then the fact that we're going to be coming in to you in March with our business plan.

And, you know, obviously we're having -- we're going to do a staff off-site in a couple weeks to really have some internal discussions about where do we feel we can be most relevant. We, you know, need to look at where we have been with our -- the word is not profitability, but basically you understand what I'm saying relative to how much we have committed in Housing Assistance Trust funds for particular activities. And while we've certainly done better looking at our -- our audited financials than we did a couple years ago, it's going to be a situation where we need to continue to discipline ourselves relative to what we can do with Housing Assistance Trust funds, what we can do with staff resources, staff expectations, et cetera, et cetera, et cetera.

One of the things that was talked about when John and I went back to New York last week and we've been talking internally about is the whole timing of the issue of subprime and specifically in California. We have our colleagues in Ohio that were the first ones really hit by this, and their numbers will continue to increase with respect to foreclosures, but they're also seeing some leveling out of that.

We, in California, don't think that we have hit the mother lode yet, and that will be continuing. And so we have to ask ourselves since we can't be all things to all people what -- what's the most important role for us?

We -- we had some discussions and this is what I pose to you and obviously as the brain trust of the Board or if we get to a situation and Congress doesn't act or frankly Congress doesn't act in any timely manner for us to really -- because if we did do a program, it would take us 60, 90 days to get out there. And there's still a lot of unknowns about that with respect to what's going to happen to the value of the property that no longer exists and loan to values. A lot of questions have to be taken into consideration.

So what the staff have talked about is two things that we think irrespective of that that would have -- we think today we should be, you know, pursuing. And one of them is to be as proactive as we can about counseling and counsel plans. We're going to talk about that in a few minutes, so let me set that aside.

And this again was raised even before Congress -- as I sent you a note, I'll send out -- give you -- pass out the note that I sent to you all a couple days ago. Before Congress acted on December 26th to create this appropriation of $180 million for counseling, Carla had asked us what we could be doing in this regards, and I think at the last meeting I mentioned to you all that we had committed as part of other colleagues from BTH agency to create a pot of a million dollars for outreach activities that the administration wanted to be doing, not so much on the counseling side, but outreach so maybe perhaps counseling could be more effective.

But as some of these opportunities just in the last several days have been materializing, we're trying to perfect the kind of an approach that we can stick to it and see our way through it, through the spring, through this year, et cetera.

So we want to try to see if we can't take advantage of really helping people through counseling in the state so that those people who are currently in these houses have access to good counseling that would either help them by the programs that some of our colleagues have out there with the banks figure out how to stay in their house or with the standpoint of foreclosure, how to walk them through a foreclosure without totally ruining their credit for the rest of their lives so they can have a chance to get back in. So we see that as being at the moment something from our perspective as the best way to approach and handle it.

The second, then, thought that we've had is we're really concerned from an economic standpoint of these properties and as you remember we talked about this last month that Mr. Czuker -- at the last meeting Mr. Czuker had suggested challenging us to look and see if there was a way that we could, you know, buy these properties and portfolios, et cetera. We've looked at that. There just -- that isn't a possibility.

But we all know that housing inventories are growing. The prices, the values of these houses is declining. In some respects, and I told this to Fannie Mae when I talked to them on the phone the other day, there's probably maybe more affordability of housing for low and moderate income people in California than there has been for a long, long time. We need to position ourselves to see that as a challenge and an opportunity. Seize the day. How would we go about that?

So we are looking through this, and that was part of what Bruce was saying in our application to CDLAC of whether or not we could put together some kind of a program. This is very much in the conceptual program -- concept. Nobody has done anything about this anywhere.

But if we could do something around what -- some amount of bond cap that wouldn't be our traditional programs, but done in a way that could be financed at such interest rates, 50, a hundred or greater basis points below our regular, to really try to see if we can get first-time homebuyers, match them up with these properties so that we have one great public benefit for first-time homebuyers but at the same time the opportunity to get people in these houses. Property taxes will continue to be paid, communities may not disintegrate, blight may not be happening, vagrancy and violence, you know, crime may be happening and so look at that as some way to play a role to take advantage of this particular situation.

So I -- I'm sort of bringing this to your attention as a concept, you know, staff are continuing to work through. But from the staff saying to the Board we think at least at this point in time until something changes and we need to be coming back to you from a planning standpoint, that we'd like to proceed kind of along the lines that I've just talked with you about in this counseling, because we think at least it positions us to try to be as responsible as we can be in California.

Still there is a lot of unknowns. A lot of things have to happen, but at least it does something while we see whether or not there's going to be action at the federal level and if and when it ever comes.

So I think all of the staff would appreciate if you have comments, you know, things that you -- reactions to what I've said, it would be very, very helpful.

CHAIRPERSON COURSON: I'll make a comment. One thing that struck me and having lived through and been in the mortgage business in what was then called the cold states -- California, Oklahoma, Louisiana and Texas -- during the energy crisis, a substantial amount of foreclosures, a lot of REO inventory, depressed prices and through that, obviously, trying to find opportunities for people to take advantage of unfortunately of the difficult situation.

And Fannie Mae at the time, who will end up this time being a holder of a substantial amount of REO, ultimately a lot these loans are going to come back to them through their role as a guarantor and holder of the paper. And in that particular case, they were looking for opportunities of ways to move these properties and ways to move them that would be also advantageous to their public -- semi-public purpose as a GSE.

So it just struck me when you were saying that, Terri, that that may be -- and I know we have a relation with Fannie Mae -- may be an opportunity also. Because they're certainly going to have the inventory. And if there's a financing vehicle out there working cooperative between the two of us with them, there may be an opportunity there.

MS. PARKER: And, John, that's, you know, very helpful from the standpoint that you reminded me of the conversations that I've had with Fannie just in the last couple days, one on the renegotiations of our P and A.

Someone mentioned to me that Fannie was considering selling one of its portfolios to one of the HFAs, so I think there is some opportunity, whether we push it for a partnership, that direction, or we push it for a partnership from the standpoint of giving, you know -- being willing to have some kind of loan mechanism that does go back to in California the situation of buying loans that are a hundred percent LTV, because that's going to make the difference.

We told them if you do that in California, that's -- you know, that's just -- that's a loan killer. That just kills our ability to help first-time homebuyers, recognizing that we obviously want to be responsible of our own risk. And we're going to talk about that. We want to make sure the Board is very aware of what's happening with the risk of our portfolio on the mortgage side, but also on the mortgage insurance side. And both those sides of CalHFA are monitoring daily, and it's very important that we're all cognizant of what sort of risk the situation we're involved in.

But we want to try to be positioned. And some of that means every day it can't be the flavor of the month. It can't be all things every day. We've got to pick a course and try to stick to it. So I'm just suggesting. Clearly we will be monitoring what happens at the federal level, but at the moment I think we're going to be coming back and trying to pursue these kinds of concepts, developing them to a greater extent and working through with our colleagues and other state agencies that would be impacted to see if we can generate these kinds of resources, and we'll be bringing it back to the Board.

CHAIRPERSON COURSON: When we have -- during our February retreat, when you hear the presentation by Citi, it will stimulate a lot of thoughts in a lot of areas of potential opportunities. And that was one of the things that -- that was the reason they had this, was what's the HFAs' potential role in all of this marketplace that we're going to be facing over the next 24 months or longer.

MS. GALANTE: Can I just add? I really thank and commend the staff for the concept of looking beyond the current borrowers with the current foreclosure issues and looking at the REO inventory, because I do think this is a multiheaded monster and it needs to be attacked at all of those levels. There's going to be a certain amount of this that is just going to, you know, end up bank REO.

And trying to find ways to -- particularly in communities where there's a lot of that, so that it does have the, you know -- a problem impact on the neighborhood in particular, so looking at, you know, target areas where if you could pick up these homes and reposition them, and, you know, I would certainly like to see them repositioned as a long-term affordable housing opportunity of having some of those conversations with people across the country.

If you look at all the REO inventory, there's going to be, we can't build that much affordable housing with all the resources that we have, so if it's down in value, let's -- let's get it and try to keep it affordable over the -- over the longer term.

And, you know, I'm not sure exactly what loan product can help do that, but I -- I really think that's an important place for CalHFA to help play a role.

CHAIRPERSON COURSON: Mr. Davi.

MR. DAVI: I just want to agree. I completely agree. I want to say I think it's incumbent upon us to do exactly what staff is striving to do and anything we can do to try to make any headway in advance of this is going to be helpful.

Just to put things in perspective, I know you're all familiar with the stats on foreclosures but from August to October in the state there were 27,376 foreclosures. Practically every one of those becomes an REO for some period of time, and I venture to say most them are still REOs even today. And that is continuing and going to continue throughout this year. And so looking at that issue is probably a very good step. And I just applaud and encourage us to do everything we can to try to help.

CHAIRPERSON COURSON: I was privy to see some information that hasn't been released yet, and if you look at a bar chart, the numbers that Mr. Davi just talked about, the bar chart in the first quarter of the first six months of next year goes straight up. I mean we have not -- we have not touched the peak of this yet.

Mr. Carey.

MR. CAREY: I echo that. In my own mind there are really three classes of concern. First, as a Board, I think it's the fiscal stability and security of CalHFA has got to be the primary responsibility for us. But beyond that, I'm concerned about the individuals. Obviously we all are concerned because every one of these stories is a pretty miserable story. There are certainly miserable stories out there.

The other thing is that in the exuberance of the real estate market in the past few years, people have taken a lot for granted, and in many ways we've moved forward in the affordable housing world. Experience in the past tells me that when -- when insecurity enters the homeownership world for the middle income folks, that the antipathy to those efforts meant to address lower income housing affordability increases and the opposition increases because when -- when people who perceive themselves as mainstream middle income homeowners feel threatened, they have no interest whatsoever in seeing the kinds of efforts that I think many of us have put our lives into.

So I think that we have that broader responsibility to the homeownership market in California. To the extent we can help mitigate some of the concern, it will -- it will further the mission in a rather not very direct way, but I think we'll all understand that we're making some improvement.

MS. PARKER: One last note -- and I'm stalling just a little bit because I'm hoping that the people that were invited to have this discussion around this counseling will come.

But we did -- as John said, there were a number of the HFAs that were there in New York last week, and they went around in the afternoon and talked about their programs. And just in case anybody is -- continued to be in any doubt about whether those programs are working or not, Ohio talked, Connecticut is just starting a program. They went through -- Pennsylvania talked. The states talked.

And essentially although the desire was very much to have this be able to impact 20, 30, 40 percent of those people that were in a -- in the situation, the statistics about who they're being able to help is, you know -- some states have -- I think there's been two loans in New York, for example. Very few if any in Massachusetts. And it's just -- it's a huge, huge, huge amount of work to have done this, and unfortunately it just breaks your heart from the standpoint of the results that have happened.

So I do want to just continue to alert you that what other states have done hasn't helped. And I think from ourselves of how we've positioned ourselves by trying to perhaps put our efforts and give you as much data and be pushing to these solutions, need more assistance, has been a good thing at least for the California marketplace at the moment.

CHAIRPERSON COURSON: Ms. Javits.

MS. JAVITS: I would certainly affirm the previous comments, especially what Peter said and the direction around getting involved in counseling and then securing some of these REOs for low income homebuyers.

And just wanted to mention in that context too, I think an element of our work that's also part of this honestly is the multifamily work, because the sad reality is a lot of people are going to be pushed out of their homes, and they're going to need a place to rent, so it's critical, I think, also as part of this, as part of addressing this, that we continue to be really aggressive on the multifamily side.

MR. CAREY: One of the things that was pointed out to me is that the folks who have been foreclosed upon are unlikely to be accepted by most landlords as renters. There needs to be some talk about -- we're certainly talking about that in our organization about how to deal with that.

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Item 12. Discussion and possible action regarding contributions of CalHFA for homeowner counseling

programs

MS. PARKER: Mr. Chairman, unless there's any other comments, what I'd like to do is now move to item 12 because I know Ms. Galante needs to leave and I -- and our guest has appeared. And in that sense I can make this conversation be substantially more viable and move on to the discussion about counseling.

I'm going invite Stan Keasling to come up with us. Stan is the newly appointed executive director of the Rural Community Assistance Corporation.

And I sent you all a -- which for those of you who either didn't get it or didn't bring it, a copy of the memo that I sent a couple days ago. And Lynn and I have been involved in this for about a week now. We've had probably a call a day, including over the weekend. And so, you know, it's a little bit rough, but, as I said to you early on, I'm hoping that you guys will all be okay with the fact that we didn't have as much information when the books were sent out, but we're trying to violate a little bit our commitment to have things not be brought to you at the meeting because of the fluidity of this particular item.

CHAIRPERSON COURSON: Terri, these handouts now replace those that were sent?

MS. PARKER: This is the same letter, for anybody who didn't get it.

CHAIRPERSON COURSON: Is the chart the same?

MS. PARKER: The chart is not the same.

CHAIRPERSON COURSON: Okay.

MS. PARKER: The chart is hot off the press as of about 4:00 o'clock yesterday afternoon.

CHAIRPERSON COURSON: Okay.

MS. PARKER: But I will tell you --

MS. JACOBS: It will change again.

MS. PARKER: -- from e-mails that I've seen this morning, I don't believe that even the chart is probably possible.

But let me just -- I'm going to give a brief overview to you and start out by essentially saying I got an e-mail just before Christmas announcing these funds. And CalHFA has really not been involved in counseling funds in the past. Mostly the applications particularly for HUD dollars have gone through locals who have been doing this for years, very good groups.

And even though CalHFA looked at counseling about five years ago, we figured that there really wasn't any value added. So when I saw the note about these funds being appropriated and that HFAs were designated as one of the approved entities that could apply based on qualifications, I didn't really pay too much attention to it because I presumed that those people who knew about this business would be stepping up and applying and could certainly do a substantially better job than we at CalHFA could who barely can spell counseling.

However, over the last couple weeks, Lynn and I have been involved in some conversations because there's been a concern expressed that if the State doesn't involve itself in the application process, the State may be disadvantaged. And so some of this has been brought up by some of our colleagues on the Board, Mr. Carey, Carla Javits in some e-mails that we've gotten.

So we, Lynn and I, started having some calls with people from NeighborWorks, Mary Clark, who's in California. And I think many of you may or may not have seen an announcement in the paper of counseling activities the California Reinvestment Coalition is doing and how all these things may fit together.

And that's why I essentially wrote you this note, that we wanted to talk about this. We're not a hundred percent sure. We would certainly want to do something to make sure the State is not disadvantaged, but on the other hand we don't want to be in a situation where we would commit the Agency and/or the State in a role of which we do not have the fiduciary ability to carry off what would be expected of us as an organization.

So that has led to these discussions. And I'm going to ask Stan because we've now all decided after being part of a call yesterday, the bidders call for these funds, since we've not really had a role in applying for federal grant funds that we now have great respect for anybody who lives and dies by grant applications, especially through this particular world. So I want to ask Stan if maybe he could explain this and the situation we find ourselves in today that we're trying to find a solution to.

Stan.

MR. KEASLING: Well, I'm not sure that there's any clear explanation why the Congress would appropriate a $180 million for housing counseling to be spent by the end of this calendar year when in the past five years they haven't appropriated that much money for housing counseling, including preoccupancy as well as delinquency counseling. This is all for delinquency counseling.

But NeighborWorks America decided to step up and to take on the task of trying to put out that money and trying to really play a major role in trying to address the crisis that exists in terms of homeownership and the delinquency and default rates that are arising dramatically. NeighborWorks was constrained, however, by the law to say that they could only keep 15 percent of the money that was appropriated and the balance that they had to put out through two groups, the existing HUD intermediaries that are a group of about 17 organizations nationally who provide basically passthrough of HUD counseling money and housing finance agencies.

So Rural Community Assistance Corporation is one of those HUD intermediaries, and essentially we -- just to give you some background, we became an intermediary because we were trying to encourage the self-help housing groups, the rural self-help housing groups, with whom we work to expand their services and to provide preoccupancy counseling frankly. And most of them, that's all they do is preoccupancy counseling in the rural areas that they serve across 13 states in the Western United States.

So -- so as we started talking with NeighborWorks and as we started walking with Alan about his program, the scale of this -- of the potential -- well, the scale of the problem in California and the size of the application that NeighborWorks was saying that they wanted to see from California because essentially they have a commitment that they have to put $50 million by the end of March into the areas with the greatest and most severe need, of which California represents about a quarter, maybe a little more than a quarter. So they're talking about trying to get that much money into California.

Well, we started -- you know, when I started talking about this and started talking about the increase, we -- it just seemed like this was dwarfing our regular program by an order of magnitude that, as somebody who's been on the job for 14 days, I was not totally comfortable with our ability to absorb and to administer, frankly -- not that we couldn't provide the technical support.

And that's what we started talking about is is there a partnership here between the housing finance agency playing a fiduciary role with Alan's group playing both a match role, because this money all comes with a caveat that you have to provide matching funds, and Alan has raised significant matching funds for California. And then we would provide that administration and that oversight of the program working with those counseling agencies to make sure that they understood that, you know -- some of them have not dealt with the HUD process before and they're going to have to start, and so we would provide that training and that support and that administrative guidance to help them get into the system in a way that they could get paid and reimbursed through this program.

So I think that that at least hits the high points.

MS. PARKER: Just I want to introduce Alan Fisher, who's the executive director of the California Reinvestment Coalition.

As Stan said, it's very interesting because first of all, you need to -- in order to be an applicant even if you're named in the legislation, you are required to have certain experience that you can point to that you know how to do counseling and you have a proven track record, which again has been the concern that both Lynn and I have as a state agency, we're pretty unique in that we don't have that. That role hasn't been played by the State in the state of California.

But -- and then the second part of that is that, you know, this money for the first 500,000 that an entity gets requires a 20-percent match and then beyond that it is a 10-percent match. If -- one, if there's going to be a match from the State, the State would have to be the applicant. Given the $14-billion problem, the ability to, you know, have Legislature be responsive is not an ideal time looking -- you know, that there is going to be some money around for matching, certainly in the short time frame.

And again, I think one of the -- just the incredible obstacles of this is the expectation that these dollars literally be awarded and planned, pretty detailed plans of what individual counseling nonprofits would do by the end of the year. And at the moment, it's not anticipated that these funds would be available to do activities beyond the end of this -- this calendar year. So that is a very, very short time frame.

What we had talked about yesterday -- and as I said, we've had conversations about this every day. When we first started talking about this, and both Lynn and I said we don't have this experience, and if we were going to do it, what -- what value added could we have besides our name? And the feeling on folks' part was that CalHFA has a highly regarded name and in that sense would give a lot of cachet to an application for California.

I would say I'm not too sure how much is needed because it seems to me that NeighborWorks ought to be pretty desperate to find somebody in California to do this, given what a short time frame, so. But having said that, we also -- there's no time. We can't educate ourselves. There is no time for anybody if it's not a HUD approved nonprofit intermediary to become one in the next 30, 60, 90 days to be able to take advantage of this money. We have to -- what's available now, we've cobbled together, is kind of what we need to do.

So we've talked about this idea if we could find somebody that was in the community who understood this role -- grant applications, grant management, project management and to some extent how the State operates -- that we would come back and talk with the Board about doing this work.

When we -- then we had the bidders' call the other day, and I told Stan that my concern was that I just really was concerned that California from the standpoint of being a fiduciary, whether we really had enough expertise. And we came up with this idea, that maybe we could both -- since it's -- it was, we thought, allowable, they could be an applicant, we could be an applicant, that we could be co-applicants.

And we were told in e-mails this morning that apparently the wisdom in Washington was that they didn't want to do that. So actually we sit a little bit before you today with needing to have some conversations about sort of regrouping. There may be an individual who we may be able to get to help CalHFA do this work. Stan's been twisting this particular person's arm, and so was I, and Peter has been, and if that's possible, that would -- I think would provide me some more comfort.

But the plan that we talk about would be, whether it's co-applicants, it is multiple entities having multiple roles to meet the criteria and to accomplish what is expected from this Congressional appropriation. We think we can provide some roles of marketing and oversight. We can obviously lend our name to this application. We also think because of the time frame for the dollars to go out, that we might be able to help with the cash flow so that the subgrantees are not inconvenienced by the way NeighborWorks expects everybody to be up to a certain level of their goal in order to release any additional funds.

We also think that by our involvement and what Stan tells us that we may be able to preclude the need to have an indirect costs which would apply to these contracts that which would further diminish the dollars that could go for counseling.

As Stan mentioned, to some extent California Reinvestment Coalition, since there are matching funds required because of what they've raised, has offered to essentially use those funds that they have collected to be the matching funds so that people wouldn't have to go in the middle of all this and try to find that as part of the process.

And -- but really the day-to-day grind of what needs to be done would really be through a subcontract with RCAC. They have the counseling expertise. They would be judging who should be an applicant to be approved, what would be realistic for the amount of funds and counseling that they could be done in order to -- a budget to be approved. They would collect the data. They would give it back to us.

And so it's really from that standpoint that we have tried to be somewhat comforted that we may meet the legal criteria of what the application is, although I would want Tom to speak to you all and give you the -- you know, his perspective of what might be the legal hurdles we have to overcome.

MR. HUGHES: Over the last week or so, we've had many, many discussions on this, and as Terri had said, the situation has been fluid, and many times what we've attempted to craft hasn't always worked, so it still is in a little bit of a state of flux.

The -- we identified two significant legal issues in terms of CalHFA being the applicant for these funds. The first is a federal issue, and the second is a state issue. I think that the federal issue is the more significant of the two.

But the federal legislation was drafted in a way that, at least in my opinion, didn't really contemplate that all HFAs aren't the same. HFAs vary from state to state in terms of their mission and their authority and what they do. The federal bill provides that for the bulk of these funds, as Terri had said, either a HUD approved intermediary would be an eligible applicant or a qualifying HFA would be -- could be an applicant. And the qualifications of an HFA are listed in the bill, and the bill provides that all of those qualifications need to be met.

Some of the qualifications are relatively easy with respect to CalHFA. They involve familiarity with financial institutions and borrowers in default and other issues like that. Others are really focused on the past provision of counseling services, which is not something that CalHFA has done and which apparently is something that some other state HFAs have done.

That has led into discussions of whether CalHFA is actually qualified under the bill, and the feedback that we get is that the people we're dealing with are comfortable with that, but we still need to independently reach a degree of comfort with it.

And some of those discussions have revolved around whether what our loan servicing operation does is similar enough to counseling or the functional equivalent of counseling, depending on how you look at it, that we do have some of that. Certainly in the conversations that we've had in these many, many conference calls, it's been pointed out that as a servicer of a portion of our own portfolio, we deal with borrowers who are in danger of default. We do talk to them about their options. We do work with them. And the flip side of that is that we do it in our role as a lender, and not as a counselor that is independent of the lender.

And so the question is is this close enough to meet the terms of the federal bill? And I think it's -- we have reached a comfort level that we could do that. I have to say the issue is not free from doubt, as we say in the law. Some of that comfort level has been aided by the interpretation, and I just found out about the one this morning, that the NeighborWorks seems comfortable with the notion that the aggregate experience of the people we're partnering with meets the qualifications independently of whether CalHFA meets all of them on their own.

So there is another subissue in terms of the particular structure of CalHFA in the State of California, which is -- which we've talked about with HCD, whether this would be a CalHFA or HCD function, and, you know, we've pretty much worked through that. But there are some issues there as well.

So I think that what the take-away from this is that we feel that there's enough -- there's enough comfort to do this, but it's not nearly as clear as one would hope it would be.

CHAIRPERSON COURSON: Terri, let me -- are we really in a four-party partnership then? There's CalHFA, and then RCAC would be sort of the administrator, I guess, of the function. CRC would be a financial partner paying the match, and there's a fourth partner that would do the hands-on counseling, the actually working with borrowers and lenders?

MS. PARKER: Well, first of all, I think given what was said, what we found out this morning, I think I can articulate the -- we either -- either CalHFA has to be the applicant or RCAC has to be the applicant. We cannot be both. We cannot do a co-application.

If we were the applicant, then RCAC would be a subcontractor, and it was always envisioned, even under this, that Alan's group would be a subcontractor. And we would subcontract with RCAC for very specific activities and RCR -- RCR -- R -- CRC excuse me, for very specific activities. And to some extent, you know, we tried to do the best we can to try to lay those out.

CHAIRPERSON COURSON: I guess my question is who is going to the hands-on counseling with the borrowers and intercede with borrowers and lenders?

MR. KEASLING: Well, there are currently in the state 80 HUD approved counseling agencies, and I don't know how many other agencies, Alan.

MR. FISHER: Maybe 20 to 40 other groups that are smaller that may have not yet gotten HUD certification, but that are counseling people.

MR. KEASLING: So we will be contacting all of those folks. We are -- we are trying to be as expansive in that process as we can and then -- and asking them basically to get back to us.

And actually the application provides -- has a provision that allows an organization that isn't already HUD approved to become approved in the course of time and then to become a subrecipient essentially of the money. Yes, there will be anywhere from 50 to 80 local groups we think that we will working with.

MS. PARKER: So I don't think there's four, in some respects, but there's people -- it's not all a level. There would be the applicant. Then I think there are these two sub -- subcontractors, but then there would be 60, 80, a hundred applicants -- grantees.

CHAIRPERSON COURSON: I just, I'm -- I have a -- my personal concern is I want to make sure, I'd like to personally -- first of all, I have to say, I have to tell you, 30 days ago I wasn't on this train. Having gone to New York and talked to my fellow HFA chairs and people and so on, I got on the train real quick. I think it's clear they've had tremendous success. They have done a great job. I think it's a proper role for us.

I want to -- my personal -- I have personal concerns to make sure that the people that are hands-on with borrowers that are then hands-on with lenders and the people who are partnering, whether it's a match or what have you, despite public comments that they make that do not give me a warm comfortable sense of working in partnership and cooperatively, that the people on the ground do.

And so I just say to the staff, I want to make sure that those that we're engaged in, despite maybe public comments, particularly I'm concerned about those who are hands-on with the borrowers, are doing it in a way that is cooperative because it takes all the parties coming together. And I want to make sure that we have that in a sense in those who we are, quote, partnering with as we move forward.

MS. JACOBS: Could I make a comment, having sat in on 94.3 percent of the phone calls?

First of all, I don't think that my fellow Board members understand how much time and effort CalHFA is putting into this with the -- putting together a management team to delve into every complication here. And everybody at CalHFA should be commended for taking on a really positive, aggressive approach to figure out how to do this.

MS. PARKER: It comes under the heading as no good deed goes unpunished.

MS. JACOBS: Exactly. Exactly. We need to make them a sampler or something.

MR. CAREY: A plaque?

MS. JACOBS: A plaque. Well, I think a sampler, hand done.

The most complicated thing about this program is that it's a new program, and the people in Washington are making up rules and procedures more than once a day. So every time that CalHFA comes up with, "Okay, we'll do a partnership," yes, we mean no. And then, "We'll do it as subcontractors," no, we mean yes, and back and forth and back and forth.

So literally, you know, when Terri says as of 5:00 p.m. yesterday we had one approach, and we have a different approach this morning, there will probable be three or four more combinations. But I think in the conversations I've been participating in that the key to making this work for CalHFA is for CalHFA to have an experienced project manager who can make sure that the services are being delivered and CalHFA's fiduciary responsibilities are protected. And without that key person, regardless of whether it's a participation agreement, a partnership, a subcontract, a Girl Scout troop, whatever it is, we need to get that person involved from the CalHFA perspective. And then we need to be using experienced people in the field.

And I think those have always been the two things we've been talking about, regardless of the format. And we have our team members or our troop members with us, but we're still not, I don't think, in a position to say what the form of the venture is going to be.

MR. KEASLING: You know, I will say, however, on behalf of NeighborWorks that they share that concern in a very big way. And a piece of the money that they were -- that was appropriated to them they are using -- they were instructed to use for training and fully plan to do that from the beginning. They have already announced their next training. They're in Sacramento the 8th --

MR. CAREY: 11th through 15th.

MR. KEASLING: -- 11th through 15th of February.

And as we send the announcement that people can apply for this money through us, we're also going to be sending out an announcement to make sure that their counselors are getting training through that training, which, you know, basically NeighborWorks is saying that the training will be free and we'll pay your hotel costs to come and participate. So pretty -- pretty good in terms of trying to encourage and to provide support for the folks who do that.

They are concerned about the level of professionalism that's out there as well, as we all are. I mean, you know, as I said earlier, most of the counseling agencies that we work with haven't done delinquency and default. They've done preoccupancy counseling. I think that they can make the shift. We're confident that they will make the shift and that, you know, if it's a problem, as they start to engage, it will engage their staff even more. But it's -- you know, there's a certain amount of professionalism that needs to be taught here.

MS. PARKER: One of the things I think that is good about this particular program is that it's open to anybody. And so, you know, you don't have to have a subprime loan to be able to come in and get this kind of counseling.

So particularly, Mr. Davi, when you talk about REOs broadly across the state, you know, this is something that anybody and everybody can come in and in that sense really help, I think, as -- sort of help with the sort of economic crisis for people in the community.

The second thing, I guess, I wanted to say too about this is that we -- we wouldn't -- we wouldn't come to you to ask for some direction on this and I would tell you right now probably what I'm looking for, I'm not asking you to vote or do a resolution because I don't think we feel that we can articulate that well enough. I'm really more looking for you to give us direction of whether or not you're okay with us continuing to pursue this or whether you are -- essentially your feeling is, you know, this is not our role, we need to stop, desist, and these people need to move on and find other approaches.

But I think we want to continue in a way, problem solving in a way, to have value added to this group in as an efficient and effective manner as possible so that we're not all sitting up here in an administrative capacity swirling while we can't get the stuff done at the local level with actual people.

We have no compunction -- I have no compunction as a state entity to try to need to be part of it, go to Washington or ask for some consideration for California, and I think as we have at least pushed on certain items, they've immediately taken them back and gotten responses back, so I don't think that I would say that people haven't been somewhat flexible. They haven't said yes to everything that we want and there aren't some problems that frankly we need to overcome, but, you know, we're going to keep pushing to try to figure out a solution that is to the best advantage of the, you know, crisis in California.

CHAIRPERSON COURSON: Mr. Pavao.

MR. PAVAO: Yes. Just so there are HUD approved intermediaries currently and HUD approved counseling agencies? And what is the -- what is the relationship between those two parties currently?

MR. KEASLING: There actually doesn't have to be a relationship. The folks who are -- as an intermediary, we basically act on HUD's behalf. They pass money to us, which we then subcontract with a network of organizations in the western -- 13 western states.

And then but -- but individual counseling agencies can apply on their own behalf to HUD and can get a direct allocation. So many of the larger groups will do that, and there are, as I say, a number of networks including NeighborWorks --

MS. PARKER: Stan, those people can't -- they have to be --

MR. KEASLING: Well, they cannot -- actually, they can't under the NeighborWorks money, but they can under the HUD money. I'm sorry, I probably confused that.

MR. PAVAO: I'm sorry, if I may.

CHAIRPERSON COURSON: Okay. Go ahead and then Peter.

MR. PAVAO: I'm still asking a couple of questions in this regard.

So where I was heading with this was how similar is the relationship between the HUD intermediaries and HUD counselors, how similar is that current relationship to what's being proposed? Is it --

MR. KEASLING: Very similar. Very, very similar.

MR. PAVAO: Okay. So -- so in other words, there is a model out there right now that's in operation and what's being proposed, and I guess with the insertion of CalHFA into the picture, is kind of plugging into an existing system.

MS. PARKER: You know, Stan, I have to ask a question because now I'm confused. It's my understanding that HUD approved counseling entities couldn't apply for this $180 million.

MR. KEASLING: That is correct.

MS. PARKER: And that is the problem. They have been able in the past to apply to counseling funds that HUD had appropriated to them, but in this case, there's $180 million and that regular system can't function that way. So that's the reason why we're here is because HFAs have been named, along with these HUD approved nonprofit intermediaries. And my understanding when this group came to us is that there are very few of those that are in California.

MR. KEASLING: That's correct.

MR. PAVAO: Two. Right?

MR. KEASLING: Two.

MR. PAVAO: But how many of the HUD approved agencies currently go through the intermediaries? Of the 80, about how many go through the intermediaries and how many go directly to HUD? Any sense of that? Half and half?

MR. CAREY: It might be half and half.

MR. PAVAO: Okay. So under this new --

MR. CAREY: Plus there's the pool that Alan speaks to that's got capability but has not yet been certified.

MR. PAVAO: I guess I'm just again trying to get my arms around the current system; that is, there is currently a system in place to deliver federal funds for counseling services. Those go either through the intermediary agencies or directly to the counseling agencies.

MR. KEASLING: That's correct, currently.

MR. PAVAO: The difference here is it's all got to go either through an intermediary or through a finance agency. And the reason we don't sent it all through the intermediaries is? Under the new model?

MR. CAREY: RCAC would not -- well --

MR. PAVAO: It's scale? Is it scale?

MR. KEASLING: Scale.

MR. CAREY: I think it's scale.

MR. KEASLING: It's scale.

MR. CAREY: And honestly, I think it's focused for California. I've had the opportunity to talk about this a little bit. And I think that from the point of view of California's position nationally, position in the state, already the conversation in our world around the state has been is CalHFA ever going to step up to this? And I think really that CalHFA can be a conduit RCAC cannot be to bring to those resources to California.

The frustration of course is it is ill defined and -- and maybe that's the frustration. On the other hand, most of us who live in the world of federal grant programs would suggest that most federal programs are too well defined, and there is more flexibility with this than we see in most things, it's just the short time frame makes it tough to develop.

But in my mind -- and we are, my own organization is, a local HUD counseling agency which receives funds through the National Council of La Raza, which is a national intermediary, but we have no idea if that's going to work. We also can receive funds through NeighborWorks because we're a NeighborWorks organization working through CalHFA.

But in the short run, the issue is finding that vehicle by February 8th which assures that adequate resources will come to California to meet the current capacity and potential capacity. If it ultimately turns out that the money can't all be used, well, you know, the funds will go back, I think. But I think that --

and hopefully over time Congress -- and this is unique funding in that it does not come through a federal agency. It is Congress to a nonprofit corporation directly.

So there's no HUD, there's no agency staff, there's no track record at all, other than the fact that it's a direct appropriation to a nonprofit corporation. And that gives it more flexibility, but you only get answers from the appropriations staff, which makes it more complicated in that respect.

MR. KEASLING: An interesting factor that really surprised me, I must say, is that when we participated on the conference call for the bidders' conference call with NeighborWorks, we were the only HUD intermediary on the call. All of the other people on the call were housing finance agencies. And I don't know what that says about what those intermediaries are thinking about how they're going to do this, whether they're -- I don't think that they're necessarily thinking about being expansive, you know. They may think, you know, we'll just apply for our affiliates or something or work with our current grant subsidy recipients or whatever.

But, you know, we don't -- we have certainly not gotten any indication from any other of the major intermediaries that they were trying to expand their networks in order to deal with the situation.

MR. FISHER: Can I just add into this, that what -- to be sure it's clear that what RCAC adds as well as other things is that they have been in this system, not this particular funnel of money, but in this system. They have done oversight. They know. They have a number of rural groups they've already been working with. And so they are very well set up to be able to add to this the ability to do oversight in the way that it will be expected by Congress.

CHAIRPERSON COURSON: Carla.

MS. JAVITS: Yeah. I just wanted to reaffirm what Lynn said earlier, commend the staff. It takes an enormous amount of time. Terri, the leadership, Tom, I'm sure, the whole senior management team. It's extremely difficult to do this. I mean the Board appreciates it. I mean we discussed the counseling issue. We've discussed how could CalHFA get involved in this issue. And I think this is a terrific example and something that's very hard generally for government agencies, public agencies, to do, which is to act quickly in the face of a crisis with a lot of uncertainty, and it's tough. So we really appreciate that.

I just had two thoughts and comments. One, just wanted a small, a brief comment on the geographic scope of the counseling agencies that are out there that we know are good and have a track record in terms of where the subprime -- you know, where the crisis is in terms of foreclosures, like is there a match or is there a mismatch, do we know anything about that, No. 1.

And then No. 2, I mean think for us as the -- so I just wanted to affirm, yes, let's keep our administrative role as confined as possible so that, you know, we're not unnecessary overhead and, you know, and at the same time we've got fiduciary responsibilities, so obviously that's going to be a key concern, just to make sure we can comply.

And then the -- in terms of your question, I think just setting not too -- in too rigid a -- not to do detailed, overly detailed, way but in an appropriate way our outcome expectations so that you're able to report that in clear way and we're clear up-front about what we expect you to tell us. Again, in a way that's not overly detailed, but that gives us, you know, the basic information and holds various subcontractors accountable for the things that we'd be most concerned about.

Because it seems like we've got a role to play to get the money into California and then have the high-level oversight. There are other people out there, good people, who can help us implement.

CHAIRPERSON COURSON: Peter.

MR. CAREY: I think the other thing I'd make a point of, we're a local organization and have done foreclosure mitigation counseling over the years. In 2005 I think we worked with 85 families. We had to turn off the spigot because we had no money, and it was an overwhelming job, and so we reduced our scope down.

There are organizations throughout our area, and I've been with many of them over the past two weeks, who would do more, could do more, but they simply -- there is simply no funding available to these organizations. And while there may be strictures and structures to this NeighborWorks money, it is a resource, and there are organizations out there that are desperate to see these resources in their hands so that they can work with the families that call them every single day. And while the mechanics are going to be complicated, step one is to assure that the funds get within reach.

And I echo the comments of others. It is definitely out of the comfort zone and out of the track record of CalHFA. And CalHFA, as with some of the other things, with the Bay Area Housing Plan or the mental health services, has just really stepped up into this role and addressing it while thinking it through very, very conscientiously.

But I also want to thank Stan from RCAC and Alan from CRC because they are critical pieces to giving CalHFA comfort, and this is a can-do team here. They're pretty impressive.

MR. FISHER: I was just going to respond in terms of the coverage. I mean I think -- so we have an initiative that's a little over $5 million to add capacity to mortgage houses over the next couple years, and we've reached out across the state. We think there's something like 120 groups that are doing it one way or another.

But in the areas that have the highest foreclosure rate, meaning Southern California, L.A. and all have like half of the foreclosure notices. But as you probably know, a lot of that is in the San Joaquin Valley. And in the San Joaquin Valley, as Peter is saying for his area, you know, Fresno and others, it's very thin.

So I think this money is really critical in being able to assist folks as well as why -- you know, most of our funds come from institutions that were part of helping this happen, shall we say, but that are really critical to building up those resources, and including that I'm hearing disturbing stories that there are HUD certified counseling agencies that are thinking about stopping because they just don't have the resources, and they're getting flooded with 500 percent of what they saw a year before.

CHAIRPERSON COURSON: Carla.

MS. JAVITS: Yes. I just wanted to put an exclamation point in terms we have to have a match, and there's a lot of lip service about public-private partnership. With the CRC also stepping up with the HFA, it means it's just a perfect example of that, so we have the match money from the private sector.

MS. PARKER: One other thing I wanted to point out to the Board, particular to Carla, because I know what a stickler she is for evaluations, that this -- it is part of the conception of this appropriation of these funds that there be an evaluation. And so the expectation of this program, the collection of data, is it's really going to be through the middle of 2010. So there is the opportunity for the data to be collected and then some sort of evaluation can be done.

And I applaud at least that that thoughtfulness of the way that this grant appropriation's been put together to specifically call for this evaluation and to put it into planning, because I think that will serve in the future a way for these counseling centers to prove their worth and prove that relative to the crisis and as a tool to be effective in handling it, so.

CHAIRPERSON COURSON: Lynn.

MS. JACOBS: I think what I have heard, even though I haven't sat on all these phone conversations, is that it's the sense of the Board that we want to pursue a credit counseling program and get a report back at the appropriate the times.

CHAIRPERSON COURSON: And we'll have -- we can take and we can -- we haven't put out our agenda for the retreat, yet so if we want, we can take a few moments during that retreat to updates ourselves. When we put the agenda, out why don't we just put that item on.

MS. PARKER: This is now, you know, hour by hour. The application from what I understand has not completely been developed, but that application has to be filled out and returned, and it's in pretty detailed, by February 8th. And then the awards of those applications are sometime around the 14th of February.

MR. FISHER: I think it's the 24th.

MS. PARKER: Oh, 24th. I knew there was a four in there somewhere. Anyway, the 24th. So, you know, it's kind of like we just burned up, you know, X amount of time to figure out -- it's just going that fast.

This is -- I will tell you staff try to pride themselves and I've told these gentlepeople that it's hard for me to want to get involved in something where I don't feel like we could really do the job that we have done in the past. I don't know that we're going to be able to meet that standard here.

What I do commit, though, is that I hope that we will be able to play a role that had we not -- that the state would be substantially better off. And this is going to be rough. So we'll keep you posted.

CHAIRPERSON COURSON: We'll put it on the agenda for the 6th, also, so we can get an update. By that time we'll certainly know where we're headed.

Anything else?

Thank you. Gentleman, thank you for joining us.

MS. JACOBS: Nice to see you in person.

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Item 10. Business plan and budget mid-year review

CHAIRPERSON COURSON: The next item on our agenda is item No. 10, which is the business plan and budget midyear review.

MS. PARKER: Thank you.

I hope that was enough information to make you feel comfortable. Believe me, it's as much as we have at the moment.

And I really want to also commend my colleagues, particularly Lynn and all the work that she has done personally on this issue, and Jeff too.

So we're ready to do a midyear update for you. And, again, as I was saying earlier on, part of the reason for doing this is to get your mentally refreshed of what you had committed last May as a business plan for us, then where we are at with that, take that into consideration of what we know to be the most recent happenings of a very dynamic market so that we can begin in March with planning on what the new business plan would be that you all would be adopting at our May meeting.

CHAIRPERSON COURSON: Should we be looking at what's in our book or what was the handout?

MS. PARKER: Handout. And actually, Steve, if I'm not mistaken --

CHAIRPERSON COURSON: Let me tell you one is thicker than the other so they are different.

MS. PARKER: Yeah, but I think that the handout is pretty much what was submitted to you. Again, this is one of these things where we really try to get this done before as part of your Board book. It's not different.

CHAIRPERSON COURSON: Oh, I'm sorry. I will retract my statement. The book is two-sided, the handout is one.

MS. PARKER: All right. I'm going to ask colleagues of these various programs to come up, but I do want to go through this.

The first two pages that are in here, and you can go through with me, we're not going to spend any time on them, we put the two slides in here for you for reference more than anything else of how we committed the business plan, the HAT funds and the goals and objectives. I'm not going to talk about them. You already adopted them, but they were there for your information, if you want to go back and look at them relative to any of the comments that we're going to make today.

I'm going to try to go through this and take as much time as you want, so, you know, we can bring Jerry and Doug when we go through the homeownership, Chuck when we go through MI, but, you know, I want to set the pace of this depending on your stamina.

CHAIRPERSON COURSON: Let me take -- what kind of time constraints are we under? I mean, if you say none, we won't be here till 5:00 o'clock.

MS. JACOBS: I need to leave around 1:00, but I have read through the plan.

CHAIRPERSON COURSON: Okay. We have a 1:00 and 1:30.

Can I -- I'm sorry to do this, but I know Carla wanted to make a comment and to make sure that you do, Terri, can we just suspend for a minute this and move to the comment that Carla wanted to make in regards to --

MS. PARKER: We're at the convenience of the Board.

CHAIRPERSON COURSON: Okay. Let's go ahead.

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Item 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 (report not given)

MS. JAVITS: Very quick, I just -- I was glad to see that agenda item and I guess I just wanted to say at least from my perspective -- I don't know what other Board members think -- but it would be, I think, advantageous for the Board for the Agency to kind of put to bed this issue around contract authority that Terri has or the executive has and the compensation policies and procedures. These are the issues that were raised in the report that we had done, and I feel at least some urgency that we get these settled so that we're clear going forward.

And I'd also like to just put on the record and urge the committee both to take action and also to consult with whoever they need to consult with within the administration, within other agencies, on -- in a public way and a transparent way, and be -- have that completed when we get whatever recommendation we do, and that that be done on a timely basis.

CHAIRPERSON COURSON: I agree. My plan was that -- I thought after the last audit committee meeting that this would be on the agenda with a recommendation so we could take action and move on. It wasn't, and Mr. Shine, who's chair then, they weren't -- they hadn't met. So Mr. Shine still wanted this on the agenda. I'm not sure what the report was going to be or what was that agenda item. He didn't share that.

But my thought -- my plan was, and I've said this to counsel and to Terri that my plan was had he been here -- and I certainly agree with what you said and we can do that -- was to instruct the audit committee to at the March meeting come forward with their recommendations that were of the recommendations that were included in the outside counsel's report, which included the contracting plus the compensation. And if it's the sense of the Board, we will instruct the -- I as chairman, I will instruct the audit committee to on the March agenda be prepared to present their recommendations or the benefit of their discussions and put it on for an action item so we can move through these items.

There are three or four items that need some discussion. So if that's okay with the Board, we will instruct the chairman to be prepared to do that in March.

Mr. Carey.

MR. CAREY: And I want to say as a committee member, I'd like to have some sense of what the report is going to entail, rather than just see an item show on the agenda without having an idea what was going to be reported.

CHAIRPERSON COURSON: Yeah, we -- none of us knew what Mr. Shine was going to put forth, and we offered to, you know, assist. So I don't know what it was going to be, but my -- what I'd like to do is see the audit committee meet, take each of those recommendations that were in the outside counsel's report, either make a recommendation or not make a recommendation, but whatever, come back to the Board and report on what their deliberations were on each one of those and have the Board prepared to deal with each one of those four or five items at the March meeting so we can dispose of it.

MS. PARKER: Mr. Chairman, just one thing. Again, just from a staff perspective, because we talked about this just from a staff planning standpoint and trying to be responsive, you know, we've been keeping kind of a laundry list of some of these outstanding issues, and in that sense just for some closure one way or the other, clearly the discussion -- if you remember, most of this group was there a year ago where we talked about wanting to take the next step in developing the policy and procedures of compensation, and the compensation committee was going to start meeting on this. And now there's been the discussion about whether there will be a compensation committee or not.

So to the extent that some of these things can be resolved, then we can get back into a mode of a proactive approach. I think the other thing too is just, you know, is the ability for us to -- I think for everyone, to close out. Then we don't have -- we're not -- staff is not keeping track of these things from, you know, whether we should be doing something to serve you all better one way or the other.

So I think I would say myself on behalf of myself and Tom and the rest of staff, that we really appreciate you doing this. And, you know, we're very excited about 2008 and what we're going to be working on, and so I think that would be helpful if we, you know, could have some --

CHAIRPERSON COURSON: We'll inform the chairman. We'll inform Jack. He's got 60 days, and depending on what we do, there's even an opportunity when they're together in Sacramento, we have gaps of time on this retreat, that they'll be able to get together, which wouldn't cause them to have to get together before. I know it's difficult to try to do it and I saw the frustration the hour before a Board meeting for the audit -- in fairness to the audit committee members to give it the due discussion they need. And I think that's what we've run across in trying to schedule a meeting at that time. So maybe the February opportunity would be one that we can do.

MR. HUGHES: Right. Mr. Chair, I'd just like to point out that the agenda for the February meeting is -- needs to be posted, I'm doing this from memory, but I believe it's next Friday.

CHAIRPERSON COURSON: I was thinking that perhaps the audit committee could meet in February --

MS. JACOBS: Oh, I see.

CHAIRPERSON COURSON: -- in February time frame.

MR. HUGHES: One of the --

CHAIRPERSON COURSON: When you say next Friday, you mean tomorrow?

MR. HUGHES: No, a week from tomorrow. I believe the 25th.

I think in order to have the committee make those reports and recommendations, rather, there will need to be a meeting. And if it's contemplated that February, at the same time, we need to -- we need to get that meeting scheduled. And we -- as the staff, we take these directions from the Board in terms of scheduling these meetings, so that I think that needs to be done pretty quickly, if a meeting is going to be set.

CHAIRPERSON COURSON: Why don't I -- I will take it upon myself to generate an e-mail to you and to Terri and to Jack Shine, the chair, just relating the conversation we've had today, the Board's direction, and suggesting that February might be an opportunity or if not have Jack work directly with counsel to schedule a time. I'll do that within the next 24 hours.

MS. PARKER: We are -- I don't know if this would be helpful at all, we can certainly give you the transcription fairly shortly of what --

CHAIRPERSON COURSON: I don't need a transcript.

MS. PARKER: Just trying to be helpful.

CHAIRPERSON COURSON: I understand the direction we want to move. It's very simple.

MR. HUGHES: Just one other thought on --

CHAIRPERSON COURSON: Maybe it's not going to be so simple.

MR. HUGHES: I also had heard that Mr. Shine was having back problems and that his doctor advised him not to the travel.

CHAIRPERSON COURSON: Correct.

MR. HUGHES: I'm just wondering out loud whether we would need to perhaps do a meeting in Los Angeles to mitigate those issues if they're --

CHAIRPERSON COURSON: I'll put together my e-mail, make my suggestion and then let the chair and other committee members decide if there's a better opportunity. Thank you.

MS. PARKER: Moving right along to our discussion about our midyear highlights, I just want to draw your attention to the first graph. It should be on page 5 of the handout, just to give you an idea of where we presume that we would be from a goal of $1.5 billion.

And you will all recall that we lowered the goal in this business plan from what we had achieved in our earlier production in the past fiscal year. And the reason specifically why we did that was because we had been awarded less cap than we had in the past. Primarily we had to share what had typically been the amount given to the State with the Department of Veterans Affairs.

So we have been trying to manage a program at lower production levels than we had done a year before. We've -- as you can look at the red line, I think to some extent we're managing it, trying to guesstimate what's happening with the marketplace and handle interest rates, liquidity crisis, et cetera, et cetera. And while we're for the months of November, December a little off track of where we had to meet goal, would report that -- it's not what's reflected on this -- is that we did make some changes, as I said in the -- in our interest-only program and our rates the other day.

And we have had, I think, three days in row where we're exceeding what our productions have been. So our plan is to try to bring the end of the year in as close to our goal as we possibly can. And you know, we will be adjusting interest rates, trying to keep watch of the marketplace. Again, a lot of this will have to depend on what happens with other lenders. If they stop doing, you know, a hundred percent loans, interest rates, mortgage insurance, all that will play a role.

And this basically does give you some information about what -- our 30-year loan continues to be our major product. We thought when we did the interest only program that because of the gap between incomes and sales prices that that would be a very effective tool.

We think, although we're still getting a lot of loans that way, it does certainly help one group of our market that because of the subprime meltdown, that people are more concerned about this type of loan, even though it's -- has a hundred percent predictability for the borrower. But we are continuing to offer it as those loans that are in the stable of our products.

To give you some sense of where we are relative to goal off our down payment assistance, clearly down payment assistance is the success of any loan that we're doing. And I remember when I first came here that we probably had less than half of our loans that had down payment assistance. Now there's very few loans that are done without some sort of down payment assistance.

And to bring you to the next page, page 6, give you an idea since CHAP and HiCAP are both programs down payment assistance where we use our Housing Trust funds, one, we are over our projections in it and the other one we are under. We think if we continue to -- and part of the change in HiCAP is really because we did some program changes for the relative amounts of that that kept us within budget or lower than budget, but we are at least at this point in time thinking that between the two of them, we're going to be either below the overall expenditure level or at it.

And we think that that's good because we're continuing to discipline ourselves with these scarce resources as a mean of getting first mortgages and not having them to be so dependant on the need of a second mortgage, or a second -- down payment assistance to make them happen.

The next chart essentially just gives you an idea. We are updating you on the Prop 46 and 1C funds. We are pleased that we've included in this an adjustment to reflect some of the funds that have been coming back to us through prepayments. And we -- particularly in CHDAP with having funding availability of some loans coming back through prepayments we'll will be able to do a business plan, a five-year business plan with the use of these funds through a good majority of that for down payment assistance. And we are continuing to try to use that as opposed to having to have down payment assistance where we're using the Agency's Housing Assistance Trust funds.

Special lending programs on page 8. We -- although I think our applications to some extent have slowed down, these programs, particularly HELP, clearly continue to be in demand and to be one of the few resources that are out there. As liquidity is driving up -- drying out, we -- we think that we're not going to see the applications, particular in RDLP, that we thought we might see. But we -- they both are continuing to be viable programs.

In addition to those two programs, this also shows where we are in commitments to date, purchases to date, and where we are on our Habitat for Humanity program. So we've clearly -- for that, for Habitat, have had a very successful use and rollout of those funds to help that particular community.

I'm going to go fast, so if there's questions, stop me.

I really want to focus on these next couple of charts and go into our MI to have you be aware of where we are on delinquencies. As you can see since CalHFA is the kind of purplish line in the middle, that that line of delinquencies is moving like this. And we've, you know, had downward trends for quite some time, but we are following the market and seeing that our delinquencies are increasing.

Jerry and his folks, with Chuck and Dennis' folks are putting together the in-house team to look at how are we going to handle these, how are we going to handle marketing to get these REOs in an ever-increasing housing volume on the market dealt with, perhaps sold, get ownership back in there as fast as we can. But while we haven't seen some of the delinquencies that the Agency saw in the mid 80s and 90s, I just think the rate of growth over the last several weeks and months is so rapid that I expect that we will continue to see increased REOs and delinquencies.

CHAIRPERSON COURSON: Do we know if our self-service portfolio is performing differently than the loans serviced by our third-party lenders?

MS. PARKER: Yeah. In fact our -- it has and continues to -- the statistics for our own loan servicing is better than the loans that are serviced by -- that we do service the lease.

CHAIRPERSON COURSON: Is that because of products, I mean different -- we by definition retain servicing on products that would be less susceptible to delinquency.

MS. PARKER: I'll bring Jerry up here. I think it'll probably be just the reverse. We've got the toughest loans that we're servicing.

CHAIRPERSON COURSON: That's what I thought.

MS. PARKER: And as Jerry was just whispering behind me, you know, our in-house group is a percentage point below what the outside servicers are.

MR. SMART: I think it's relatively -- it's the effort that we put into it, the collection calls and the time spent is paying off.

CHAIRPERSON COURSON: And would it be also because there are most FHA loans serviced by third-party servicers than us? Because they would typically have a higher delinquency rate.

MR. SMART: We have about 20 percent of our portfolio in-house is FHA, so it's not that.

CHAIRPERSON COURSON: I guess my point is I don't want our portfolio serviced by our lender partners to get lost in all the other pressure and activities that they're going under through MBSs where they're passing through principal and interest and they have much higher loss opportunities in those loans than ours. And I just want to make sure we keep their attention to work our portfolio as diligently as they are all the others that they're dealing with.

MR. SMART: We are. We -- we have our -- a portfolio staff that that's what they concentrate on, keeping track of where our servicers -- we have about 12 other servicers -- you know, the activities that they're performing. We do annual site examinations of those servicers. We are monitoring the reports and making sure that they adhere to policy.

CHAIRPERSON COURSON: And depending on how it unfolds and, who knows, we're clearly going to receive a request to approve a change in servicing from Countrywide to new ownership, changing control would require our approval, and over a longer term will determine whether those loans will continue or they have to come back in in-house. We just don't know.

MS. PARKER: One thing we do know, I mean, I think as part of changing the IO program, they are not -- we no longer have the relationship with Countrywide.

CHAIRPERSON COURSON: I understand, but we do have another substantial portion of our portfolio serviced by them, which we'll have to deal with down the road.

MS. PARKER: Maybe just to have -- since I know the chart before was a little difficult, page 11 if you look at it, I think, does give you some numbers and some sense by types of -- loan types, the FHA, conventional, VA -- where we are with respect to gains and losses. So I just wanted to bring your attention to it.

And the first -- the top part is really our first mortgages. The second one is -- down below is really our down payment assistance loans. And I just want to bring your attention, those -- we have some significant write-offs in some of these loans that are Agency funds, the CHAP, HiCAP. You know, 86 of those loans written off at over a million dollars, that does affect our bottom line.

The ChDAP/ECTP funds -- loans are -- those are bond funds, but the biggest dollar, a million and -- one point almost seven million is Agency funds.

Moving along --

CHAIRPERSON COURSON: Question, Carla?

MS. JAVITS: I'm going to ask a really, really dumb question, but just so -- I thought we don't do subprime lending, so why are we seeing an uptick in our foreclosures?

MS. PARKER: I don't think it's because they're subprime loans, I think it's because this is part --

MS. JAVITS: Just the economic problems.

MS. PARKER: Yeah.

MS. JAVITS: Okay. So it's not because of that, it's just there's people out there who are losing their jobs or whatever.

MR. SMART: Delinquencies overall, all through California and the U.S., are up. Ours is just tracking along with that.

MS. PARKER: You know, I think I'll steal a little bit of Chuck's thunder, but he tells me I'm a housing maven, so maybe I can say this. I think clearly the housing market is cyclical, irrespective of subprime loans interspersed with that. So even on a natural, you'll be seeing -- we'd all be seeing that occurring, so.

MS. JAVITS: Do you know where we are relative to other HFAs or other comparable HFAs or other comparable states? Do you have any idea? I'm just trying to get some relative sense. What are we looking for? You know, are we going to see numbers of 8 percent, 10 percent? Are we likely to see those?

CHAIRPERSON COURSON: The -- compared to the third quarter national delinquency survey, our figures are better than the California figures recorded for other lenders. And that -- and they report, for example, I look at FHA of 7.7 and probably California was up at the 11 or 12 percent. At our MI, which I assume is our product, our conventional fixed rate type product and so on at four-six. I think the prime loans were like creeping up to five or something.

So we're -- I think we're -- you know, when you take our product at what it is, we're performing as well if not even a little bit better, but also by definition first-time homebuyers with some of our credit criteria and the markets we are serving, when you get into an economic situation like this, we're going to have higher numbers.

MS. PARKER: I think that's a good analogy for you, Carla, because, frankly, to say where we are relative to some of my colleagues, some of them just do plain vanilla 30-year loans and they're not even at the risk associated that we do and what you've all asked us to be mindful of. So I think where we are relative to our peers in California are probably more helpful for you.

Moving right along, just, again, sort of talk about from the homeownership area, our focus is the loan origination projects. And we have got an RFP that's in draft. We've got -- it obviously continues to be a high area in the Agency. Jerry has been the project sponsor for this within the Agency, but we expect that we're going to have this released shortly. And we've got time lines for us and hope to be coming back to the Board in

September for your approval.

We -- one of the major things, irrespective of everything else that we do here and new programs or whatever, we've got to get this loan origination system done. We've got to get our infrastructure in place now. And so we're trying to be mindful of that with everything that we put these folks through and new programs and projects and everything else, that we've got to get this done.

Any questions for homeownership?

I'm going to move into mortgage insurance. Okay. So on page 13, our mortgage insurance highlights. And I'll ask Chuck to come warm the seat that's been warmed by his colleague. We -- you know, our insurance highlights to some extent sort of track a little bit where our first mortgages are going. And last year we saw a large percentage of our -- a larger percentage of our loans, first mortgages, be insured by the Agency.

That has diminished some as a relative percentage of value, and I think that that's, again -- some of it is more the decline in the use of the IOP program and people going back to the traditional 30-year mortgage and some changes that have occurred to make FHA a more realistic program. This is really, you can see the -- see this. As we -- we have our track record from the standpoint of loans insured.

We -- maybe just to highlight before we kind of go through the rest of the charts, we, again, are separate from our first mortgages looking at the delinquency rates in our insurance program and we've seen our delinquency rates increase from 1.6 percent in September to 2 and a half percent in December. So, you know, the rate of change is growing, and it's dramatic.

And there's -- as we go through these charts, what I think is important for you to take a look at, I'll give you some sense of it and it's reflected in here, that we're looking at loans that were originated -- insurance that was originated in 2005, and that portfolio has 4.2-percent delinquency. And 2006 loans have a 2.9-percent delinquency. And if you look -- if you look at the way this industry, as Chuck tells me, goes, that you really see mortgage insurance delinquencies peak by the third year.

So if you look at our portfolio of loans that are in the insurance portfolio, most of where we are overall, very little of pre-2004 loans are in the portfolio. And so a big amount of our portfolio is 2005, 2006 or newer, and so they have yet to hit this three-year maturity, so the expectation, again, just to make you aware, we're expecting the delinquencies to increase through 2008 and 2009.

And we -- at this particular point in time, Chuck assures me that he's watching this, and you know his personality -- feels that we are adequately priced and risked, but we will be obviously watching that and bringing that as part of our overall discussion with you as we go through this spring and our planning.

14 gives you just, again, a sense of what's happening with the delinquency trends. And you can see between May and November the delinquencies doubled. And that is based on very proactive work that Chuck's shop does with trying to deal with borrowers to keep them be current.

And on page 15, again, a sense of loan delinquencies, where they are plus or minus 120 days, in foreclosure, and where the claims have been received and are pending or paid. So this has been the time for Mr. McManus when he's been enjoying the proceeds of premium payment to have to start paying some of them out.

MR. McMANUS: The major change that's occurred here is in California a rising tide floats all boats. We had a 20-percent price appreciation every year from 2001 through 2005. So even the people that lost their jobs, got divorced, got sick and everything else, the normal causes for delinquencies and foreclosures, they were covered. They could borrow against the rise in equity. There were no losses.

That has not occurred. There has not been price appreciation. Since really mid-2005, there has been very little. So we have a flat or declining price environment, so all the normal causes for delinquencies and foreclosures are resulting now in foreclosures for us. There were maybe five or ten properties at most in REO when I got here. If you look at page 15, we will be receiving in the neighborhood of 20 to 25 properties a month going forward.

So the change, we're in the normal market where there are foreclosures in a flat price environment, and we will be having a lot more REO end claims. We're priced at about five and a half to six claims per hundred in the mortgage insurance book. That's over time. That's not delinquency rates. So I think we're priced okay.

If sometime -- after two years we'll stop the depreciation in prices and all the foreclosures, but the market has changed. We will be in the REO disposition market. That's Jerry's job, but it's something you should know is happening so you're not surprised.

CHAIRPERSON COURSON: Terri, what's our comfort level with our staff capacity to handle what's going to be a substantial increase in REOs we've going to have to manage and market?

MS. PARKER: I don't know if I can answer that, but we'll have an answer for that as we go through our budget development process. I think we're going to tell you about what we are focusing on when we do our administrative budget, but that's an area where -- one, that's a major area where Jackie's people are pedaling as fast as they can to do exams to be bringing the people. To highlight the other area is Bob's area in multifamily, but that's, you know, what we're focusing on.

The other thing --

CHAIRPERSON COURSON: My point is given the constraints of the system that we have to work within -- in the private industry, if you need them, you just go hire them. And this has such a ramp up in testing and so on and at the accelerated speed these are coming back in.

MS. PARKER: We're having all the internal discussions about how do we handle this and going back to what did the Agency do in previous decades when they had this, how did they handle it.

One other thing, just to give you a heads up on where I mentioned we're looking to see if there's something we can do with the lending program for foreclosed properties. We're also going to be looking at if there's something that we can be doing to make sure that our own properties get out there and get off.

CHAIRPERSON COURSON: I think Jerry has something to say.

MR. SMART: I would just like to comment that we have increased our REO staff. We were operating with one individual for years. Of course we only had a handful of REOs, but since it has started to increase, we've added two individuals already, and we're in the process of adding a third.

CHAIRPERSON COURSON: Good.

MR. SMART: So we'll have four, and then we'll watch the total volume and act accordingly.

CHAIRPERSON COURSON: Thanks, Jerry.

MS. PARKER: Thank you.

So I guess to maybe complete the thoughts about the homeownership area, we are continuing to be as educated as we possibly can on home values where we are so we can determine risk associated with loan products, where we should be on rates, where we should be on loan to value, where we should be on terms, et cetera, et cetera, watching the liquidity markets.

And, again, next week -- next month when we talk, you know, we're going to have Citibank talk with you a little bit about what's happening in the capital markets.

The liquidity is -- it was bad last summer. It's worse now. And we -- for anybody who thinks that this is going to settle out at the end of this year, you know, I don't think that's going to happen. So it's going to be an interesting road, a challenging road for us to be moving through.

We do want to continue at least for now with a hundred percent LTVs, and we'll be coming back and talking to you more about that. We are -- as I said, we've shut down the MBS delivery platform, but I -- you know, the Agency and the staff spent a lot of time putting that together, developing the relationship with Fannie, developing the partnership with Countrywide of the seller service arrangement. And although if we were to start that up again, we would certainly go back out and look at who our seller service arrangement would be, we have things in place that should things change and turn around and it be an efficient and effective viable financing lending mechanism, we'd be bringing that back and trying to, again, get much -- as much value for the customer as we possibly and to reduce the Agency's risk as much as we can.

And, you know, that will take us into, as I said, the negotiations with Fannie Mae. I did a conference call this morning. We've asked them to give us a price for our existing program that we have with them. They expect to return that to us next week. I expect to go back to Washington the following week for us to discuss serious negotiations about pricing of some of the terms, whether or not we might be able to get a better pricing if we don't do some of the underwriting as flexible as Fannie Mae allows us to, whether we essentially provide greater MI coverage, you know, those are all things that we'll be looking at and we'll be taking that into consideration and bringing that information back to you as we do our business planning.

So I'll take a breath now and talk about multifamily.

And Bob, if you want to join us.

I haven't seen much of Bob recently. He's been on the road, which is a great thing for him out there meeting and greeting folks who haven't seen CalHFA, to the same extent that we have been out there in previous years and I have been getting nothing but really positive feedback on Bob and the things that staff has been doing.

And as I said, one of other areas that Jackie is moving very proactively is to help Bob get staffed up so that we don't just go out there and talk about what we can do, that if people essentially want us, that we can deliver.

I don't know, you know, do you want to talk about your report?

MR. DEANER: Sure. Really what we have is just what we did, what we've closed or committed to date, so if you look at the chart, we're at 64 million to date.

I think the better number to take at a look at is if you go towards the bottom. With the changes that we've implemented and being out in the market and marketing, we've increased our pipeline to over 200 million. So we have probably 15 to 20 projects we'll be bringing to the Board in the next two to three meetings. So the production has picked up quite a bit with the changes we've made.

Next slide. You hired a new director. You hired me. Thank you. I appreciate that. Again, our production pipeline is up to 200 million. We've changed the architectural process, obviously. I brought that to the last Board. It's been very well received. Updating programs under development, we've gone to a universal application. And I'm currently reviewing our earthquake requirements to talk about changes we need to make there to, I think, bring us more in line with market as we did with the architectural guidelines that we -- changes we made.

On the multifamily programs, there's four or five program changes that I've made with help with Tom and Bruce, from finance and their group, and we've changed pricing. We've changed fees. We've got a fixed rate construction loan program that we're utilizing and some other things. That's also being well received within the market.

So as I go out with the loan officers -- that's one of my big pushes right now, is to go out in the market with the loan officers and discuss these program changes. They're being very, very well received from our borrowers and our clients, as you can tell from the previous slide of our pipeline.

That particular piece of the pipeline I should mention, the 200 million, those are what we consider real deals under application we're moving forward. We also have a prospective pipeline that I have the loan officers do, and those are deals we're chasing and going after, and I'm trying to figure out how can we win them, what do we need to do. That in itself is also 200 million, so we're actively looking at about $400 million worth of new production this year. It won't all close obviously this fiscal year, but it will roll over into the next fiscal year.

On the Bay Area Housing and the MHSA -- go to the next slide -- those two Kathy, I think, pretty much touched on it earlier and the things that we're doing. The Bay Area Housing is going along very positively, and we're moving forward with that.

And on the MHSA, that is moving forward with Terri's help and Kathy's help with DMH and the counties to get that done. This is very important, I think, to us in multifamily to get the counties and DMH to finalize what they need to do because what we're finding is a number of these projects are going to be mixed use, so what we're doing is since we're administering it and we're going to underwrite the MHSA loan, my thoughts are with these clients is we'll do your construction loan and your perm, and we're finding six out of our ten requests are going to have some sort of either construction loan or perm, which will then again increase our pipeline.

One additional item I'm working on is an acquisition loan under the MHSA because we're finding with the timing of the money of the MHSA and getting either bond allocation or tax credits, they need some source of short-term money to potentially take down either a piece of land or a project they want to rehab.

So I'm working on an acquisition program, which makes sense because then it rolls into our construction loan and our perm. We're in the take out. So our risk is limited. Because if I give that acquisition loan, I'm paying myself back, you know, once I know they get the allocation or the tax credits.

So I'm trying to make it a one-stop shop, one package that makes sense for the borrowers, and that's also being very well received in the market. That is a program that I'm working on that I've -- we go to business plan on off-site in two weeks, and then in March, that utilizes a platform also to offset how we can leverage an acquisition loan program, so we're also working on that.

Is there another one? No, that's it for me. So things are going very well. I appreciate the support, and the staff is doing a fantastic job.

CHAIRPERSON COURSON: Thanks, Bob. That's exciting stuff.

Asset management.

MS. PARKER: Margaret.

As I mentioned this morning when we were doing Grand Plaza or Villa, the second one, we're really trying to do a connection for the Board between how we budget some of these line items of the Housing Assistance Trust Fund and when they come back to you on these individual items. And I think that this is going to continue to be a greater and greater role of Margaret's shop because of the aging of our portfolio. Really, have hired Jim Liska's as retired, unretired, retired, unretired, but his focus really primarily has been trying to deal with this aging portfolio, so we're going to be -- this is going to be a major area of emphasis as time goes on.

That's your introduction, Margaret.

MS. ALVAREZ: Okay. With that, pretty much on this slide I just took what our commitments were to the Board back in May and give you an update of where we were to date.

So the first one is the -- in May we said we would spend about 10 million in our agency HAT funds for the preservation of our existing portfolio. To date we've committed about 4.4 million of those funds, including the 500,000 you saw today on Villa Springs. And that's exactly the type of lending that we're doing to kind of fill in the gaps on acquisition preservation loans and then also on loans that don't really come to you, but properties where they just need some capital improvement work to keep going.

We have earned surplus money that comes from our Section 8 portfolio. This year so far we haven't committed any of that money in loans, although we're always in the progress of -- process of talking to our owners about that. Those take a lot of time to make happen, and we're just on the road with those.

SB707 was extended formally, which is the rental house construction program loan through HCD. So this will enable us to refinance many of the properties in our portfolio that had RHCP loans that without this legislation we could not have extended.

And then we're in the process of developing a refinance plan for our older 80/20s, and those are properties like Grand Plaza that you saw this morning where the original set-aside was 20 percent of the loans at 80-percent area median income. And those are older now too, and we're seeing a lot of people wanting to refinance those projects either with their own ownership or with new structures. We're kind of getting together in-house to figure out how we can make that happen.

On the Mental Health Services Act, asset management's piece is the operating subsidy plan. And our own internal work group has put that together, and it's in its final stages. And that's the piece that asset management will be administering as that program moves forward.

My last item on here says prepayment policy, but it's actually a refinance policy. And, again, I think I've talked about this several times with the Board. Our portfolio is aging. A lot of the owners want to get out. The buildings are 20 and 30 years old. Many of them have high degrees of equity. The biggest thing we haven't been able to figure out is how you give sellers the equity they want in order to get out of the deal and let somebody else take it over.

So we continue to struggle with that. Our in-house group is working on that, and our noses are to the grindstone, and we hope for good results this year.

My next slide here is really just in response to a Board question at the last meeting in which I was asked about the portfolio concentration and if we have too many borrowers kind of buying up the portfolio. And the answer would be no. If you took our top ten borrowers, it accounts to about 22 percent of our portfolio. And if you look at our top ten management companies, it's about 29 percent of the portfolio. So no one has more than like about 2 percent of the portfolio right now. We don't consider that to be a burden to our portfolio or too high of a risk.

MS. PARKER: Thank you, Margaret.

The last slide is just to really update you on our operating budget. And from the standpoint of what the Board approved for us for operating budget, our projection at least through expenditures projected through the end of the year were at lower than where we might be six months into the year. And that primarily is because we have lower than expected expenditures in some of our strategic projects.

We have been reporting to you all along about some of them that we modified what we were going to do to sort of downscale. Some things, some of the projects, have taken a little bit longer than we had planned, but before anybody gets too excited about this, what we're going to essentially see is for some of these expenditures to then go into the next fiscal year as those -- some of them will be real safe because we downscaled some of the strategic projects, but some of it it's just that we're ended up moving some of the expenditures into the next year and you'll see that come back to you in May as far as building our budget.

The last part of it is just as I said we are really focused recruitment. Jackie's got people out there with a sandwich board going back and forth trying to get a few good people.

MS. RILEY: Although, if I may, this is -- when the market goes down, that's when we do our, you know, best recruiting. And right now especially on the homeownership side, we have applicants. We have had to figure out strategies to limit some of them because our staffing is not such that we can deal with 800 applicants that I know HCD had on one of their exams. So we have been doing a lot of advertising, but then doing something, you know, like one day file in person. So we have a lot of really, really good applicants.

And we do go out very early on and do homeownership recruiting so we have been able to add to the REO staff. We added positions, actually just made two commitments yesterday, for more people in loan servicing dealing with delinquencies and claims, so we're in pretty good shape, and we have some very skilled, knowledgeable people coming from other companies, so we're really quite fortunate in that area.

Just yesterday two of my staff this past week were down in Culver City doing exams for multifamily folks, and we're doing that in Sacramento in the next two weeks. And we've actually seen some good people there, so things are looking up on the recruitment side.

MS. PARKER: And as I mentioned to you, we're trying to take advantage too to see if we can slip in here and get a really top quality candidate for director of homeownership.

So I want to commend the staff, particularly Jerry and Doug for their continued really stepping up and the yeoman labor of keeping that organization going and on track. And you can see overall the staff of the agency, it continues to deliver to the Board the expectation we would hope you would have of all of us.

MS. RILEY: I also wanted to mention, and it's not on here, but we have increased Tom's staff in the general counsel's office by an additional two attorneys and some other staff people to handle all the increase in, you know, the business, so.

CHAIRPERSON COURSON: Thank you.

MS. PARKER: That concludes our presentation, Mr. Chairman.

CHAIRPERSON COURSON: Thank you.

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Item 16. Discussion of other Board matters

CHAIRPERSON COURSON: Is there any other business to come before the Board?

MS. JAVITS: Terrific report. Thank you so much. Very informative.

MS. PARKER: Not bad for the housing crisis that the world is in, particularly in California. I really think that this goes to the stewardship of the Board and the Agency.

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Item 17. Public testimony

CHAIRPERSON COURSON: Seeing no further business, is there any -- I have no notice of any public testimony.

And so therefore our next gathering will be at our retreat on February 6th, and our next meeting in March in Burbank, and we will stand adjourned.

(The meeting concluded at 1:27 p.m.)

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 24th day of January 2008.

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

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