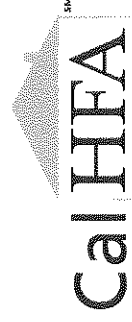


California Housing Finance Agency

# FY 2009/10 Operating Budget

Presentation to the CalHFA Board of Directors

July 9, 2009



*Affordable Housing is our Business*

## Planning Scenarios

- Downgrade Scenario
  - Downgrade by Moody's and/or S&P to A category;
  - Little or no Federal assistance;
  - No availability of warehouse facility;
- Best Case Scenario
  - No downgrade
  - Federal assistance package is significant;
  - Significant warehouse facility available.
- Planning Scenario
  - No downgrade, but ratings are on negative watch
  - Federal assistance – new bonds, liquidity & credit
  - Limited warehouse capabilities.

## Planning Scenarios (cont'd)

- Downgrade Scenario
  - Little or no volume of lending;
  - Major cash requirements for the Agency;
  - Likelihood: Possible but Not likely.
- Best Case Scenario
  - Substantial volume of lending;
  - Likelihood: Not likely at all.
- Planning Scenario
  - Modest amount of lending volume is possible
  - Can build lending staff as volume materializes

## Assumptions in All Scenarios

- Improving loan servicing performance
  - Monitoring outside servicers;
  - Restructuring CalHFA loan servicing and increasing staffing;
  - Increased loss mitigation efforts including loan modifications;
- Aggressive management of single family REOs
  - Decrease turnaround times
  - Bulk sales
- Continued management of multifamily asset management portfolio
  - 500 properties

# Combined Budget – Planning Scenario

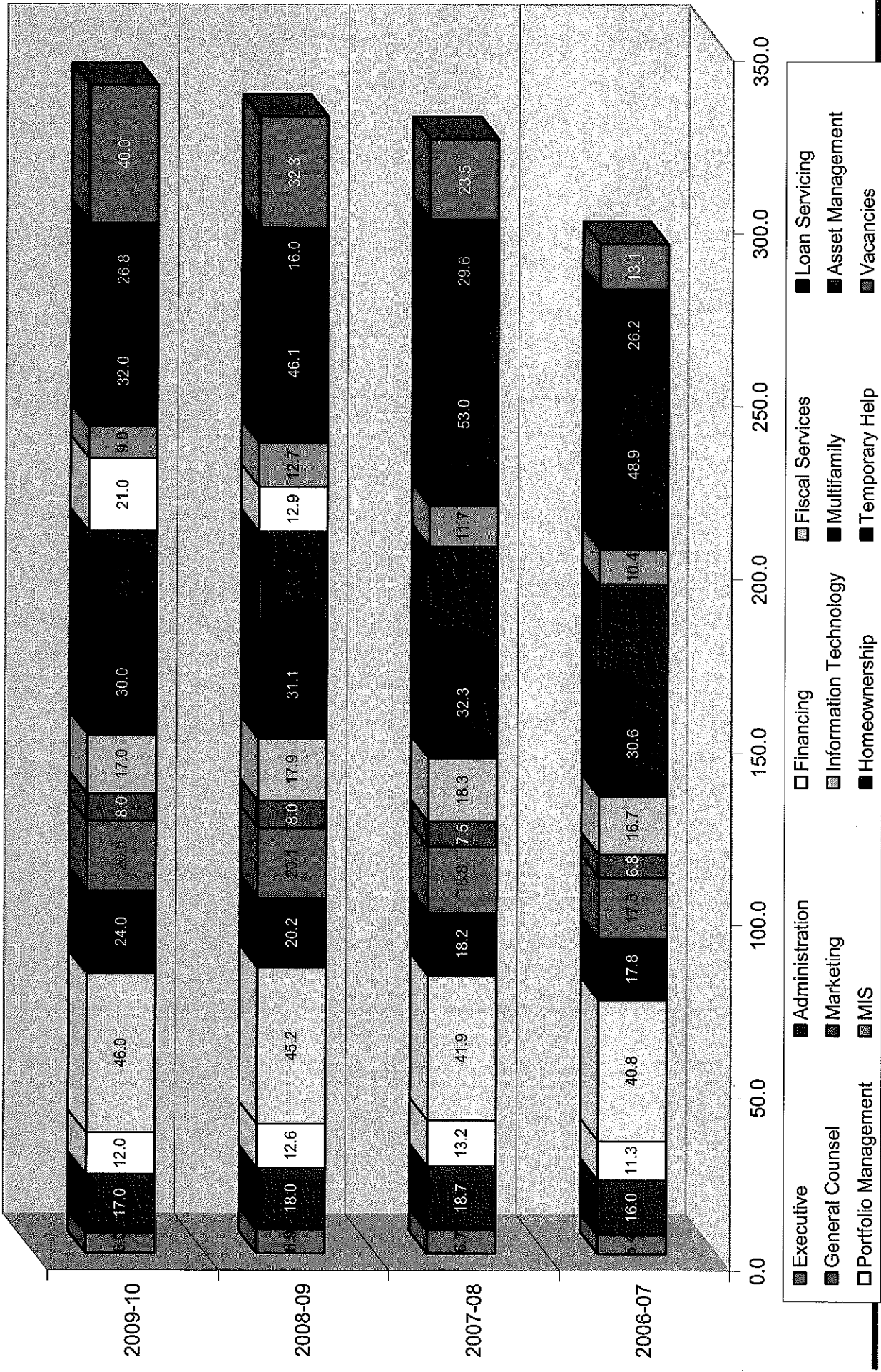
| <u>EXPENDITURE ITEM</u>                              | <u>Budgeted<br/>2007-08</u> | <u>Actual<br/>2007-08</u> | <u>Budgeted<br/>2008-09</u> | <u>Projected<br/>Actual<br/>2008-09</u> | <u>Planning<br/>Scenario<br/>Proposed<br/>2009-10</u> |
|--|-----------------------------|---------------------------|-----------------------------|---|---|
| <b>PERSONAL SERVICES</b>                             |                             |                           |                             |   |   |
| Authorized Salaries                                  | \$22,136                    | \$19,240                  | \$22,624                    | \$18,082                                | \$23,655  |
| Proposed Exempt Employee<br>Compensation Adjustments | 0                           | 0                         | 49                          | 0                                       | 0   |
| Staff Benefits                                       | 6,309                       | 6,119                     | 6,462                       | 6,636                                   | 7,046   |
| Estimated Salary and Benefit Savings                 | (1,107)                     |                           | (1,134)                     |   | (2,186)   |
| <b>TOTALS, Personal Services</b>                     | <b>\$27,338</b>             | <b>\$25,359</b>           | <b>\$28,001</b>             | <b>\$24,718</b>                         | <b>\$28,515</b>                                       |
| <b>OPERATING EXPENSES AND EQUIPMENT</b>              |                             |                           |                             |   |   |
| General Expense                                      | 757                         | 875                       | 757                         | 681                                     | 803   |
| Communications                                       | 725                         | 826                       | 781                         | 567                                     | 609   |
| Travel   | 580                         | 640                       | 665                         | 394                                     | 425   |
| Training   | 185                         | 166                       | 244                         | 107                                     | 175   |
| Facilities Operation                                 | 3,000                       | 3,198                     | 3,007                       | 3,083                                   | 3,260   |
| Consulting & Professional Services                   | 4,276                       | 3,267                     | 4,025                       | 2,983                                   | 4,513   |
| *Central Admin. Serv.                                | 1,971                       | 2,040                     | 2,150                       | 2,200                                   | 1,679   |
| Information Technology                               | 825                         | 676                       | 936                         | 777                                     | 946   |
| Equipment  | 400                         | 366                       | 405                         | 179                                     | 405   |
| <b>TOTALS, Operating Expenses and Equipment</b>      | <b>\$12,719</b>             | <b>\$12,055</b>           | <b>\$12,970</b>             | <b>\$10,971</b>                         | <b>\$12,815</b>                                       |
| <b>TOTALS, Baseline Budget</b>                       | <b>\$40,057</b>             | <b>\$37,413</b>           | <b>\$40,971</b>             | <b>\$35,689</b>                         | <b>\$41,330</b>                                       |
| <b>TOTALS, Strategic Project Contracts</b>           | <b>\$5,614</b>              | <b>\$1,403</b>            | <b>\$5,187</b>              | <b>\$3,500</b>                          | <b>\$6,613</b>  |
| <b>TOTALS, EXPENDITURES</b>                          | <b>\$45,671</b>             | <b>\$38,816</b>           | <b>\$46,158</b>             | <b>\$39,189</b>                         | <b>\$47,943</b>                                       |

## Staffing Considerations

- Continue shifting staff to meet workload needs
  - Loss mitigation
  - Loan servicing
  - Strategic projects
- Fill Vacancies as workload needs materialize
  - Depending on loan volume and other activities
  - Start year with 40 vacancies and 271 positions
  - Fill 10 vacancies immediately – high priority positions
  - Fill additional 30 vacancies as lending volume increases
- Loan servicing of increasing delinquencies, loss mitigation, foreclosures and REO management
  - Very labor intensive

# Staff Reallocation

| Division                  | Total Authorized Positions | Vacancies | Positions Filled | Staff Redirects | Re-Org Net Totals | Comments   |
|---------------------------|----------------------------|-----------|------------------|-----------------|-------------------|--|
| Executive                 | 8                          | 2         | 6                | 0               | 6                 |  |
| Administration            | 22                         | 5         | 17               | 0               | 17                |  |
| Information Technology    | 19                         | 2         | 17               | 0               | 17                |  |
| Office of General Counsel | 22                         | 2         | 20               | 0               | 20                |  |
| Financing                 | 15                         | 2         | 13               | -1              | 12                | Redirect 1 position to H.O. Secondary Marketing  |
| Fiscal Services           | 50                         | 6         | 44               | 2               | 46                | 2 positions redirected from H.O. Loan Production to Fiscal Services Purchasing Unit  |
| Loan Servicing            | 24                         | 5         | 19               | 5               | 24                | 5 positions redirected from H.O.   |
| Marketing                 | 8                          | 0         | 8                | 0               | 8                 |  |
| Multifamily Programs      | 32                         | 2         | 30               | 0               | 30                | Redirect 1 position to Portfolio Management  |
| Homeownership Programs    | 45                         | 7         | 38               | -6              | 32                | Redirect 2 positions to Fiscal Services Purchasing Unit, redirect 5 positions to Loan Servicing, added 1 position from Financing |
| Asset Management          | 34                         | 5         | 29               | 0               | 29                |  |
| Portfolio Management      | 18                         | 2         | 16               | 5               | 21                | 5 positions redirected from MIS  |
| Mortgage Insurance        | 14                         | 0         | 14               | -5              | 9                 | Redirect 5 positions to Portfolio Management   |
| <b>Total</b>              | <b>311</b>                 | <b>40</b> | <b>271</b>       | <b>0</b>        | <b>271</b>        |  |





## Budget Proposal

- Approval of Planning Scenario Budget - \$47.9 mn
  - Fill 10 vacancies immediately – urgently needed;
  - Fill remaining vacancies over FY 2009/10 and end year fully staffed;
- Staff management of FY 2009/10 Budget
  - Staff will manage operations to Downgrade Scenario until rating agencies' decisions are made;
  - If AA rating is maintained and lending volume begins to increase – staff levels will be increased accordingly.