CalHFA Board Meeting

May 21, 2009

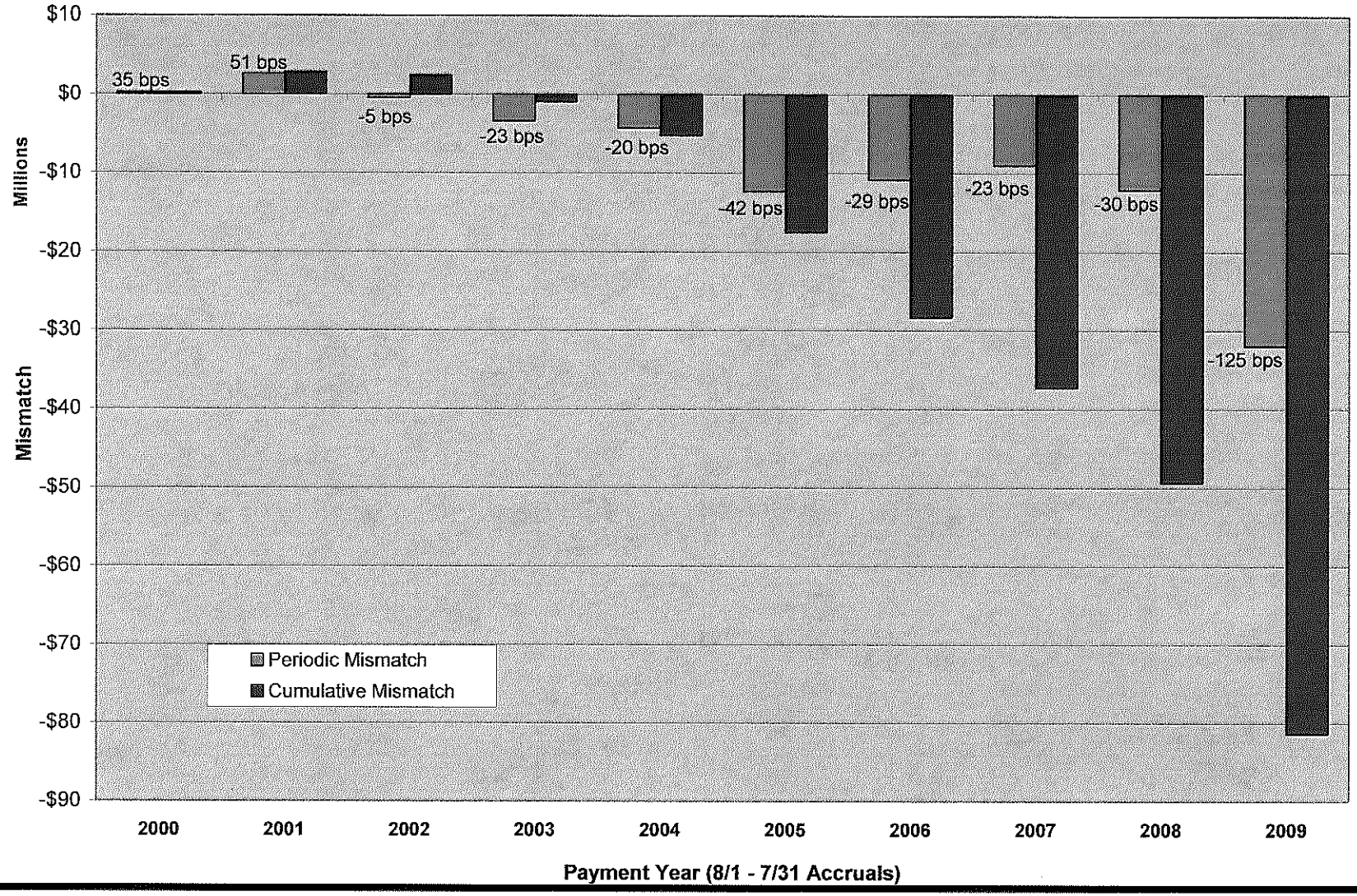
Municipal Capital Market Update

- Fixed-rate bond market for new financings:
  - Limited participation from institutional investors
  - Issuances limited to single-family bond financings
  - Reliance on retail orders
    - Tennessee (Aa1/AA+): 20-yr bond sold at 5.00% (all retail)
    - Ohio (AAA): 30-yr bond sold at 5.375% (all retail)
  - Freddie Mac's weekly primary mortgage market survey (average rates for 30-yr mortgage loans)
    - May 7: 4.84%
    - April 30: 4.78%
    - April 23: 4.80%

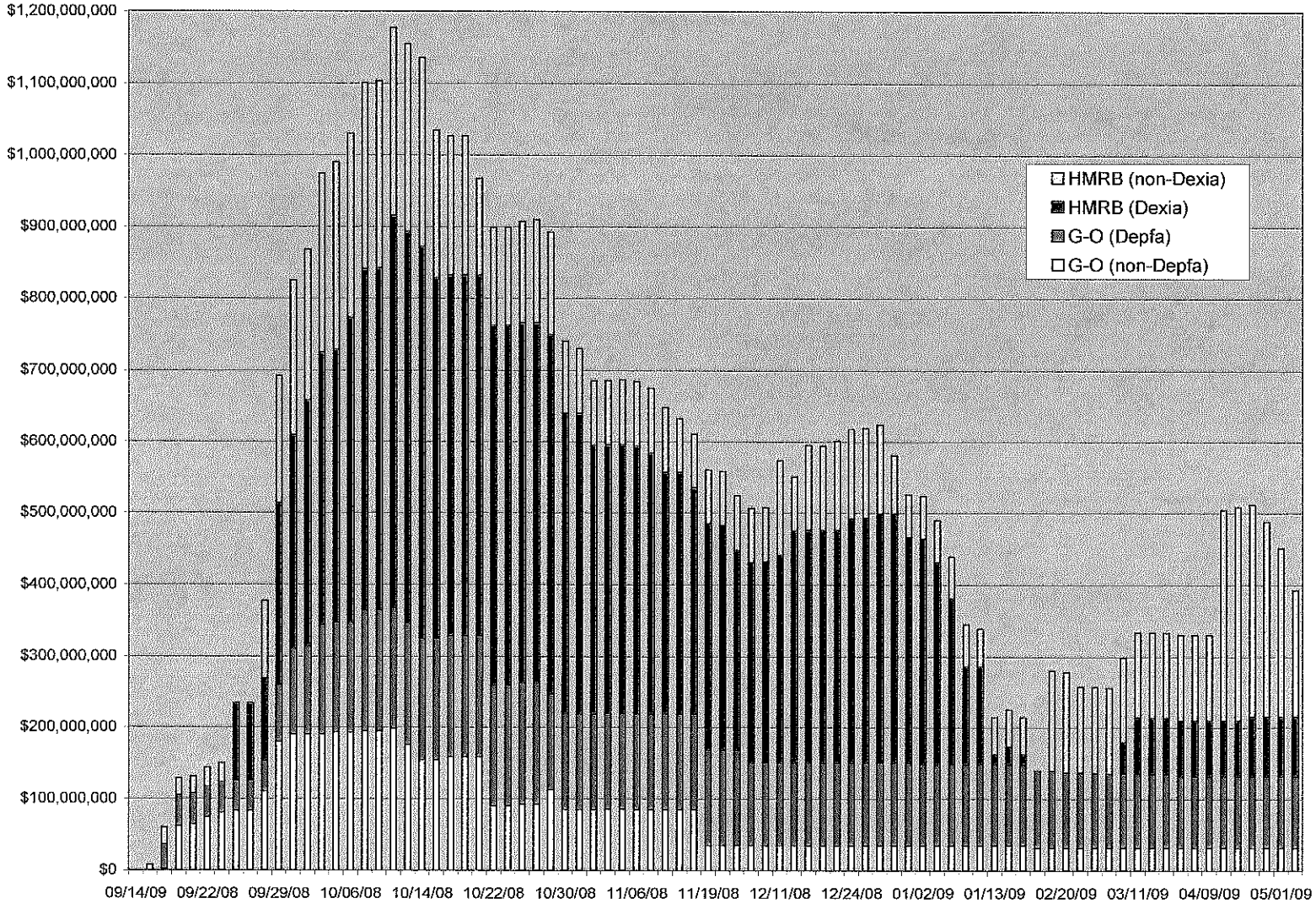
Municipal Capital Market Update

- Variable-rate bond market:
  - Abating liquidity and credit concern
  - Because of yield compression, money market funds are searching for higher yields from "storied" bonds
    - SIFMA reset on 5/6/09 at 0.47%
    - Schwab's CA tax-exempt MM has an expense ratio of 0.45%
  - The flip side of yield compression, however, is that we are experiencing higher basis mismatch on Libor-based interest rate swaps
    - 1Mn Libor reset on 5/6/09 at 0.395%
    - SIFMA/Libor ratio = 119%
    - Most of our Libor-based swaps use a hedging ratio of 62%

History of the Agency's basis mismatch thru 4/1/09



History of CalHFA's bank bonds as of 5/4/09



Status of liquidity renewals and recent successes

- Successful renewals
  - March: $65Mn of KBC
  - April: $25Mn of Bank of NY
  - May: $122Mn of JPMorgan and $71Mn of FannieMae
- Un-successful renewal
  - April: $174Mn of Calyon
- Upcoming renewals
  - June: $82Mn of BNP
  - July: $120Mn of Fortis
- Sale of $50Mn private placement in May
  - Increased the Agency's G-O cash balance by $28Mn

CalHFA's debt portfolio as of 5/1/09

	AMBAC FGIC MBIA	FSA	uninsured	Total
Variable-rate bonds				
Auction-Rate	$49	$142		$191
VRDOs				
- AMBAC/MBIA	$48			$48
- Dexia		$394	$374	$768
- Depfa			$105	$105
- Fortis			$120	$120
- Expired SBPA			$210	$210
- remaining		$179	$2,376	$2,555
Index Floaters	$561	$241	$269	$1,071
Fixed-rate bonds	$1,211	$143	$1,666	$3,020
	$1,869	$1,099	$5,120	$8,087

Auction-Rate Securities:	Red	$191	*2%*
Poorly performing VRDOs:	Blue	$995	*12%*
VRDOs in Bank Bond mode:	Dark Red	$435	*5%*
	Green	$2,376	*29%*
	Black	$4,091	*51%*

CalHFA's swap portfolio as of 5/1/09

Counterparty	Long Term Moody's rating+	Long Term S & P's Rating+	Aggregate Fixed Payer Swap Notional Outstanding as of 5/1/2009	Aggregate Basis Swap Notional Outstanding as of 5/1/2009	Aggregated Total Swap Notional Outstanding as of 5/1/2009	Aggregate Total Mark to Market as of 5/1/2009++
Merrill Lynch Capital Services, Inc.	A2	A	$591,005,000	$0	$591,005,000	($84,056,500)
Bear Stearns Financial Products Inc.	Aaa	AAA	757,135,000	277,330,000	1,034,465,000	(51,123,186)
Citigroup Financial Products, Inc.	A3	A	652,440,000	0	652,440,000	(50,075,979)
Deutsche Bank AG	Aa1	A+	271,920,000	0	271,920,000	(37,480,795)
Merrill Lynch Derivative Products	Aaa	AAA	599,975,000	0	599,975,000	(37,480,548)
Goldman Sachs Mitsui Marine Derivative Products, , L.P.	Aaa	AAA	373,800,000	0	373,800,000	(28,961,539)
AIG Financial Products, Corp.	A3	A-	287,055,000	0	287,055,000	(20,090,479)
JPMorgan Chase Bank, N.A.	Aa1	AA-	204,570,000	0	204,570,000	(19,870,661)
Morgan Stanley Capital Services, Inc.	A2	A	136,685,000	0	136,685,000	(9,568,550)
Bank of America, N.A.	Aa3	A+	176,965,000	0	176,965,000	(7,025,377)
BNP Paribas	Aa1	AA+	82,510,000	0	82,510,000	(6,941,975)
UBS AG	Aa2	A+	41,340,000	0	41,340,000	(2,935,242)
Bank of New York Mellon	Aaa	AA	25,000,000	0	25,000,000	(2,433,501)
Dexia Credit Local New York Agency	A1	A	27,310,000	0	27,310,000	871,173
Total			**$4,227,710,000.00**	**$277,330,000**	**$4,505,040,000**	**($357,173,159)**

Entire loan portfolio as of 2/28/09 sorted by mortgage insurance type

	# of loans	Balance	%	Delinquency Ratios 30-Day	60-Day	90-Day+	Total
Federal Guaranty							
FHA	15,515	$2,195,643,423	*34.4%*	5.30%	2.51%	6.40%	14.22%
VA	459	$74,183,484	*1.2%*	3.05%	3.27%	5.88%	12.20%
RHS	101	$20,674,712	*0.3%*	2.97%	2.97%	3.96%	9.90%
Conventional loans							
with MI							
CalHFA MI Fund	10,117	$2,777,459,916	*41.4%*	3.59%	2.33%	8.03%	13.95%
without MI							
Originated with no MI	6,141	$1,300,252,092	*19.4%*	1.84%	0.67%	2.20%	4.71%
MI Cancelled*	1,666	$222,625,365	*3.4%*	2.10%	0.66%	0.90%	3.66%
Total CalHFA	33,999	$6,590,838,991	*100.0%*	3.97%	2.05%	5.84%	11.86%

** Cancelled per Federal Homeowner Protection Act of 1998, which grants the option to cancel the MI with 20% equity*

Entire loan portfolio as of 2/28/09 sorted by loan type

	# of loans	Balance	%	Delinquency Ratios 30-Day	60-Day	90-Day+	Total
30-yr level amort							
FHA	15,515	$2,195,643,423	*33.3%*	5.30%	2.51%	6.40%	14.22%
VA	459	$74,183,484	*1.1%*	3.05%	3.27%	5.88%	12.20%
RHS	101	$20,674,712	*0.3%*	2.97%	2.97%	3.96%	9.90%
Conventional w/ MI	4,770	$1,194,718,910	*18.1%*	3.00%	1.76%	5.45%	10.21%
Conventional w/o MI	6,797	$1,281,388,239	*19.4%*	1.59%	0.59%	1.60%	3.78%
40-yr level amort							
Conventional w/ MI	756	$223,008,493	*3.4%*	4.23%	1.98%	6.22%	12.43%
Conventional w/o MI	237	$48,102,152	*0.7%*	3.38%	0.42%	2.11%	5.91%
5-yr IO, 30-yr level amort							
Conventional w/ MI	4,591	$1,359,732,513	*20.6%*	4.09%	2.98%	11.00%	18.08%
Conventional w/o MI	773	$193,387,066	*2.9%*	4.14%	1.42%	4.66%	10.22%
Total CalHFA	33,999	$6,590,838,991	*100.0%*	3.97%	2.05%	5.84%	11.86%
All conventional loans:	17,924	$4,300,337,373		*2.85%*	*1.61%*	*5.37%*	*9.82%*

** 5-year interest-only and 30-year level amortization thereafter (same fixed-rate in both periods).*

Conventional loan portfolio as of 2/28/09 sorted by loan type and vintage

	# of loans	Balance	%	Delinquency Ratios 30-Day	60-Day	90-Day+	Total
30-yr level amort							
Pre-2004	2,018	215,153,775	*8.7%*	2.23%	0.69%	1.04%	3.96%
2004	1,434	303,031,604	*12.2%*	1.95%	1.12%	3.56%	6.62%
2005	2,227	533,567,360	*21.5%*	2.42%	1.53%	4.89%	8.85%
2006	2,076	527,598,733	*21.3%*	2.46%	1.35%	5.30%	9.25%
2007	1,942	473,975,867	*19.1%*	2.06%	1.08%	3.40%	6.54%
2008	1,659	377,804,363	*15.3%*	1.69%	0.66%	0.24%	2.89%
2009	211	44,975,448	*1.8%*	2.37%	0.00%	0.00%	2.37%
	11,567	$2,476,107,149	*100.0%*	2.17%	1.07%	3.12%	6.43%
40-yr level amort							
2006	175	43,864,547	*16.2%*	9.14%	2.29%	11.43%	22.86%
2007	382	101,492,809	*37.4%*	3.93%	2.09%	7.07%	13.09%
2008	429	124,307,704	*45.9%*	2.10%	0.93%	1.17%	4.20%
2009	7	1,445,586	*0.5%*	0.00%	0.00%	0.00%	0.00%
	993	$271,110,646	*100.0%*	4.03%	1.61%	5.24%	10.88%
5-yr IOP, 30-yr level amort							
2005	776	215,828,941	*13.9%*	5.15%	1.80%	12.76%	19.72%
2006	2,283	658,396,599	*42.4%*	4.34%	3.46%	13.14%	20.94%
2007	1,610	478,859,346	*30.8%*	4.22%	3.23%	8.26%	15.71%
2008	694	199,702,193	*12.9%*	1.87%	0.43%	1.30%	3.60%
2009	1	332,500	*0.0%*	0.00%	0.00%	0.00%	0.00%
	5,364	$1,553,119,579	*100.0%*	4.10%	2.76%	10.09%	16.95%

Conventional loan portfolio as of 2/28/09 sorted by top 15 counties (by loan #)

	# of loans	Balance	%	Delinquency Ratios 30-Day	60-Day	90-Day+	Total
Conventional loans							
1 SAN DIEGO	2,510	$604,920,895	*14.07%*	2.83%	1.83%	7.85%	12.51%
2 LOS ANGELES	2,464	$626,061,549	*14.56%*	2.80%	1.54%	2.96%	7.31%
3 SANTA CLARA	1,867	$562,948,165	*13.09%*	1.50%	0.64%	1.98%	4.12%
4 SACRAMENTO	1,256	$274,057,854	*6.37%*	3.66%	1.91%	7.09%	12.66%
5 ALAMEDA	1,249	$326,057,047	*7.58%*	2.00%	0.80%	3.04%	5.84%
6 ORANGE	991	$266,179,798	*6.19%*	1.61%	1.31%	2.52%	5.45%
7 CONTRA COSTA	895	$234,490,740	*5.45%*	3.58%	2.46%	4.92%	10.95%
8 RIVERSIDE	703	$144,405,116	*3.36%*	2.99%	1.85%	8.11%	12.94%
9 VENTURA	655	$196,182,753	*4.56%*	2.44%	0.61%	5.34%	8.40%
10 SAN BERNARDINO	638	$138,359,122	*3.22%*	4.55%	3.45%	10.82%	18.81%
11 SONOMA	490	$116,043,390	*2.70%*	3.27%	0.61%	5.31%	9.18%
12 FRESNO	467	$73,265,360	*1.70%*	5.14%	2.78%	4.50%	12.42%
13 TULARE	325	$51,588,640	*1.20%*	3.08%	3.08%	7.69%	13.85%
14 KERN	321	$53,129,996	*1.24%*	4.67%	1.87%	9.66%	16.20%
15 SAN JOAQUIN	277	$52,435,278	*1.22%*	5.78%	2.89%	8.30%	16.97%
16 OTHER COUNTIES	2,816	$580,211,670	*13.49%*	2.73%	1.56%	6.11%	10.40%
Total	17,924	$4,300,337,373	*100.00%*	2.85%	1.61%	5.37%	9.82%

Entire loan portfolio as of 2/28/09 sorted by loan servicers

	Loan Count	Balance	Percent	DELINQUENCY RATIOS 30-Day	60-Day	90(+) Day	Total
CALHFA - LOAN SERVICING	11,926	$ 2,857,374,007	43.35%	3.25%	1.64%	5.63%	10.52%
GUILD MORTGAGE	7,542	$ 1,462,095,148	22.18%	4.48%	2.47%	6.82%	13.76%
COUNTRYWIDE HOME LOANS	5,946	$ 1,021,780,301	15.50%	4.49%	2.27%	6.84%	13.61%
WELLS FARGO HOME MORTGAGE	2,901	$ 376,362,777	5.71%	3.90%	1.83%	3.79%	9.51%
EVERHOME MORTGAGE COMPANY	2,526	$ 265,161,509	4.02%	5.07%	2.06%	2.93%	10.06%
FIRST MORTGAGE CORP	1,295	$ 281,907,145	4.28%	3.63%	2.70%	7.34%	13.67%
GMAC MORTGAGE CORP	1,140	$ 175,724,996	2.67%	4.56%	3.07%	6.49%	14.12%
BANK OF AMERICA, NA	327	$ 59,570,623	0.90%	2.75%	0.31%	7.34%	10.40%
WASHINGTON MUTUAL BANK	262	$ 68,173,478	1.03%	0.76%	1.53%	4.96%	7.25%
CITIMORTGAGE, INC.	72	$ 17,795,805	0.27%	6.94%	0.00%	2.78%	9.72%
DOVENMUEHLE MORTGAGE, INC.	53	$ 2,087,029	0.03%	3.77%	0.00%	0.00%	3.77%
WESCOM CREDIT UNION	8	$ 2,480,307	0.04%	0.00%	0.00%	12.50%	12.50%
PROVIDENT CREDIT UNION	1	$ 325,864	0.00%	0.00%	0.00%	0.00%	0.00%
Total CalHFA	33,999	$ 6,590,838,991	100.00%	3.97%	2.05%	5.84%	11.86%

Reserves for delinquent loans and Real Estate Owned

	Sep-08	Dec-08	Mar-09 (Estimated)
CaLHFA Insurance Fund Loss Reserves	$ 18,311,092	$ 25,994,567	$ 34,684,531
Genworth Loss Reserves (estimated)	54,790,891	76,630,592	102,133,355
GAP Insurance Loss Reserves	32,423,521	44,906,156	61,973,985
Loan Loss Reserves on Delinquent Loans	9,349,872	10,537,027	14,000,000
REO - Market Value Adjustments	3,821,645	5,639,632	9,710,685
Total Reserves	$ 118,697,021	$ 163,707,974	$ 222,502,556

Financial Results – December 31, 2008

Items Impacting Net Income	Fiscal Year 2008-2009 1st Quarter	2nd Quarter	Six Months 12/31/2008
Gap Claim Payment Reserve Increase	-$25.2	-$12.9	-$38.1
Indenture Loss Reserve Increase	-$3.8	-$1.8	-$5.6
Basis Mismatch	-$9.3	-$13.0	-$22.3
Swap Termination Payments	$0.0	-$15.0	-$15.0
Other Operating Results	$16.0	$16.1	$32.1
Net Results	-$22.3	-$26.6	-$48.9
Fiscal Year 07/08	$11.0	$11.5	$22.5

CalHFA Board Meeting

Tax-exempt Bond Securitization ("TEBS")

May 21, 2009

Summary of the proposed transaction

- $932 Million
- 215 Properties, 20,000+ Units
- All Stabilized
- 287 Seasoned Bonds
- All LIHTC or Section 8 properties
- Representations & Warranties from Citibank, N.A.

Benefits to CalHFA

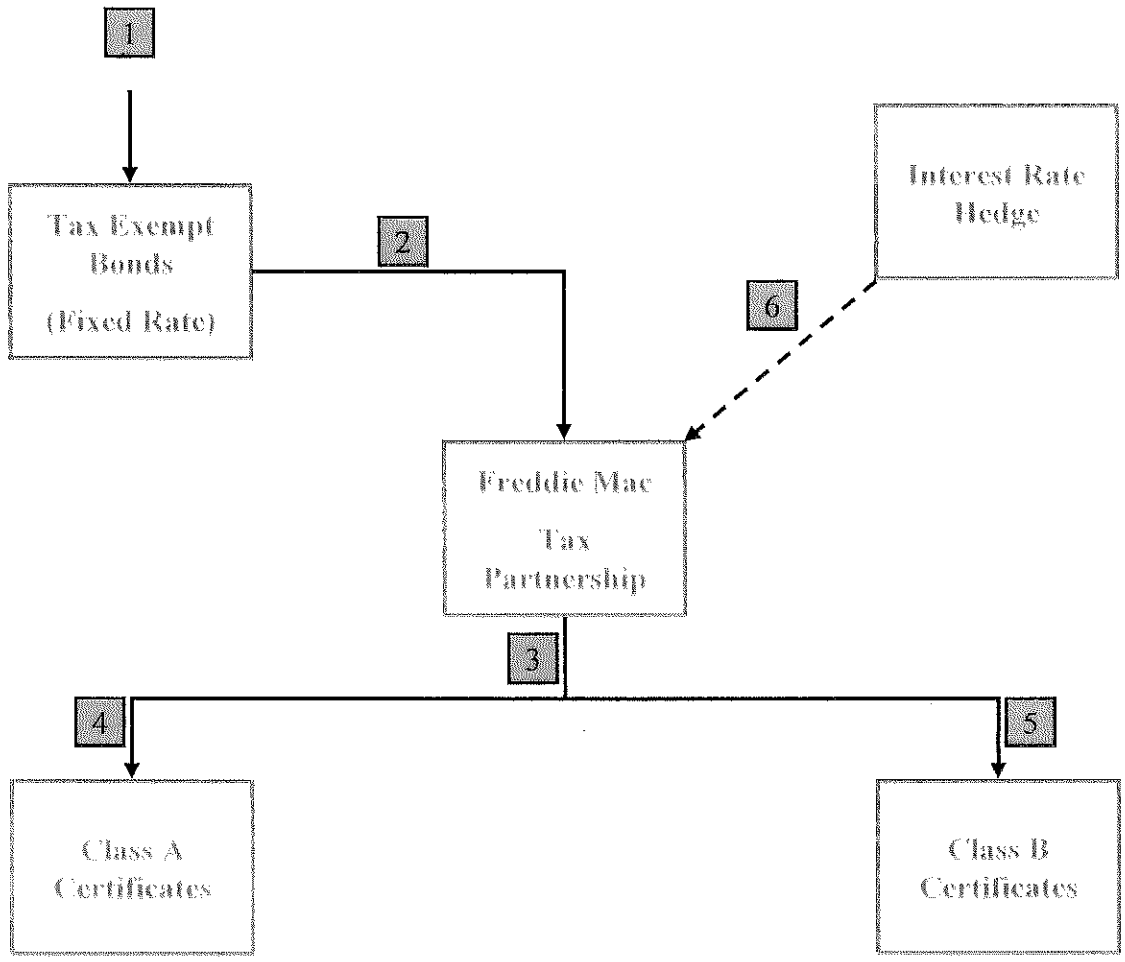
- Remove approximately $1 Billion of LIHTC loans and/or bonds from balance sheet
- Release some capital reserves per rating agency stress scenarios
- Removes bank bond term-out pressure by paying off bank bonds
- Citi to provide bridge loan to buy bonds; Citi gets CRA credits
- If CalHFA becomes a Freddie Mac seller/servicer, it will create future flexibility in program development

Current Status

- Citi is preparing initial bond terms and structuring analysis
- Legal counsels are reviewing the expected financing structure for bond and tax compliance
- Economic benefit of the transaction can not be ascertained until the completion of the legal analysis

TEBS structure overview

1. Sponsor delivers bonds
2. Freddie Mac places these bonds into a trust
3. Freddie Mac-created trust issues Class A Certificates and Class B Certificates
4. Class A Certificates are typically low-floaters with Freddie credit and liquidity guarantee
5. Class B Certificates are issued to Sponsor and pledged back to Freddie (principal and interest) as collateral
6. Sponsor enters into an interest rate hedge (Cap or Swap) to mitigate interest rate risk



Citi's underwriting credentials

- Citi Community Capital
  - has structured and underwritten over $1 billion in TEBS transactions, which is over 20% of the outstanding market
  - One of only four Freddie Mac Delegated Risk Sharing Partners in the country
  - Lead underwriter for Citi Community Capital
    - **Hartley Hall, Director, Freddie Mac Chief Underwriter**
      - Over 12 ½ years of affordable lending experience
      - Overseen over $9 billion in multifamily housing debt

TEBS due diligence requirements

- Basic requirements
  - Current rent roll
  - 1st quarter 2009 property financial statements
  - Historical property financial statements for 2006, 2007 and 2008
  - Borrowing Entity organizational documents
  - Ground Lease, if applicable
  - HAP Contracts and amendments, if applicable
  - LURA
  - As-built surveys
  - Existing Title Policy, updated
  - Bond Transcript
  - Amortization Schedules
  - Insurance Review
  - Seismic Review / Earthquake Insurance Review

TEBS due diligence requirements

- Potential Areas of Flexibility
  - Appraisals
  - Mold O&M
- Gray Areas
  - Guarantor/sponsor information (financial, REO and credit reports)
  - Tax Credit Equity Information (amount of information or lack thereof will impact pricing)
- Threshold Issues
  - Physical Needs Assessment required
  - Inspection and Lease Audit (% TBD by Freddie Mac)
  - Original Phase I Report plus updated database searches
  - Wood Infestation Report required on wood frame and 10 years and older
  - Insurance Policy Review
  - Terms of Subordinate Debt

TEBS due diligence requirements

- Outline of responsibilities
  - Complete Narrative for each property
  - Complete a pro forma operating statement for each property based on historical operations
  - Complete Rent Roll Analysis for each property
  - Flood Zone Determination
  - Conduct site inspections and complete all applicable Freddie Mac forms
  - Package due diligence and deliver to Freddie Mac in their required format
  - Cash Flow Modeling
  - Complete Amortization Schedule (in Excel) for each loan / bond
  - Populate Freddie required loan database