CalHFA Board of Directors
Homeownership Loan Origination Project

Cal HFA

California Housing Finance Agency

September 18, 2008

Review of Budget Approval

- The current Homeownership loan origination system is obsolete, at capacity and does not support the information analysis needs of management
- Agency has pursued the procurement of a new system
  - Used best practices procurement process described in the March 2008 Strategic Initiative Briefing Book
- Homeownership project budget
  - $5.73 million one-time cost over 3 fiscal years
  - $1.75 million approved as part of 08/09 budget
- Requesting Board approval of resolution 08-34
  - Negotiate and enter into an agreement with the selected vendor
    - Fixed price for one-time cost of implementation

Homeownership Project Need

- Business Problem

  The current system is:

  - Fragile – built in a technical environment that is not sustainable
  - At Capacity - greatly restricts the ability of the Agency to quickly adapt to constantly changing business needs such as adding loan programs, etc.
  - Obsolete – does not incorporate current mortgage banking or information technology best practices such as for expandability and secondary market capability
  - Marginally Responsive – information is not readily available to management to enable effective and timely reporting for analysis in making business decisions

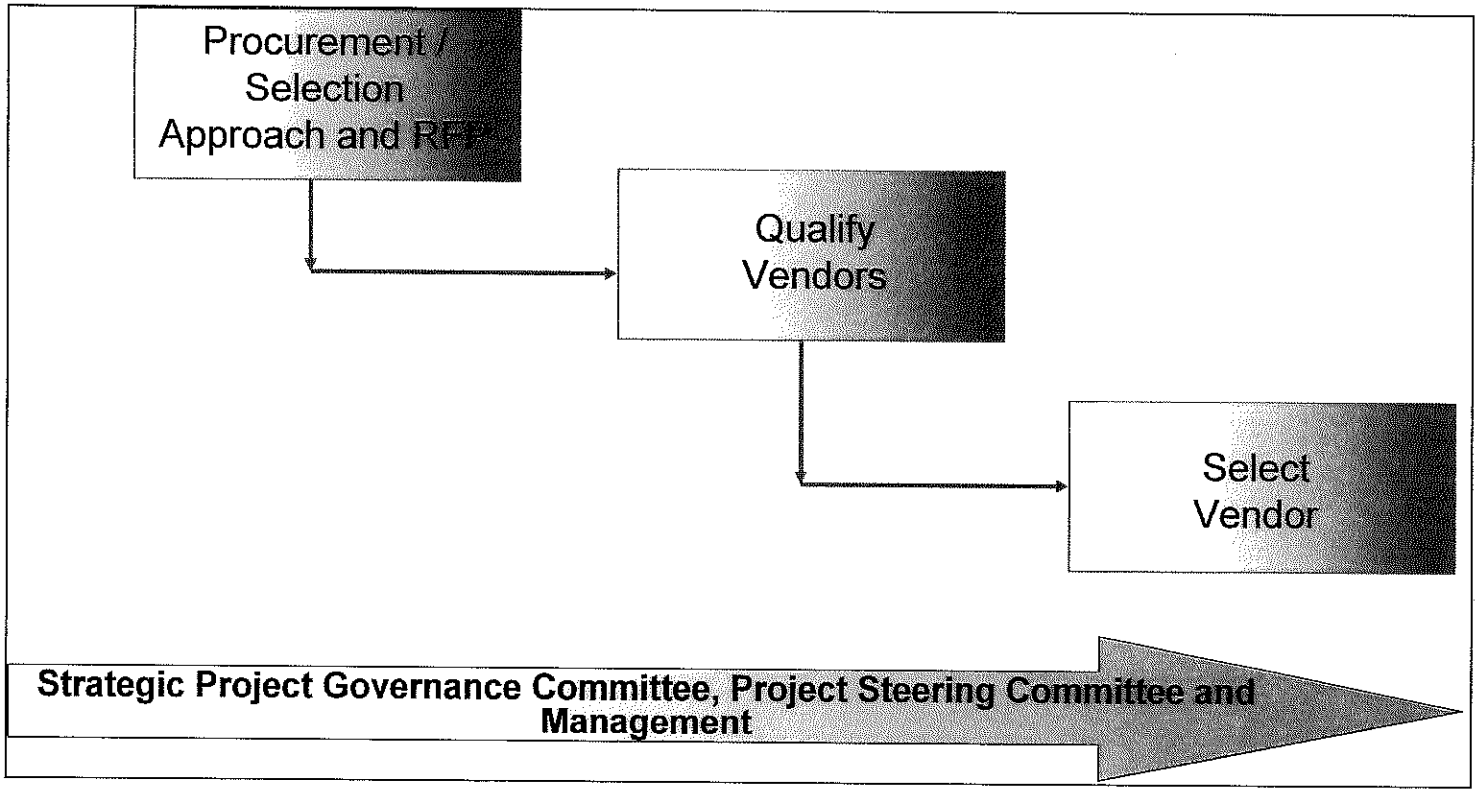
Homeownership Project Need

- Objectives of the Homeownership Loan Origination Project are to:
  - Improve business operations and efficiencies
  - Provide flexibility necessary to be responsive to change
  - Integrate all loan processes across business functions
  - Improve information quality and integrity
  - Provide appropriate and timely access to information for all stakeholders
  - Diminish the reliance on paper-driven processes
  - Improve services to our customers

To meet these objectives, the Project used the Agency's procurement best practices process to identify the best system solution and vendor

Overview of Best Practices Procurement Process

As per the Agency's best practices procurement process provided to the Board at the March 2008 Board Meeting



Homeownership Project
Vendor Selection Recommendation

- Summary
  - 25 Vendors received the RFP
    - Prospective vendors were identified through extensive market research
      - Three (3) software vendors with products targeted to Housing Finance Agencies
      - Sixteen (16) software vendors with products targeted to the mortgage banking industry
      - Six (6) local and international system integrators
  - Three vendors submitted Final Proposals
    - MortgageFlex Systems, Inc. (MortgageFlex)
    - Housing & Development Software (HDS)
    - HCL America, Inc. (HCL)

Homeownership Project
Vendor Selection Recommendation

- Summary

  Based on review of its Final Proposal, one vendor (HCL) was considered non-responsive and not considered further

  The Agency considered the two remaining Final Proposals in detail

Homeownership Project
Vendor Selection Recommendation

MortgageFlex Proposed One-Time Costs are less than HDS

One-Time Costs of Implementation[1]				
	MortgageFlex		**HDS**	
Personnel Services Costs	$	5,417,950.00	$	4,663,187.50
Other One-Time Cost	$	-	$	1,162,500.00
Software License Costs (One-Time)	$	314,650.00	$	886,500.00
One-Time Costs	**$**	**5,732,600.00**	**$**	**6,712,187.50**
1 - Includes the costs as proposed by the vendor in their Final Proposal and not negotiated				

Homeownership Project Vendor Selection Recommendation

- Summary

  The HDS proposal was deficient in several areas including a failure to commit to project responsibilities for some CalHFA requirements

  - The Project Steering Committee chose to not perform reference checks, site visits or interviews for HDS

Homeownership Project
Vendor Selection Recommendation

- Summary

  Based on review of its Final Proposal, reference checks, client site visits and the vendor interview, it was determined that MortgageFlex:

  - Offered the best and most comprehensive solution to meet the needs of the Agency
  - Appears capable of successfully completing the Project and supporting the solution on an ongoing basis
  - Appears to be a financially stable company with more than 25 years in the mortgage banking industry and a very strong client list
  - Offered significant value at a competitive price

CalHFA Board Approval of Homeownership Vendor Selection

- Recommendation: Per Resolution 08-34, approve the Agency to negotiate and enter into a contractual relationship with MortgageFlex to provide products and services that will result in a new Homeownership solution
- Board Decision
  - Approved / Disapproved

Financing Reports

- Recent Bond Sales
  - Single Family Bonds
- Variable Rate Bonds and Swaps

Recent Bond Issues

Date of Issue	Bond Series	$ Amount
8/28/08	Home Mortgage Revenue Bonds 2008 Series L & M	$250,000,000

New Single Family Bonds

- $250M HMRB 2008 Series LM
- All tax-exempt, fixed rate, uninsured bonds
- $18.4M economic refunding of prior bonds
- $41.8M replacement refunding
- $189.8M new money
- Proceeds for purchase of approximately 960 new loans

Report on Variable Rate Bonds and Swaps

Variable Rate Debt as of September 1, 2008

($ in Millions)

	Tied Directly to Variable Rate Assets	Swapped to Fixed Rate	Not Swapped or Tied to Variable Rate Loans	Total Variable Rate Debt
HMRB	$ 2	$ 3,612	$ 673	$ 4,287
MHRB	129	884	58	1,071
HPB	0	35	75	110
DDB	0	0	0	0
TOTALS	$131	$ 4,531	$ 806	$ 5,468

Types of Variable Rate Debt

($ in Millions)

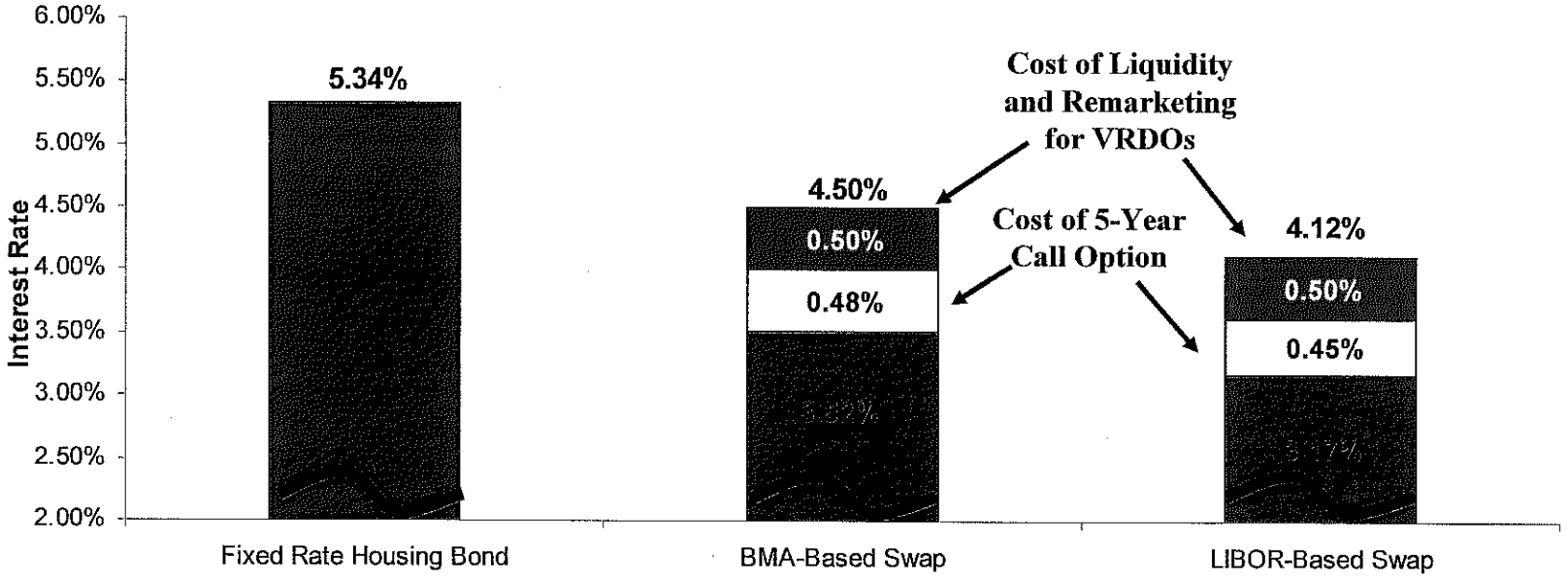
	Auction Rate & Similar Securities	Indexed Rate Bonds	Variable Rate Demand Obligations	Total Variable Rate Bonds
HMRB	$ 19	$ 1,097	$ 3,171	$ 4,287
MHRB	224	0	847	1,071
HPB	0	0	110	110
DDB	0	0	0	0
TOTALS	$ 243	$ 1,097	$ 4,128	$ 5,468

Fixed Payer Interest Rate Swaps

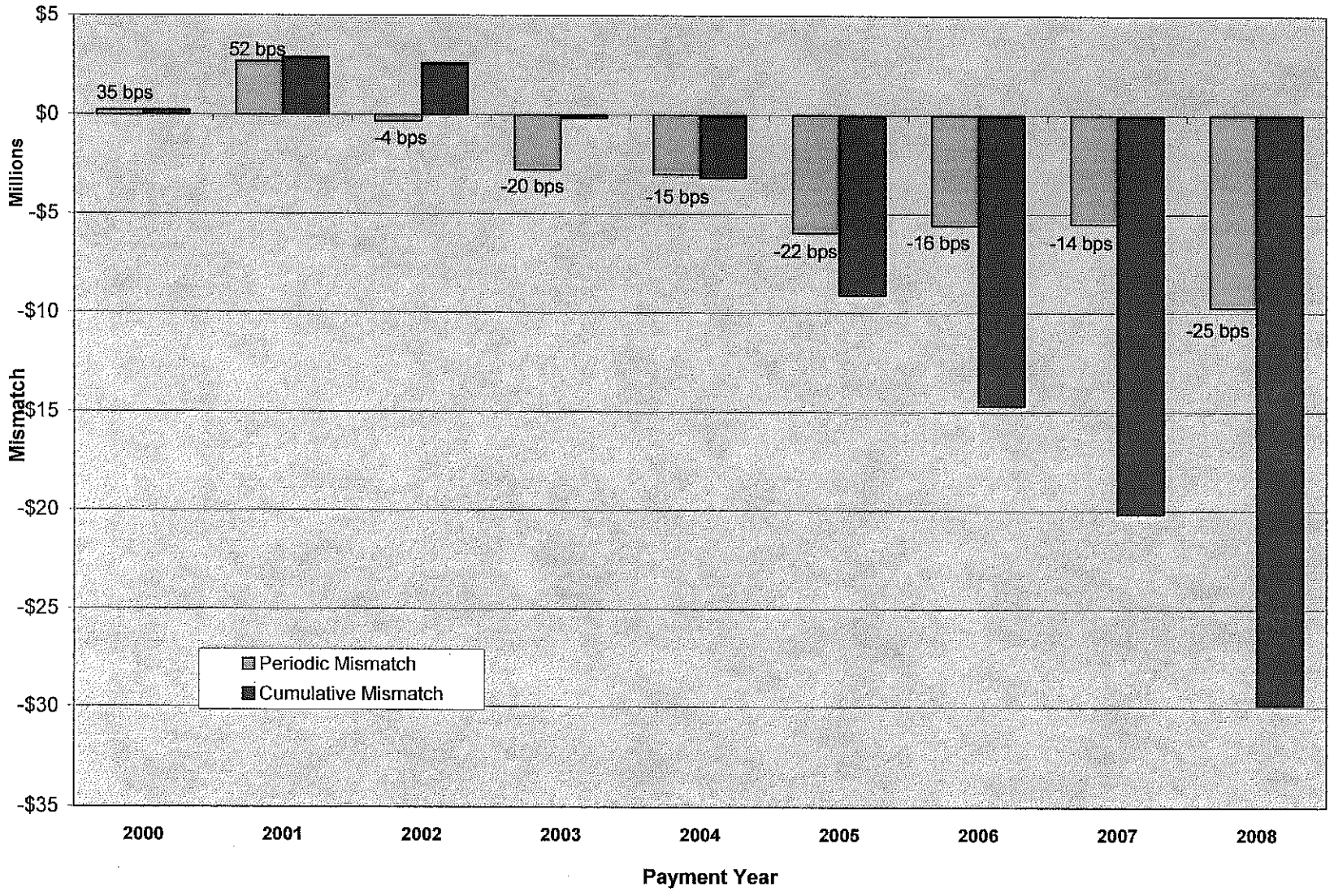
($ in Millions)

	Tax-Exempt	Taxable	Totals
HMRB	$3,058	$557	$3,615
MHRB	885	0	885
HPB	35	0	35
TOTALS	$3,978	$557	$4,535

Comparative Costs of Funds for Fixed-Rate Bonds and Synthetic Fixed-Rate Bonds (Variable Rate Bonds Swapped to Fixed) (All Rates as of September 1 , 2008)



BMA-Based Swap: BMA Index x 101%

LIBOR-Based Swap: 63% LIBOR + 24 bps

Basis Mismatch through August 1, 2008
All Tax-Exempt Swaps