CalHFA Board Meeting
Financial Markets and Agency Update

July 9, 2009

Capital Markets Update

Municipal Capital Market Update

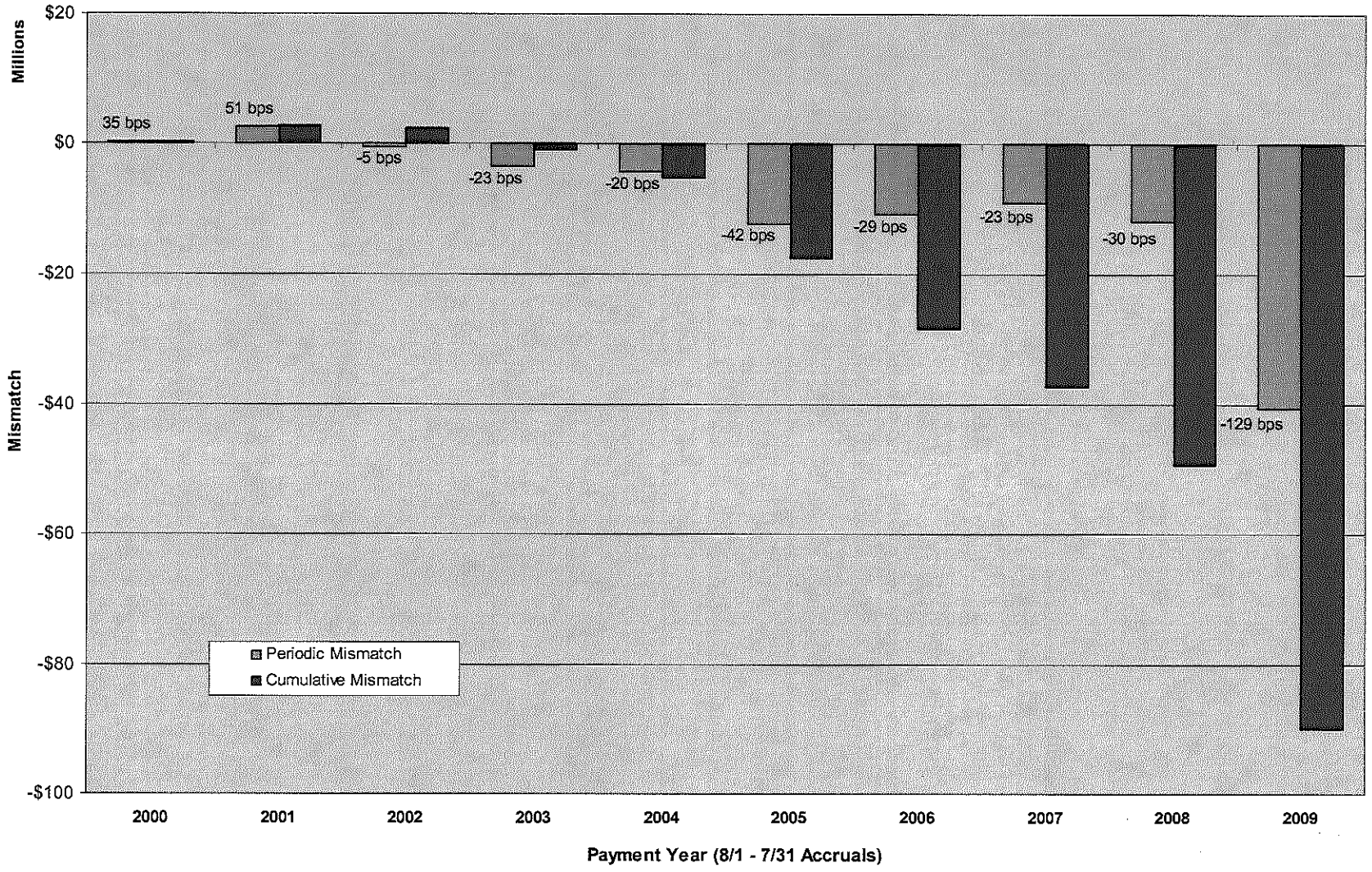
- Fixed-rate bond market for new financings:
  - Limited participation from institutional investors
  - Vast majority of housing issuance for single-family bond programs
  - Reliance on retail orders
    - New Mexico: 27-yr bond sold at 5.45%
    - Idaho: 29-yr bond sold at 5.50%
    - Washington: 25-yr bond sold at 5.50%
    - Ohio: 30-yr bond sold at 5.50%
  - Freddie Mac's weekly primary mortgage market survey (average rates for 30-yr mortgage loans)
    - July 2: 5.32%
    - June 4: 5.29%
    - May 7: 4.84%
    - April 2: 4.78%

Municipal Capital Market Update

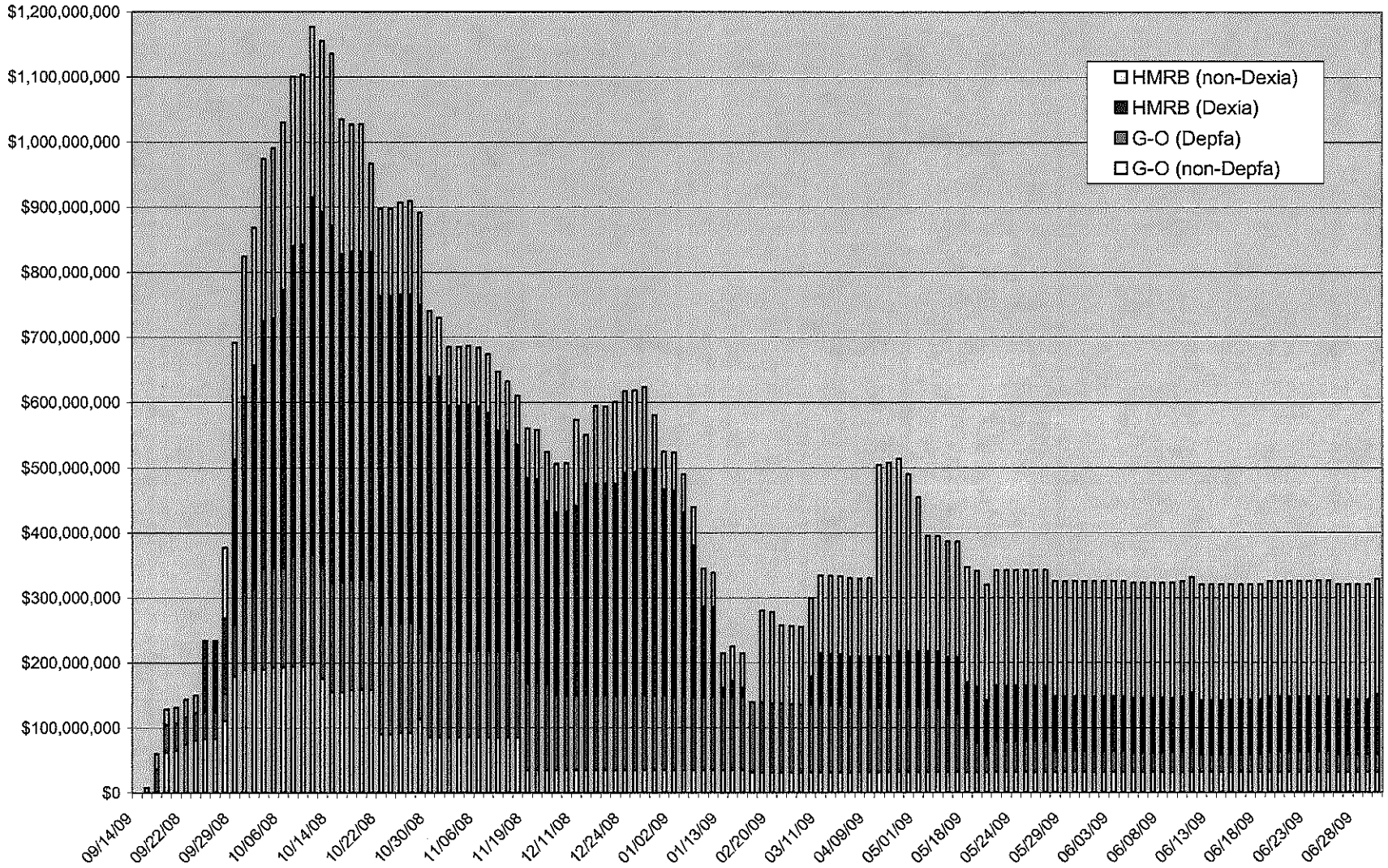
- Variable-rate bond market:
  - Abating liquidity and credit concern
  - Absence of bank liquidity for housing issuers
  - Experiencing higher basis mismatch on Libor-based interest rate swaps
    - SIFMA reset on 6/24/09 at 0.35%
    - 1Mn Libor reset on 6/24/09 at 0.31%
    - SIFMA/Libor ratio = 112%
    - Most of our Libor-based swaps use a hedging ratio of 62%

CalHFA Debt Portfolio Update

History of the Agency's basis mismatch thru 6/1/09



History of CalHFA's bank bonds as of 7/1/09



CalHFA's debt portfolio as of 7/1/09

	AMBAC FGIC MBIA	FSA	uninsured	Total
Variable-rate bonds				
Auction-Rate	$49	$141		$191
VRDOs				
- AMBAC/MBIA	$48			$48
- Dexia		$394	$375	$769
- Depfa			$94	$94
- Fortis			$110	$110
- Expired SBPA			$217	$217
- remaining		$179	$2,383	$2,562
Index Floaters	$560	$241	$269	$1,070
Fixed-rate bonds	$1,130	$143	$1,793	$3,066
	$1,788	$1,098	$5,240	$8,127

Auction-Rate Securities:	Red	$191	*2%*
Poorly performing VRDOs:	Blue	$996	*12%*
VRDOs in Bank Bond mode:	Dark Red	$421	*5%*
	Green	$2,383	*29%*
	Black	$4,136	*51%*

CalHFA's swap portfolio as of 7/1/09

Counterparty	Long Term Moody's rating+	Long Term S & P's Rating+	Aggregate Fixed Payer Swap Notional Outstanding as of 7/1/2009	Aggregate Basis Swap Notional Outstanding as of 7/1/2009	Aggregated Total Swap Notional Outstanding as of 7/1/2009	Aggregate Total Mark to Market as of 6/12/2009++
Merrill Lynch Capital Services, Inc.	A2	A	$591,005,000	$0	$591,005,000	($63,308,154)
Citigroup Financial Products, Inc.	A3	A	652,440,000	0	652,440,000	(36,155,034)
Bear Stearns Financial Products Inc.	Aa1	AA-	757,135,000	277,330,000	1,034,465,000	(30,452,194)
Deutsche Bank AG	Aa1	A+	271,920,000	0	271,920,000	(28,150,531)
Merrill Lynch Derivative Products	Aaa	AAA	599,975,000	0	599,975,000	(21,122,526)
Goldman Sachs Mitsui Marine Derivative Products, , L.P.	Aa1	AAA	373,800,000	0	373,800,000	(17,980,538)
AIG Financial Products, Corp.	A3	A-	287,055,000	0	287,055,000	(13,374,458)
JPMorgan Chase Bank, N.A.	Aa1	AA-	204,570,000	0	204,570,000	(11,560,062)
BNP Paribas	Aa1	AA	82,510,000	0	82,510,000	(4,653,281)
Morgan Stanley Capital Services, Inc.	A2	A	136,685,000	0	136,685,000	(4,456,318)
Bank of America, N.A.	Aa3	A+	176,965,000	0	176,965,000	(3,562,149)
UBS AG	Aa2	A+	41,340,000	0	41,340,000	(2,141,924)
Bank of New York Mellon	Aaa	AA	25,000,000	0	25,000,000	(1,280,105)
Dexia Credit Local New York Agency	A1	A	27,310,000	0	27,310,000	231,527
Total			**$4,227,710,000.00**	**$277,330,000**	**$4,505,040,000**	**($237,965,746)**

CalHFA Single Family Loan Portfolio

Entire loan portfolio as of 4/30/09 sorted by mortgage insurance type

	Loan Count	Balance	Percent	DELINQUENCY RATIOS 30-Day	60-Day	90(+) Day	Total
Federal Guaranty							
FHA	15,363	$ 2,164,533,949.87	33.18%	5.05%	2.38%	7.24%	14.68%
VA	443	71,565,328.36	1.10%	3.84%	1.35%	7.67%	12.87%
RHS	101	20,615,817.95	0.32%	1.98%	1.98%	6.93%	10.89%
Conventional loans							
with MI							
CalHFA MI Fund	10,033	2,752,168,693.43	42.19%	3.23%	2.16%	10.16%	15.55%
without MI							
Orig with no MI	6,125	1,292,887,031.23	19.82%	1.70%	0.88%	2.68%	5.26%
MI Cancelled*	1,643	221,803,365.11	3.40%	1.83%	0.30%	1.22%	3.35%
Total CalHFA	33,708	$ 6,523,574,185.95	100.00%	3.72%	1.93%	6.99%	12.64%

Entire loan portfolio as of 4/30/09 sorted by loan type

	Loan Count	Balance	Percent	DELINQUENCY RATIOS 30-Day	60-Day	90(+) Day	Total
30-yr level amort							
FHA	15,363	$ 2,164,533,949.87	33.18%	5.05%	2.38%	7.24%	14.68%
VA	443	71,565,328.36	1.10%	3.84%	1.35%	7.67%	12.87%
RHS	101	20,615,817.95	0.32%	1.98%	1.98%	6.93%	10.89%
Conventional - with MI	4,742	1,184,982,260.48	18.16%	2.49%	1.69%	7.09%	11.26%
Conventional - w/o MI	6,762	1,274,284,987.95	19.53%	1.58%	0.53%	2.09%	4.20%
40-yr level amort							
Conventional - with MI	752	221,941,410.22	3.40%	3.46%	1.86%	7.58%	12.90%
Conventional - w/o MI	238	48,189,149.95	0.74%	0.84%	2.10%	2.10%	5.04%
5-yr IOP, 30-yr amort							
Conventional - with MI	4,539	1,345,245,022.73	20.62%	3.97%	2.71%	13.79%	20.47%
Conventional - w/o MI	768	192,216,258.44	2.95%	3.26%	2.34%	4.95%	10.55%
Total CalHFA	33,708	$ 6,523,574,185.95	100.00%	3.72%	1.93%	6.99%	12.64%
Weighted average of conventional loans:				2.57%	1.55%	6.76%	10.88%

Conventional loan portfolio as of 4/30/09 sorted by loan type and vintage

	# of loans	Balance	%	Delinquency Ratios 30-Day	60-Day	90-Day+	Total
30-yr level amort							
Pre-2004	1,978	210,927,296	*8.6%*	1.87%	0.46%	1.16%	3.49%
2004	1,428	300,671,007	*12.2%*	1.75%	1.26%	4.62%	7.63%
2005	2,222	530,442,049	*21.6%*	2.43%	1.35%	6.30%	10.08%
2006	2,063	522,631,358	*21.3%*	1.94%	1.84%	7.08%	10.66%
2007	1,933	470,357,810	*19.1%*	2.17%	0.88%	4.29%	7.35%
2008	1,659	376,958,811	*15.3%*	1.57%	0.24%	0.42%	3.19%
2009	221	47,278,918	*1.9%*	0.45%	0.00%	0.00%	0.45%
	11,504	$2,459,267,248	*100.0%*	1.96%	1.01%	4.04%	7.11%
40-yr level amort							
2006	174	43,646,538	*16.2%*	4.02%	2.30%	14.94%	21.26%
2007	380	100,956,074	*37.4%*	3.16%	2.63%	8.16%	13.95%
2008	428	123,936,662	*45.9%*	2.10%	1.17%	1.17%	4.44%
2009	8	1,591,287	*0.6%*	0.00%	0.00%	0.00%	0.00%
	990	$270,130,560	*100.0%*	2.83%	1.92%	6.26%	11.01%
5-yr IOP, 30-yr level amort							
2005	765	213,110,027	*13.9%*	4.84%	3.01%	14.64%	22.48%
2006	2,249	649,060,614	*42.2%*	3.73%	3.20%	15.92%	22.85%
2007	1,599	475,631,018	*30.9%*	4.75%	2.38%	11.51%	18.64%
2008	693	199,327,122	*13.0%*	1.15%	1.15%	1.44%	3.75%
2009	1	332,500	*0.0%*	0.00%	0.00%	0.00%	0.00%
	5,307	$1,537,461,281	*100.0%*	3.86%	2.66%	12.51%	19.03%

Entire loan portfolio as of 4/30/09 sorted by loan servicers

	Loan Count	Balance	Percent	DELINQUENCY RATIOS 30-Day	60-Day	90(+) Day	Total
CALHFA - LOAN SERVICING	11,856	$ 2,836,801,483.56	43.49%	2.77%	1.61%	7.17%	11.55%
GUILD MORTGAGE	7,454	1,441,130,529.71	22.09%	4.57%	2.23%	7.90%	14.70%
BAC HOME LOANS SERVICING, LP	5,909	1,013,215,799.54	15.53%	4.26%	2.18%	7.87%	14.32%
WELLS FARGO HOME MORTGAGE	2,857	369,486,350.35	5.66%	3.33%	1.54%	4.34%	9.21%
EVERHOME MORTGAGE COMPANY	2,496	261,645,708.56	4.01%	4.53%	1.88%	3.45%	9.86%
FIRST MORTGAGE CORP	1,286	279,493,700.52	4.28%	4.04%	2.26%	9.18%	15.47%
GMAC MORTGAGE CORP	1,132	173,431,739.79	2.66%	5.30%	3.18%	7.07%	15.55%
BANK OF AMERICA, NA	326	59,175,926.24	0.91%	2.15%	0.92%	7.36%	10.43%
WASHINGTON MUTUAL BANK	259	66,810,127.64	1.02%	0.77%	0.77%	5.79%	7.34%
CITIMORTGAGE, INC.	71	17,519,719.83	0.27%	1.41%	4.23%	5.63%	11.27%
DOVENMUEHLE MORTGAGE, INC.	53	2,059,445.06	0.03%	1.89%	0.00%	1.89%	3.77%
WESCOM CREDIT UNION	8	2,478,678.14	0.04%	12.50%	0.00%	12.50%	25.00%
PROVIDENT CREDIT UNION	1	324,977.01	0.00%	0.00%	0.00%	0.00%	0.00%
Total CalHFA	33,708	$ 6,523,574,185.95	100.00%	3.72%	1.93%	6.99%	12.64%

Conventional loan portfolio as of 4/30/09 sorted by top 15 counties (by loan #)

				DELINQUENCY RATIOS			
	Loan Count	Balance	Percent	30-Day	60-Day	90-Day+	Total
LOS ANGELES	5,132	$ 1,104,972,288.61	16.94%	3.13%	1.86%	4.19%	9.18%
SAN DIEGO	3,575	814,512,763.05	12.49%	3.17%	1.98%	9.10%	14.25%
KERN	2,106	258,158,549.37	3.96%	6.70%	2.64%	8.16%	17.51%
SANTA CLARA	2,019	579,277,844.22	8.88%	1.53%	0.64%	2.23%	4.40%
RIVERSIDE	1,993	356,798,857.38	5.47%	4.68%	2.44%	12.05%	19.16%
SAN BERNARDINO	1,947	364,302,910.44	5.58%	5.01%	3.63%	11.55%	20.19%
SACRAMENTO	1,784	355,613,235.09	5.45%	3.73%	2.40%	7.64%	13.77%
ORANGE	1,747	405,014,643.89	6.21%	2.22%	1.25%	3.41%	6.89%
TULARE	1,688	173,830,080.39	2.66%	5.12%	2.18%	5.59%	12.89%
FRESNO	1,617	163,890,879.81	2.51%	5.48%	2.34%	4.00%	11.82%
ALAMEDA	1,291	332,643,356.14	5.10%	1.70%	1.08%	3.48%	6.26%
CONTRA COSTA	1,104	265,328,128.22	4.07%	1.99%	2.35%	6.50%	10.83%
VENTURA	772	218,263,822.71	3.35%	1.81%	1.81%	5.56%	9.17%
IMPERIAL	763	85,194,185.10	1.31%	5.34%	2.86%	8.59%	16.80%
SONOMA	600	133,839,668.53	2.05%	1.83%	1.67%	5.83%	9.33%
OTHER COUNTIES	5,570	911,932,973.00	13.98%	3.70%	1.59%	5.70%	11.00%
Total CalHFA	33,708	$ 6,523,574,185.95	100.00%	3.72%	1.93%	6.99%	12.64%

Reserves for delinquent loans and Real Estate Owned

	Sep-08	Dec-08	Mar-09
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	11,765,742
REO - Market Value Adjustments	3,821,645	5,639,632	9,710,685
Total Reserves	$ 118,697,021	$ 163,707,974	$ 220,268,298

Update on Federal Assistance Package

Still Unsure of Details

- We have heard that the basic elements remain the same
  - New Bond Money
    - Federal government buys new mortgage revenue bonds over a certain period of time at yields that allow state HFAs to offer competitive loan rates to borrowers.
  - Liquidity
    - Replacement "Standby Bond Purchase Agreements" with favorable terms
  - Additional Assistance for State HFAs Under Threat of Downgrade
    - Credit support from the Federal government – more than just liquidity.
    - Maryland recently added to lengthening list of HFAs under threat of downgrade

Status

- Specific proposals have been presented to principals
  - Treasury, HUD, White House
- We are told that US Treasury attorneys are reviewing the various proposals presented by Treasury and FHFA staff
  - We have provided input on features and pricing;
- Important Issue Remaining
  - How soon after announcement of a package will this be available for HFAs;
- Rating agencies have told us they need details
  - Application of the assistance to CalHFA
  - A general announcement of a plan won't be helpful in the rating agency process.

Rating Agency Update

Moody's Update

- CalHFA is still under "Review for Possible Downgrade"
  - Weekly conversations with analysts;
  - Updating data frequently;
- Awaiting
  - Updated loan loss assumptions,
  - Revised capital adequacy; and
  - Liquidity analysis.
- Expect rating decision very soon …

Standard and Poor's Update

- Downgrade of CalHFA's Mortgage Insurance Fund
  - Claim's paying rating;
  - Based on poor performance – loan losses and on reduction of Housing Fund backstop;
  - Downgrade from A+ to BBB;
  - Trend in mortgage insurance industry – downgrades.
- S&P Housing Group now reviewing bond rating
  - Based on downgrade of MI Fund;
  - CreditWatch with Negative Implications;
  - Both HMRB and General Obligation "Issuer Credit Rating";
  - 90 day review

Closed Session