Fiscal Years 2009/10 and 2010/11 Two-Year Business Plan

Presentation to CalHFA Board of Directors
July 9, 2009

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Major Assumptions

- Agency Fund Balances
  - Adequate to meet capital reserve requirements;
  - Sufficient to meet real estate losses, credit adjustments and general obligations of the Agency.
- Issuer Credit Rating remains in the AA category.
- Tax-exempt bond market
  - Doesn't recover until last half of 2010;
  - Market recovers gradually in 2d year of the business plan;
  - Federal assistance may provide bond proceeds at cost that allows Agency to offer competitive rates to borrowers;
  - Sufficient liquidity facilities available to support existing variable rate bonds.

Other Assumptions

- Home loan portfolio losses
  - Contained through loss mitigation efforts and aggressive REO management;
- Agency Liquidity
  - Sufficient to fund Agency operations, insurance claim payments and other financial obligations
- New Business Models Reduce Risk
  - Homeownership – Cal30; FHA; MBS;
  - Multifamily – Risk share program;
- No HAT funds available for DPA, Special Lending and Multifamily programs
  - HAT funds needed for Agency liquidity;
  - G.O. bond funds available for downpayment assistance.

Single Family Lending and Portfolio Management

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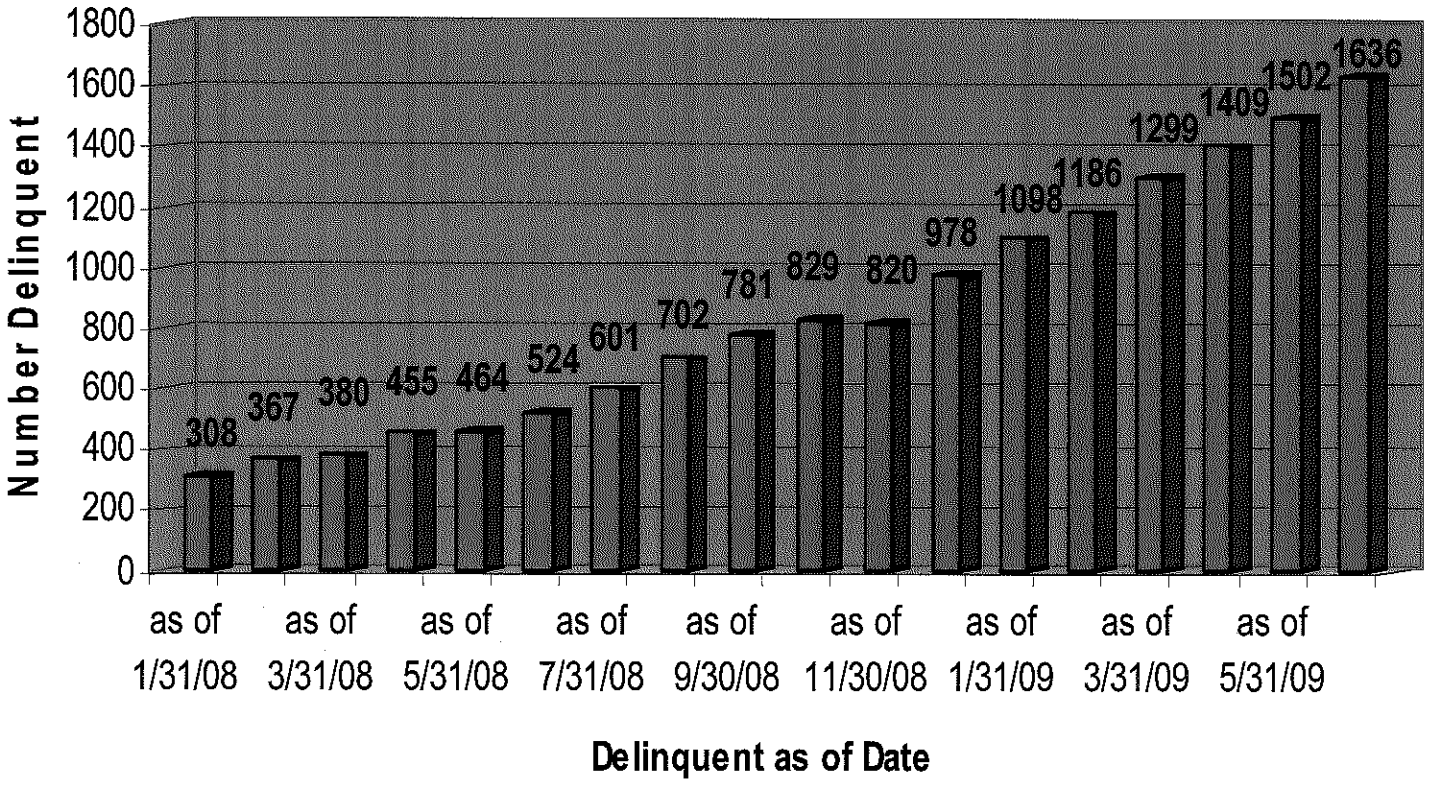
Homeownership Lending FY 2009/10

- New business model – transfer risk
  - Deliver loans on a flow basis to Fannie Mae;
  - Fannie owns the loans – CalHFA receives fee income;
  - Increase FHA volume
- Limited Downpayment Assistance
  - CHDAP – State G.O. bonds fund this program
- Projected volume
  - Business plan tables – Pages 104 – 106
- With access to bond market
  - Purchase Mortgage Backed Securities

Proposed Mortgage Insurance Business Plan FY 2009/10

- Management of insured portfolio
  - Insurance-in-Force approximately $3 billion;
  - Monitor Genworth financial strength and relationship;
  - Little or no new insurance written;
- Single Family Portfolio Management
  - Monitoring of loan servicing performance;
  - Loan modification program – approx. 200 loans modified in FY 2009/10;
  - Other loss mitigation efforts;
- REO Management
  - Expected to acquire approximately 2900 properties in FY 2009/10
  - Plans for bulk sales of 1400; retail sales of 1500

CalHFA Insured Delinquencies



Multifamily Lending and Portfolio Management

Multifamily Lending FY 2009/10

- Production:
  - MHSA -- $75 - $100 million (50+ deals)
  - Tax Credit Programs – Approximately 150 projects
    - Staffing assistance to TCAC
  - Other Production
    - Demand is there; bank lending has declined
    - Depends on CalHFA access to capital and liquidity
- Other Business Model Considerations
  - Objective: Reduction of risk to CalHFA balance sheet
  - Fannie Mae HFA Seller/Servicer
  - Risk share agreement with HUD

Asset Management

- Asset Management workload continues to increase
  - MF loans closed during FY 2008/09 added to CalHFA Asset Management portfolio
  - Up to approximately 500 properties
- Portfolio is aging:
  - Loan terms are expiring
  - Projects need rehabilitation, recapitalization
- 70 Properties with < 1.0 debt coverage
  - Problem: Soft rents and Higher costs
  - Owners are feeding these properties
  - Loan are performing; we are watching closely
- Performance Based Contract Administration
  - RFP to become HAP Administrator in California

Other Business Plan Considerations

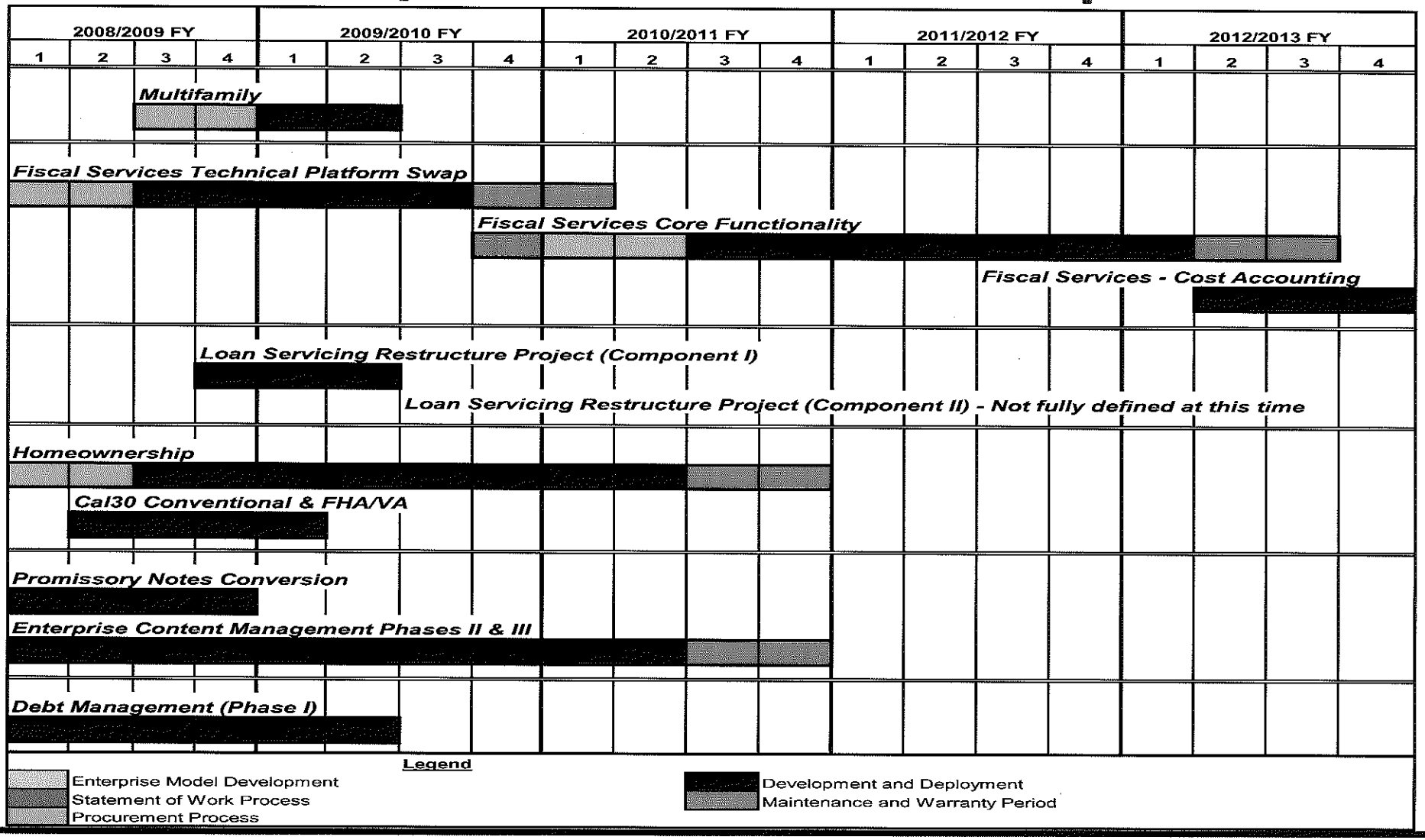
Business Plan – Other Considerations

- Strategic Initiatives
  - Major Agency resource commitment;
  - Involves almost every CalHFA division.
- Review of Business Processes
  - Fiscal Services and Administration
- Succession Planning
  - Possibility of retirement for significant portion of CalHFA workforce in next five years.
- Sacramento Office Consolidation Update
  - Considering proposal from 555 Capital Mall

Strategic Initiatives

- Homeownership
  - Loan Origination System
- Fiscal Services Re-Platforming – Phase 1
  - Phase 2 – Other FS Business Processes
  - Phase 3 – Cost Accounting
- Enterprise Content Management
  - Agency-wide Implementation of WorkSite
  - Imaging Promissory Notes
- Debt Management
- Loan Servicing Reorganization
  - Goal of servicing 100% of CalHFA loans in 5 years

Implementation Roadmap



Q & A