

**STATE OF CALIFORNIA
CALIFORNIA HOUSING FINANCE AGENCY**

--o0o--

**BOARD OF DIRECTORS
PUBLIC MEETING**

--o0o--

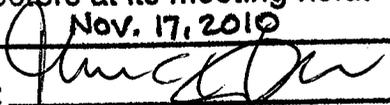
**Burbank Airport Marriott Hotel & Convention Center
2500 Hollywood Way
Burbank, California**

**Wednesday, September 15, 2010
10:09 a.m. to 1:01 p.m.**

--o0o--

Minutes approved by the Board
of Directors at its meeting held:

Nov. 17, 2010

Attest: 

~~California Housing Finance Agency
Office of General Counsel
1415 L Street, Suite 500
PO Box 4004
Sacramento, CA 95812-4004~~

Reported By: YVONNE K. FENNER, CSR #10909, RPR

**Yvonne K. Fenner
Certified Shorthand Reporter
2256 Murieta Way
Sacramento, California 95822
Phone 916.531.3422
yfennercsr@aol.com**

A P P E A R A N C E SBoard of Directors Present:

PETER N. CAREY
Acting Board Chair
President/CEO
Self-Help Enterprises

KATIE CARROLL
for BILL LOCKYER
State Treasurer
State of California

MICHAEL A. GUNNING
Vice President
Personal Insurance Federation of California

PAUL C. HUDSON
Chairman/CEO
Broadway Federal Bank

JONATHAN HUNTER
Managing Director, Region 2
Corporation for Supportive Housing

LYNN L. JACOBS
Director
Department of Housing and Community Development
State of California

BARBARA MACRI-ORTIZ
Attorney at Law
Law Office of Barbara Macri-Ortiz

HEATHER PETERS
for DALE E. BONNER, Secretary
Business, Transportation and Housing Agency
State of California

JACK SHINE, Chairperson
Chairman
American Beauty Development Co.

L. STEVEN SPEARS
Executive Director
California Housing Finance Agency
State of California

Board of Directors Present, continued:

BROOKS TAYLOR
for CATHERINE COX, Acting Director
Office of Planning & Research
State of California

--o0o--

CalHFA Staff Present:

GARY M. BRAUNSTEIN
Special Advisor to Executive Director
and
Acting Director of Homeownership

BRUCE D. GILBERTSON
Director of Financing

THOMAS C. HUGHES
General Counsel

JOJO OJIMA
Office of the General Counsel

DIANE RICHARDSON
Director of Legislation

--o0o--

Public Testimony:

SARAH DUSSEAULT
Director of Policy
Los Angeles City Councilmember Eric Garcetti

TODD EMERSON
CEO/President
Springboard

FATHER THOMAS FRANK
One LA-Industrial Areas Foundations

STEPHANIE HAFFNER
Supervising Attorney
Neighborhood Legal Services of Los Angeles County

DEAN LUNDHOLM
COPA-Industrial Areas Foundation

YVONNE MARIAJIMENEZ
Deputy Director, Attorney at Law
Neighborhood Legal Services of Los Angeles County

Public Testimony, continued:

YVETTE D. ROLAND
Attorney at Law
Black Lawyers Association of California
Black Women Lawyers Association of Los Angeles

MARCOS SANCHEZ
Field Representative
Assemblymember Felipe Fuentes

NICKI UNG
Assemblymember Mike Eng

REBECCA WAYNE
District Director
Assemblymember Ted W. Lieu

--o0o--

Table of Contents

<u>Item</u>	<u>Page</u>
1. Roll Call	6
2. Approval of the minutes of the July 13, 2010 Board of Directors meeting	7
3. Chairman/Executive Director comments	9
4. Discussion, recommendation and possible action regarding the amendment of multifamily financing Resolution 10-02 to include an additional form of multi-family bond indenture (Resolution 10-08)	12
Motion	16
Vote	16
5. Report on the implementation of US Treasury Department programs:	
A. Hardest Hit program	17
B. New Issue Bond Purchase program	72
6. Report on CalHFA Homeownership lending:	
A. Fannie Mae Affordable Advantage program	76
B. FHA lending program	79
7. Report of the Chair of the Audit Committee.	87
8. Update regarding facilities at 500 Capitol Mall, Sacramento and 1040 Riverside Parkway, West Sacramento	94
9. Reports	96
10. Discussion of other Board matters	103
11. Public testimony	31
Public testimony, continued	103
Adjournment	129
Reporter's Certificate	130

--o0o--

1 BE IT REMEMBERED that on Wednesday,
2 September 15, 2010, commencing at the hour of
3 10:09 a.m., at the Burbank Airport Marriott Hotel and
4 Convention Center, 2500 Hollywood Way, Burbank,
5 California, before me, YVONNE K. FENNER, CSR #10909,
6 RPR, the following proceedings were held:

7 --o0o--

8 ACTING CHAIRPERSON CAREY: Thank you. It seems
9 like we're getting more popular every month here.

10 I want to welcome everybody to the September
11 15th meeting of the California Housing Finance Agency
12 Board of Directors.

13 --o0o--

14 **Item 1. Roll Call**

15 ACTING CHAIRPERSON CAREY: Our first item of
16 business is the roll call.

17 MS. OJIMA: Thank you.

18 Ms. Peters for Mr. Bonner.

19 MS. PETERS: Here.

20 MS. OJIMA: Mr. Gunning.

21 MR. GUNNING: Here.

22 MS. OJIMA: Mr. Hudson.

23 MR. HUDSON: Here.

24 MS. OJIMA: Mr. Hunter.

25 MR. HUNTER: Here.

1 MS. OJIMA: Ms. Jacobs.
 2 MS. JACOBS: Here.
 3 MS. OJIMA: Ms. Carroll for Mr. Lockyer.
 4 MS. CARROLL: Here.
 5 MS. OJIMA: Ms. Macri-Ortiz.
 6 MS. MACRI-ORTIZ: Here.
 7 MS. OJIMA: Mr. Shine.
 8 MR. SHINE: Here.
 9 MS. OJIMA: Mr. Smith.
 10 (No audible response.)
 11 MS. OJIMA: Mr. Taylor for Ms. Cox.
 12 MR. TAYLOR: Here.
 13 MS. OJIMA: Ms. Matosantos.
 14 (No audible response.)
 15 MS. OJIMA: Mr. Spears.
 16 MR. SPEARS: Here.
 17 MS. OJIMA: Mr. Carey.
 18 ACTING CHAIRPERSON CAREY: Here.
 19 MS. OJIMA: We have a quorum.
 20 ACTING CHAIRPERSON CAREY: Thank you, JoJo.

21 ---o0o---

22 **Item 2. Approval of the minutes of the July 13, 2010**
 23 **Board of Directors meeting**

24 ACTING CHAIRPERSON CAREY: Next item of
 25 business is approval of the minutes of the July 13th

1 meeting.

2 MS. PETERS: So moved.

3 MS. JACOBS: Second.

4 ACTING CHAIRPERSON CAREY: We have a motion and
5 a second. Any further discussion?

6 Roll call.

7 MS. OJIMA: Thank you.

8 Ms. Peters.

9 MS. PETERS: Yes.

10 MS. OJIMA: Mr. Gunning.

11 MR. GUNNING: Yes.

12 MS. OJIMA: Mr. Hudson.

13 MR. HUDSON: Yes.

14 MS. OJIMA: Mr. Hunter.

15 MR. HUNTER: Yes.

16 MS. OJIMA: Ms. Jacobs.

17 MS. JACOBS: Yes.

18 MS. OJIMA: Ms. Carroll.

19 MS. CARROLL: Yes.

20 MS. OJIMA: Ms. Macri-Ortiz.

21 MS. MACRI-ORTIZ: Yes.

22 MS. OJIMA: Mr. Shine.

23 MR. SHINE: Yes.

24 MS. OJIMA: Mr. Carey.

25 ACTING CHAIRPERSON CAREY: Yes.

1 MS. OJIMA: The minutes have been approved.

2 --o0o--

3 **Item 3. Chairman/Executive Director comments**

4 ACTING CHAIRPERSON CAREY: Okay. With that, I
5 would simply like to thank the Board members that are
6 here and point out that we now have our calendar for
7 2011 with the meeting dates set.

8 I'd also mention it looks like the Audit
9 Committee will be meeting at least the next two
10 meetings, in November and January, prior to the Board
11 meeting.

12 With that, Steve, I'll turn it over to you.

13 MR. SPEARS: Thank you, Mr. Chairman.

14 A couple of housekeeping items: One is you
15 have the business plan as a handout before you. I'd
16 point out that this was the plan adopted at the May
17 Board meeting. We didn't make the July Board meeting to
18 hand it out, so you will see some things that are
19 probably slightly out of date at this point. And we're
20 going to give you an update on this business plan in --
21 at the January Board meeting.

22 The next thing is a bit of good news, actually
23 a lot of good news, and that is that CalHFA is now back
24 in the homeownership lending business. We started
25 taking reservations last week on an FHA program, and

1 we're going to talk a little bit more about that, but I
2 just wanted to say that it is nice to be back. Lots
3 of -- it's a very big morale booster for -- for staff,
4 and we are now receiving reservations. So -- so there
5 is that.

6 Now, the other thing is that -- not to neglect
7 our multifamily division. They are doing a lot of
8 conduit financing with the New Issue Bond program for
9 U.S. Treasury money that -- that we got. We have a
10 pipeline of some \$250 million of conduit, and we have
11 more calls every day, I'm told by Mr. Deaner, and so
12 that's -- that's good news too.

13 And then the other thing I wanted to mention is
14 the asset management division, as you know, has 580
15 properties, roughly, that they look after. And staff
16 conducted a very, very interesting survey. We put the
17 results before you as a handout. And we heard from 250
18 property managers, and what we wanted to know is what
19 kind of services that you're offering to your residents.
20 And it was a really wonderful variety of things, classes
21 and activities and -- and things that are offered at the
22 site.

23 So there's -- there's a summary of all these
24 things in this -- in this handout, and I just think it's
25 a wonderful thing that is going on there at those

1 properties. And what we're going to try to do is
2 capitalize on this. We're going to let all the property
3 owners know what's going on at other properties and
4 hopefully generate some more interest in this sort of
5 thing for all of our property owners and managers.

6 Finally, I just wanted to tell the Board that
7 there are a couple other things you're going to hear
8 about today. The Bureau of State Audits is conducting
9 an examination of CalHFA. In -- the Joint Legislative
10 Audit Committee in early August asked the Bureau of
11 State Audits to conduct this. They have a list of eight
12 questions that they're going to take a look at. I
13 believe that in August I sent all of you a copy of that
14 analysis, so if you have any questions about that, let
15 me know.

16 But when you hear from the Audit Committee, we
17 did discuss that this morning, and we'll have a chance
18 to talk about that a little bit later on. But so far
19 we've had terrific conversations with them. The
20 planning is going well. They're going to start their
21 work next week, so I just thought I'd bring that up at
22 this point.

23 And the final thing is that at the November
24 Board meeting I'm going to propose to the Board a
25 reorganization. I'm been contemplating this for a very

1 long time. I've talked to the Chairman about it, and
2 I've talked to various staff about it and others and --
3 and with regard to the financial and administrative
4 management of CalHFA, it is -- our org chart looks
5 like -- more like a state department and not so much as
6 a financial institution, and I think that we need to
7 take a look at that. So that's what I'm going to be
8 looking at and proposing to you at the November Board
9 meeting, and I just thought I'd give you a heads-up on
10 that. And if you have any ideas along those lines, I'd
11 welcome input, so just thought I'd wind up with -- with
12 that.

13 --o0o--

14 **Item 4. Discussion, recommendation and possible action**
15 **regarding the amendment of multifamily**
16 **financing Resolution 10-02 to include an**
17 **additional form of multifamily bond indenture**

18 ACTING CHAIRPERSON CAREY: Okay. Next item on
19 the agenda is possible amendment to the multifamily
20 financing Resolution 10-02.

21 Bruce.

22 MR. GILBERTSON: Yes, thank you, Mr. Chairman,
23 Members of the Board. Good morning.

24 You have in front of you as agenda item No. 4
25 Resolution No. 10-08. This is simply a resolution that

1 would amend a January resolution of the Board, No.
2 10-02. That resolution authorized the Agency to sell
3 and issue bonds related to the multifamily lending
4 program.

5 As Steve mentioned earlier, we do have quite a
6 pipeline of conduit financing. We're using our New
7 Issue Bond program proceeds for the multifamily program.
8 This resolution today would allow us to issue those
9 bonds under a new form of indenture. We have an
10 exhaustive list in the existing 10-02 resolution. This
11 would simply add one that would allow us to issue the
12 bonds and use those proceeds to purchase a Ginnie Mae
13 mortgage-backed security that is guaranteeing the rental
14 housing development project.

15 At this point, a \$230-million pipeline. I
16 think there's four projects that are potentially going
17 to be an FHA-insured loan securitized into a Ginnie Mae
18 that would be the collateral ultimately in this conduit
19 financing.

20 With that, if there's any questions, I'd be
21 happy to answer any questions of the Board.

22 ACTING CHAIRPERSON CAREY: Ms. Jacobs.

23 MS. JACOBS: What, if any, increased risk is
24 there to CalHFA by doing this, including interest-rate
25 risk?

1 MR. GILBERTSON: Zero. Zero risk on the
2 conduit program. So the bondholder in these instances
3 gets their payment directly from the guarantee from
4 Ginnie Mae. It's underwritten by HUD. The Agency has
5 no risk in any way, shape or form.

6 Reputational risk, I suppose, but if we have
7 the federal government backstopping the security under a
8 Ginnie Mae security, there would be no interest-rate
9 risk or any other financial risk imposed on the Agency.

10 Remember in I think it was January of 2009 the
11 Board authorized three forms of indenture to do conduit
12 financing at the time. One was for Freddie Mac
13 execution. Another was for a Fannie Mae execution. And
14 the third was a private placement type transaction where
15 the bonds would effectively be placed to the lender who
16 was financing the loan for the -- the borrower.

17 MS. JACOBS: Okay. And what's the difference
18 between the interest rate on the bonds and the interest
19 rate that the affordable housing project is paying?

20 MR. GILBERTSON: In this particular case, the
21 interest rate on the bonds is set by Treasury -- and we
22 have a later agenda item to talk about some of the
23 updates to the New Issue Bond program that HFAs were the
24 beneficiaries of last year -- but it's a formula base,
25 ten-year Treasury rate at the time you release the

1 moneys from the escrow account that was established last
2 December plus a spread of 60 basis points.

3 We then add on additional spread for the Agency
4 as an issuer fee. The developer in those instances pays
5 all additional costs: The direct costs to issue the
6 debt, counsel fees, that type of thing.

7 MS. JACOBS: Okay. Thank you.

8 ACTING CHAIRPERSON CAREY: Ms. Macri-Ortiz.

9 MS. MACRI-ORTIZ: Yeah. These are going to be
10 fixed rate?

11 MR. GILBERTSON: These are fixed rate.

12 MS. MACRI-ORTIZ: And it's basically the same,
13 we're just using FHA where we hadn't before, is that --

14 MR. GILBERTSON: FHA effectively is
15 guaranteeing the mortgage obligation of the borrower.

16 MS. MACRI-ORTIZ: Is it something new that FHA
17 is doing or we're just --

18 MR. GILBERTSON: No, this has been -- this is a
19 standard form of a conduit financing for multifamily
20 rental developments.

21 MS. MACRI-ORTIZ: So FHA has been in the
22 business, but we just hadn't dealt with them before; is
23 that it?

24 MR. GILBERTSON: Yeah. I mean, the big shift
25 for the Agency, remember over the last couple years,

1 related to the multifamily program is that we're not
2 doing financing where we serve the role as the lender
3 where we were taking real estate risk and other
4 financial risk. This is -- this is a situation where
5 there is a lender in place. The lender has insured the
6 loan with FHA. That loan has been put into a security,
7 and the security then becomes the collateral to the
8 bondholder, who in this case is the federal government,
9 under the New Issue Bond program.

10 MS. MACRI-ORTIZ: Okay. Thank you.

11 ACTING CHAIRPERSON CAREY: Other questions?

12 Do we have a motion?

13 MS. PETERS: I move to adopt the resolution on
14 10-02.

15 MR. GUNNING: Second.

16 ACTING CHAIRPERSON CAREY: We have a motion and
17 a second.

18 Any further discussion?

19 Roll call, please.

20 MS. OJIMA: Ms. Peters --

21 ACTING CHAIRPERSON CAREY: Oh, I'm sorry. Yes,
22 this is an opportunity -- we would offer the opportunity
23 if there's anyone in the public who'd wish to speak on
24 this particular matter, to please indicate.

25 Seeing none, roll call. Thank you.

1 MS. OJIMA: Ms. Peters.
2 MS. PETERS: Yes.
3 MS. OJIMA: Mr. Gunning.
4 MR. GUNNING: Yes.
5 MS. OJIMA: Mr. Hudson.
6 MR. HUDSON: Yes.
7 MS. OJIMA: Mr. Hunter.
8 MR. HUNTER: Yes.
9 MS. OJIMA: Ms. Jacobs.
10 MS. JACOBS: Yes.
11 MS. OJIMA: Ms. Carroll.
12 MS. CARROLL: Yes.
13 MS. OJIMA: Ms. Macri-Ortiz.
14 MS. MACRI-ORTIZ: Yes.
15 MS. OJIMA: Mr. Shine.
16 MR. SHINE: Yes.
17 MS. OJIMA: Mr. Carey.
18 ACTING CHAIRPERSON CAREY: Yes.
19 MS. OJIMA: Resolution 10-08 has been approved.
20 ACTING CHAIRPERSON CAREY: Thank you.

21 --o0o--

22 **Item 5. Report on the implementation of US Treasury**
23 **Department programs - A. Hardest Hit program**

24 ACTING CHAIRPERSON CAREY: Our next item of
25 business is a report on two parts of the U.S. Treasury

1 Department program, and the first piece will be the
2 Hardest Hit program. And we will have a staff report.
3 And then in respect for the fact that I know we have a
4 number of people here who would like to -- to comment
5 specifically on this program, we will allow a period of
6 public comment following the staff report.

7 MS. RICHARDSON: Mr. Chairman, Members, thank
8 you very much.

9 (Court reporter interrupts for clarification.)

10 MS. RICHARDSON: Di Richardson, California
11 Housing Finance Agency.

12 We've been working very diligently and very
13 hard. We're still shooting for our November 1st rollout
14 date, which we've had set for quite some time. I think
15 the -- I have two pieces of big news to -- to share with
16 you.

17 The first is covered in the background memo
18 that I did. In mid-August Treasury awarded us an
19 additional \$476 million to assist unemployed borrowers.
20 So while previously our principal reduction program was
21 the largest, that's now been eclipsed by the
22 unemployment program, which is probably not surprising
23 to anyone, given the current unemployment numbers.

24 That announcement was -- the allocations were a
25 little different than the previous funds, how the

1 previous funds were allocated, and they included a
2 number of new states that hadn't previously received any
3 funds, so now there are 18 states, including D.C., that
4 have been given funds from Treasury to assist unemployed
5 borrowers.

6 So that, obviously, will -- has required us to
7 suggest some modifications to our program to take into
8 account the new level of funding that is now available.
9 Those changes have been submitted to Treasury for
10 approval, and I'm expecting that we will have that and
11 close on that on September 23rd. So we'll still be able
12 to hit the November 1st rollout date, I hope.

13 Also, I've asked Mr. Todd Emerson from
14 Springboard to come up. I'd like to introduce him to
15 you. One of the things that we've talked about is that
16 we'll be utilizing a centralized processing center to
17 help us do this in a more organized, cohesive fashion
18 for borrowers and servicers. And we've entered into a
19 letter of intent with Springboard, and we'll be signing
20 the final contract any minute.

21 They've been working quite literally around the
22 clock for a couple of months now -- excuse me -- to
23 develop the systems and the portals and the things that
24 we've asked them to do to make this as smooth as
25 possible, so I'd like Mr. Emerson to just tell you a

1 little bit about his organization.

2 MR. EMERSON: Good morning. Thank you for
3 having me.

4 Again, my name is Todd Emerson. I'm the
5 president and chief executive officer of Springboard
6 Nonprofit Consumer Credit Management. We are a
7 California-based 501(c)(3) nonprofit that specializes in
8 credit and debt counseling, as well as housing,
9 bankruptcy and program administration. We're based in
10 Riverside, California. We have a strong California
11 presence as well as a national feel. We are
12 HUD-approved.

13 We are also accredited by the Executive Office
14 of United States Trustee's Office for Bankruptcy
15 Counseling. And we are one of the founders of the HOPE
16 Hotline, the Homeowner Preservation Foundation, which is
17 the 995-HOPE number I think most people are aware of.
18 We are the largest housing counseling agency in the
19 state and one of the largest housing counseling
20 companies in the country and have been in this since the
21 beginning, so to speak.

22 But I'm very open to taking any questions or
23 answering anything that you may have at this point. I'm
24 always available to -- to speak with anyone
25 individually. We have been working with the CalHFA team

1 for several months, and as Di spoke to, around the clock
2 to make this thing a reality. I know we're shooting for
3 a November 1st kickoff date, and our in-house team is
4 shooting for an October 11th pilot, so we, at this
5 point, think we'll hit it with no problems at all.

6 But I would like to open this up for questions,
7 if you have any.

8 ACTING CHAIRPERSON CAREY: Questions?

9 UNIDENTIFIED SPEAKER: I have a question.

10 ACTING CHAIRPERSON CAREY: I'm sorry, we're
11 going to have an opportunity for public comment after
12 the staff report. Thank you, though.

13 MS. JACOBS: Let me ask a question.

14 ACTING CHAIRPERSON CAREY: Yes.

15 MS. JACOBS: Where are your offices? I mean,
16 you're headquartered in Riverside, but you have offices
17 around the state?

18 MR. EMERSON: Yes, ma'am, as well as out of the
19 state. We have 15 offices in California from --

20 MS. JACOBS: That's what I'm interested in.

21 MR. EMERSON: Yeah, from Fresno, Bakersfield,
22 all the way to San Diego.

23 MS. JACOBS: Great. Thank you.

24 ACTING CHAIRPERSON CAREY: What are the
25 challenges getting this off the ground?

1 MR. EMERSON: Not enough hours in the day.
2 It's -- it -- we have the expertise. We have -- you
3 know, and this is more IT perspective than anything
4 else, creating a portal and actually writing the
5 physical code for it.

6 I think one of the reasons that we were chosen
7 is because of the infrastructure that we have. It's
8 leveraging existing technology. Within our industry we
9 have one of the premier software platforms to use, so we
10 were able to leverage that pretty easy. It's just
11 writing on the extra component to make this a -- for
12 short terms, you know, customer-facing portal to use on
13 an outside level.

14 ACTING CHAIRPERSON CAREY: So the main function
15 is getting documentation from the field in to the
16 decision-makers?

17 MR. EMERSON: Yes, in a roundabout -- it's a
18 process flow two ways. It goes from, you know, lender
19 consumer internally, internally consumer lender. It's
20 got to be free flowing both directions.

21 ACTING CHAIRPERSON CAREY: Okay. Do you have
22 more to add, Di?

23 MS. RICHARDSON: No, not unless you have any
24 additional questions. I think you're pretty up-to-date.

25 ACTING CHAIRPERSON CAREY: And -- and where is

1 the process with the innovative fund applications?

2 MS. RICHARDSON: Those, we've done an internal
3 review of the proposals that were submitted. There were
4 19 complete proposals. We -- I think we had letters of
5 intent from between 25 and 30, but there were actually
6 19 complete proposals. We did an initial scrub of
7 those, and they are at Treasury for review.

8 ACTING CHAIRPERSON CAREY: Okay. Just for the
9 record, I wanted to disclose that the organization I
10 work for has a somewhat peripheral connection to one of
11 the applications that went in, so I just want to be
12 clear about it. Though this Board is not directly
13 involved in reviewing the applications or
14 decision-making regarding those applications, I would
15 remove myself from any discussion about them.

16 Mr. Hudson.

17 MR. HUDSON: Who has the approval? Is Treasury
18 approving these?

19 MS. RICHARDSON: The financial approval is with
20 Treasury staff. The CalHFA MAC -- the CalHFA MAC staff
21 made recommendations to Treasury, but Treasury has final
22 approval of all programs.

23 MR. HUDSON: So we submitted all 19, did you
24 say?

25 MS. RICHARDSON: No, we did not.

1 MR. HUDSON: Is it --

2 MS. RICHARDSON: There were some that we did
3 not believe met the minimum guidelines, so --

4 MR. HUDSON: So, this is a little awkward, is
5 it -- is it privacy information? Is there a privacy
6 issue? Is it discloseable information?

7 MS. RICHARDSON: It is not. We aren't planning
8 to disclose it until we've had the final discussions
9 with Treasury and they make their final decisions, and
10 then it will all be public.

11 MR. HUDSON: But we don't even disclose how
12 many we submitted to Treasury?

13 MS. RICHARDSON: Nope.

14 MR. SPEARS: We -- we haven't, Mr. Hudson. The
15 reason is we have -- we're going to -- we've been pretty
16 clear that we're not going to send every proposal back
17 there because they -- they've said they don't want to
18 see that. On the other hand, if Treasury says, "We're
19 not interested in these three, what are your next
20 three," we'll send those. "We're not interested in the
21 top ten, we'd like to see them all," it's really up to
22 them.

23 MS. RICHARDSON: Treasury actually made it very
24 clear to us that they did not want to see them all, but
25 that they, you know -- they didn't -- they did not

1 believe and we would agree that we do not have the
2 capacity to manage 19 individual programs, nor did they
3 have the staff to review and approve 19 additional
4 programs on top of everything else that they're doing
5 with all of the other states.

6 MR. HUDSON: Yeah, so I don't think that's what
7 I'm asking. So do we make the -- our selection criteria
8 public?

9 MS. RICHARDSON: There was a public RFP that
10 put out the criteria, had the criteria.

11 MR. HUDSON: And all that -- and we weighted
12 the importance of different variables?

13 MS. RICHARDSON: Um-hmm.

14 MR. HUDSON: And so people had, I guess,
15 requisite notice of how we were going to rank these
16 based on the RFP proposal -- RFP criteria?

17 MS. RICHARDSON: Um-hmm. And we've been in
18 contact with a number of the applicants asking follow-up
19 questions.

20 MR. HUDSON: And let's say we submit four and
21 Treasury accepts three. Are we going to report the four
22 that we submitted or just the three that Treasury
23 accepted?

24 MS. RICHARDSON: We're going to report the
25 three that Treasury accepted.

1 MR. HUDSON: You know, I'm thinking that may be
2 a great idea. I guess I don't know. What's the theory?
3 If we submitted more and Treasury approved less, I would
4 think we did -- we did more to be inclusive than
5 Treasury did, and why would we not want people to know
6 that? Or is Treasury saying don't let anybody know
7 until we're finished with the process?

8 MS. RICHARDSON: Yeah, I mean, Treasury doesn't
9 really want us to disclose anything until it's
10 completely done. And, quite frankly, we think that if
11 some of the -- some of the proposals might get approved
12 up-front and then turn out not to be successful, and we
13 want to sort of have the ability to resubmit some of the
14 other proposals and kind of, you know, go for a plan B,
15 see if we can, you know, maybe tweak them a little bit.

16 MR. HUDSON: Yeah. So I guess my final comment
17 on this is I prefer an open, transparent process, and
18 what I hear you saying is that Treasury does not want an
19 open and transparent process, so our hands are tied in
20 terms of an open, transparent process; is that correct?

21 MS. RICHARDSON: I don't -- I -- I believe that
22 Treasury has asked us, as they did with our original
23 proposal, to not say anything about any of the proposals
24 while they're in the deliberative process, until final
25 decisions are made. That's been their -- that's sort of

1 been what they have asked us to do, because they want to
2 be able to ask questions and suggest changes. And, you
3 know, it might not look like what was originally
4 submitted, and they want to be able to sort of have
5 that -- be able to have that dialogue with us.

6 MR. HUDSON: Yeah, so that sounds pretty clear
7 to me. For the record, it sounds to me that Treasury
8 wants a less transparent process so that they can
9 deliberate and decide without a whole lot of open public
10 scrutiny and that they'll make their decisions and let
11 you know what their decisions are, and then we will
12 report those decisions to the public.

13 MS. RICHARDSON: Right. I can -- I can tell
14 you that there have been a number of applicants who've
15 already contacted Treasury in support of their own
16 proposals. Treasury -- and so there's nothing to
17 prohibit anybody from -- from doing that, whether --

18 MR. HUDSON: Right, but I assume, what you're
19 saying, people don't know if their proposals have been
20 sent to Treasury. They can call Treasury, but they
21 don't even know if Treasury has their proposal.

22 MS. RICHARDSON: That's right.

23 MR. HUDSON: Okay. Thanks.

24 MR. SPEARS: Mr. Hudson, the only thing I would
25 add is it's -- I think it's important to remember that

1 the criteria that was put into the RFP was based on what
2 Treasury would like to see in the way of projects coming
3 back, so -- so in a way, you know, we've let everybody
4 know what Treasury is interested in. Some of the
5 proposals that we reviewed were very responsive to those
6 published criteria. Some were not very responsive at
7 all. Some were just completely off the mark. And --
8 and I think what Di is saying is that the ones that are
9 most responsive that go to the top of that list are the
10 ones that are going to go back.

11 Now, if Treasury -- Treasury's going to
12 deliberate on those. And I think what they want is the
13 ability to come back to us at any time and say, "We'd
14 like to see more." But they really want to do this
15 based on the applications that were submitted and not
16 anything more than that at this point.

17 MR. HUDSON: Yeah, but just so we're clear, the
18 criteria is very transparent and very open. Everybody
19 knows about it. It's all clear. It's up-front. And
20 everybody can submit proposals per those criteria or
21 not, depending on their choice, and they'll -- and then
22 we -- based on their responses, we'll -- we have made --
23 so -- so that process is all open and transparent.

24 From that point on, it is really -- it's based
25 on Treasury's direction. We have basically not been

1 communicative of which ones we thought were the best to
2 submit to Treasury, which ones we submitted to Treasury
3 and which ones didn't get and why. And then when
4 Treasury makes a decision, we'll just report out what
5 Treasury decided.

6 MR. SPEARS: That's right.

7 MR. HUDSON: And that's basically Treasury's
8 call, and we're just complying with Treasury.

9 MR. SPEARS: Yes, sir.

10 MR. HUDSON: All right. Thank you.

11 ACTING CHAIRPERSON CAREY: And, you know, I
12 think from a Board perspective, I think that my own
13 perspective was that at some point in the process we, in
14 essence, determined that this was a -- a process to be
15 carried out by the staff and that the Board was not
16 the -- the awarding body or the reviewing body for
17 the --

18 MR. HUDSON: The Board was not.

19 ACTING CHAIRPERSON CAREY: Was not the
20 reviewing body for the applications, so I think that
21 subsequent to that and however clearly we thought
22 through it, I think this is an unusual process for
23 CalHFA --

24 MR. SPEARS: It is.

25 ACTING CHAIRPERSON CAREY: -- to have. And it

1 may be in future processes we may want to think about
2 how those processes are handled, but it does seem to me
3 that we basically said this is run internally and that
4 we are -- we have the concept and we'll get the results,
5 was my perspective.

6 MS. MACRI-ORTIZ: Yeah, I can see that's one
7 issue. And I think the other issue is, okay, at the end
8 of the day, what happened? I think the public does have
9 a right to know. And if it's during the process, it's
10 confidential until it's done, that's one thing, but at
11 the end of the day, I think, you know, we got these
12 proposals, these were rejected, these were passed on,
13 and of the ones we passed on, Treasury picked those. I
14 think that, at a minimum, we should be able to disclose.

15 ACTING CHAIRPERSON CAREY: I certainly agree
16 with you on that.

17 Yes, Ms. Jacobs.

18 MS. JACOBS: I'm totally supportive of the
19 staff doing all the work and making all the decisions
20 and recommendations on this. But I think -- I think
21 it's very important that we have as public a process as
22 possible in everything that we do at CalHFA. And, you
23 know, I don't know if we have to -- have to ask for that
24 to be put on an agenda to make a motion about that, but
25 I think it's really important for the Board to be clear

1 that when public processes are appropriate, we want to
2 have public processes. I think what the staff is doing
3 on this is perfect, but --

4 MS. RICHARDSON: And let me say, if I wasn't
5 clear, we absolutely plan to tell every applicant, you
6 know, either your -- your application was denied and,
7 you know, why we didn't send it forward. I mean, it's
8 not -- they're not going to know why we made the
9 decisions we made to send things forward that -- we
10 don't believe that serves anybody well. We -- you know,
11 there are -- there was criteria. We do have reasons.
12 People will be notified of what those decisions are once
13 the decisions are final.

14 ACTING CHAIRPERSON CAREY: Further comments?
15 Questions?

16 Okay. Thank you, both.

17 --o0o--

18 **Item 11. Public testimony**

19 ACTING CHAIRPERSON CAREY: With that, we are
20 going to adjust our agenda. Normally we take public
21 testimony at the end of the agenda, but given the -- the
22 number of people here to speak about the Hardest Hit
23 program -- should we do that -- I'm sorry, just
24 thinking -- before the New Issue Bond? Yeah, I think
25 so. You answered my question.

1 We will go ahead and allow -- what I'd like to
2 ask is if we could keep the presentations to within a
3 15-minute time frame. We do ask that anyone coming to
4 speak state their name clearly because this is a
5 transcribed meeting, and we need names for the record.
6 Be brief, not repetitive, and just in case we have an
7 enthusiastic crowd, I'd ask for no applause, just in the
8 sense of keeping things moving along. With that --

9 MR. HUGHES: Mr. Chair, I'd just --

10 ACTING CHAIRPERSON CAREY: Yes.

11 MR. HUGHES: -- throw in there that while we do
12 request the names of speakers, under the State's open
13 meeting law, they're not actually required to provide
14 that if they choose not to, and we follow that rule as
15 well.

16 ACTING CHAIRPERSON CAREY: Great. Okay.

17 MS. RICHARDSON: And would you like us to stay
18 or go? Stay close.

19 ACTING CHAIRPERSON CAREY: Why don't you move
20 over to the side of the table, yeah.

21 With that, we would invite our speakers
22 forward.

23 MS. PETERS: Mr. Chairman, before we get
24 started with this may --

25 ACTING CHAIRPERSON CAREY: Yes.

1 MS. PETERS: -- I discuss just process?

2 ACTING CHAIRPERSON CAREY: Yes.

3 MS. PETERS: You did indicate that you hoped to
4 keep this section of the agenda to 15 minutes, and I
5 second that. There is time for public comment at the
6 end of the agenda, and I would recommend that we keep
7 this portion where we're giving special consideration to
8 folks out of courtesy to 15 minutes. If there is anyone
9 who is unable to speak in the initial 15 minutes who
10 still wants to be heard, that they be heard at the
11 normal time for public comment.

12 ACTING CHAIRPERSON CAREY: Sounds reasonable.

13 MS. PETERS: Because otherwise I'm afraid that
14 we might be way off with it.

15 ACTING CHAIRPERSON CAREY: Okay.

16 MS. PETERS: But everyone who wants to be heard
17 can be heard.

18 ACTING CHAIRPERSON CAREY: Thank you. That's
19 an excellent suggestion.

20 Okay. With that, we'll start the clock now.

21 FATHER FRANK: Good morning, Mr. Chairman,
22 Members of the Board.

23 My name is Father Thomas Frank. I'm the pastor
24 of St. Brigid Church in South Los Angeles, and I am a
25 leader of One LA-IAF of California.

1 I would like to recognize all of the leaders of
2 One LA-IAF of California and ask them to simply silently
3 stand before you at this time. They did already.

4 Praise God, Creator of all.

5 With me are a number of collaborators and folks
6 who are representing public officials who we have been
7 busily working with with regard to the resolution that
8 is before you today.

9 Today marks the second anniversary of the
10 collapse of Lehman Brothers and the financial crisis
11 that caused millions and millions of home foreclosures
12 not only in California, but in the United States. Two
13 years on there's still no workable plan to address the
14 foreclosure crisis that threatens millions of families
15 and thousands of communities and the viability of
16 hundreds of banks, including CalHFA.

17 The Board of CalHFA has been given a sacred
18 charge: To exercise fiduciary responsibility now for
19 not just several hundred million dollars but more than a
20 billion dollars, as you've just heard today, for the
21 Hardest Hit Fund and also for those who are unemployed.

22 IAF has worked very, very, very hard to help
23 develop a plan that will benefit as many people as
24 possible. Let's face it. There are more than hundreds
25 of thousands, 300,000, folks who have had their homes

1 foreclosed in this state, and we know that these
2 millions of dollars will not even be able to help all of
3 them. Hopefully, we can help tens of thousands in order
4 to be able to secure their homes.

5 And not only do we need to secure those tens of
6 thousands, but there is, according to Stephen Levy, of
7 the Center of Continuing Study for California Budget,
8 the loss of 600,000 jobs for Californians where we are
9 experiencing extremely high unemployment due to these
10 home foreclosures. And until they're cleared out, those
11 jobs cannot come back in the construction field.

12 We will not rest until a workable plan that
13 addresses the interest of responsible homeowners is
14 enacted by both the government and the banks. We have
15 studied the CalHFA Principal Reduction plan. We've
16 discussed it with our public officials, and you will
17 hear from them today. They are at this -- represented
18 at this table, and we recognize and appreciate their
19 support, not only of our plan, but of the efforts to
20 bring home foreclosure mitigation and home foreclosure
21 reductions.

22 At stake is the health and livelihood of
23 hundreds of thousands of homeowners. At risk is the
24 future of the California economy. We believe that Wall
25 Street has been helped. We believe we have a stake in

1 helping Main Street be helped as well.

2 I now turn to our colleagues now in this
3 effort.

4 MS. DUSSEAULT: Good morning.

5 My name is Sarah Dusseault. I'm policy
6 director for the Los Angeles City Council president,
7 Eric Garcetti. I'm here on behalf of our office, but I
8 also want to recognize that Ackley Padilla from
9 Councilmember Alarcon's office is here as well. You
10 also have in your packet a letter from the mayor of the
11 city of Los Angeles making some of the similar --
12 similar remarks to what I will make.

13 Our concern here today with the current
14 proposal that CalHFA is considering with respect to the
15 Hardest Hit housing funds is that you're -- we're not
16 going to be able to help the number of families that we
17 need to help with the provisions that are currently set
18 forth.

19 We have developed some innovative strategies in
20 L.A. We've been working on a pilot for some time with
21 the members of One LA and the Los Angeles Housing
22 Department. And what has been beautiful about this
23 process is they've really gotten into the neighborhoods
24 and talked to people and have specific data. And
25 there's an example of a mortgage refinance in your

1 packet that shows a specific example, and it is
2 extremely common.

3 We've looked at many, many different families,
4 and the reality is that we need to pay banks the net
5 present value of that debt. We do not need to write
6 down debt at a higher level. If we do that, we're not
7 going to be able to help the families of Los Angeles
8 that we need to help, and we're not going to be able to
9 reach the people we need to help. And at the end of the
10 day, they're not going to have a mortgage refi that puts
11 them in a situation to not be at risk of foreclosure in
12 another year or year after that.

13 So we -- we'd urge you to look at this data, to
14 look at the specific policies and how they're going to
15 be -- affect the families of Los Angeles. We think this
16 is a reasonable approach.

17 You're offering banks -- you know, 6 to 21
18 cents is what this debt is worth. It is not worth up to
19 50 cents or more on the dollar. It is simply not worth
20 that. These -- this is what market value is telling us.
21 So we need to look at those -- those dollar figures and
22 figure out how to reach the most families possible.

23 I also just wanted to add on the other comment
24 about public process and the innovative grants for the
25 RFP. I really appreciate the comments about your Agency

1 being committed to a public process. I think we are
2 going to urge on the behalf of the City of Los Angeles
3 that we do more with respect to that piece. And I think
4 if the Department of Treasury were here today, they
5 might have different comments on that, because I know
6 that, you know, even under Public Records Act
7 requirements we're going to be able to get more data
8 than that.

9 So we're going to be looking for a very public
10 process in all regards, whether it's the innovative fund
11 or it's the 700 million. And we want to make sure that
12 the programs that we employ reward innovation and that
13 we are as frugal as possible, that we really negotiate
14 on behalf of our taxpayers and our constituents to meet
15 the most people possible.

16 MR. SANCHEZ: Good morning, Chairman and CalHFA
17 Board Members. My name is Marcos --

18 MS. PETERS: Excuse me. Bring the microphone
19 closer.

20 MR. SANCHEZ: My name is Marcos Sanchez. I'm
21 here on behalf of Assemblymember Felipe Fuentes.

22 I'm here today to express my opposition to the
23 California Housing Finance Agency's Hardest Hit --
24 Hardest Hit Fund plan. As currently written, it will
25 set bad policy for the State of California and violate

1 the mandates of the Emergency Economic Stimulation Act,
2 EESA, of 2008.

3 As you're aware, EESA gives rise to the -- to
4 and funded the Troubled Asset Relief Program, TARP, and
5 the source of the Hardest Hit Fund that the United
6 States Department of Treasury has allocated for CalHFA.
7 Collectively we must ensure that California implements a
8 plan that will use taxpayer funds wisely and do not
9 leave the homeowners severely underwater after public
10 investment and using rational measures, the net present
11 value to retire underwater mortgage debt as outlined
12 under HAMP, Housing -- Home Affordable Modification
13 Program guidelines.

14 I believe that the proposed CalHFA plan does
15 not meet these standards for various reasons, one being
16 by imposing a 120-percent minimum loan to value on a
17 first mortgage after CalHFA modification, the CalHFA
18 plan fails to ensure that after substantial public
19 investment California homeowners are still not left --
20 are still not left with severe negative equity. This
21 failure to seriously address homeowners with severe
22 negative equity promotes instability of our housing
23 market and is likely to result in homeowners eventually
24 defaulting and losing their homes to foreclosure.

25 In conclusion, I strongly urge you to consider

1 the criteria similar to those proposed by One LA
2 Principal Reduction Plan, which meets the values set by
3 EESA. California State Treasurer Bill Lockyer, the
4 entire Los Angeles City Council, Assemblymember and
5 Banking Chair Mike Eng, Assemblymember Fuentes, and
6 other legislators have given their support to their
7 plan. Join us in supporting and funding the One LA plan
8 and its best interest for all of California.

9 Thank you.

10 ACTING CHAIRPERSON CAREY: Thank you.

11 MS. UNG: Good morning. I'm here -- my name is
12 Nicki Ung. I'm here representing Assemblymember Mike
13 Eng from the 49th Assembly District. He also -- the
14 Member also sits as the chair of the Banking and Finance
15 Committee in Sacramento. He writes in a letter:

16 Dear, Mr. Spears and Members of the CalHFA
17 Board of Directors. I write to you for two reasons.
18 First, I want to thank you for the diligent work in
19 developing a plan to help keep California's families in
20 their -- in their homes. As you know, the national and
21 California housing markets are still struggling to
22 recover from the foreclosure crisis. According to some
23 estimates, there have been over 200,000 completed
24 foreclosures in California since the beginning of 2010
25 alone, and the CalHFA's efforts are critical to

1 addressing the situation.

2 Second, I would like to share some concerns
3 that I have with CalHFA's proposed Hardest Hit Fund plan
4 and shed light on some alternative strategies that may
5 assist CalHFA's efforts to develop a mortgage relief
6 plan that will resolve the state's housing market
7 crisis.

8 EESA, as mentioned before, requires us to
9 implement programs that minimize the impact of the
10 national debt, maximize overall returns, and protect
11 taxpayer interests. It further dictates the
12 consideration of the net present value to the taxpayer
13 when purchasing troubled mortgage debt and prevents
14 unjust enrichment of financial institutions.

15 Additionally, the CalHFA plan excludes many
16 long-term homeowners by disallowing the participation of
17 anyone who receives a cash-out refinance regardless of
18 the amount and/or purpose of the cash-out refinance. We
19 cannot begin to solve the current economic crisis facing
20 our nation and our state unless we first begin
21 stabilizing the housing market.

22 I urge you to also consider other alternatives
23 to the CalHFA approach, such as the One LA principal
24 reduction plan which meets the values and priorities
25 established in EESA. California's State Treasurer Bill

1 Lockyer, the entire Los Angeles City Council, Assembly
2 Appropriations Committee Chair Felipe Fuentes, other
3 legislators and I have all given support to this plan.
4 I urge you to join us in supporting and funding the One
5 LA plan because it is in the interest of all
6 Californians and will help meet our goal of stabilizing
7 California's housing market.

8 Please let me know if I or my office can
9 provide additional information or assistance. Please
10 keep me informed as CalHFA develops a more effective
11 California mortgage relief program.

12 Sincerely, Mike Eng, Assemblymember 49th
13 District.

14 ACTING CHAIRPERSON CAREY: Thank you. I'm not
15 sure we have a copy of that letter.

16 MS. UNG: We don't. I wasn't able to make a
17 copy for everyone. I will do that and forward that over
18 to all the Board of Directors.

19 ACTING CHAIRPERSON CAREY: If you can just
20 leave the one copy with --

21 MS. UNG: That would be great.

22 ACTING CHAIRPERSON CAREY: That would be great.
23 Thank you.

24 MS. UNG: Thank you.

25 MS. WAYNE: Good morning. My name is Rebecca

1 Wayne. I'm the district director for Assemblymember Ted
2 Lieu. Assemblymember Lieu is unable to be here. He has
3 reserve, Air Force Reserve, duty today. I'm here
4 representing him, and I'll read the following statement
5 on his behalf:

6 During the 2008 mortgage meltdown and
7 subsequent housing foreclosure crisis, I was the chair
8 of the Assembly Banking and Finance Committee. In that
9 capacity I was very proactive in trying to create
10 solutions for the foreclosure crisis. I authored and
11 introduced legislation that directly benefited people in
12 danger of losing their homes to foreclosure. I was able
13 to shepherd the California Foreclosure Prevention Act
14 all the way to the Governor's desk and proudly
15 celebrated when he signed this bill into law last year.

16 The California Foreclosure Prevention Act was
17 an important step in addressing our foreclosure crisis,
18 but it is critical that we remain vigilant about keeping
19 people in their homes as this crisis continues. That is
20 why I want to give testimony today regarding the
21 California Housing Finance Agency's Hardest Hit Fund
22 plan.

23 I would like to commend the California Housing
24 Finance Agency for addressing our ongoing foreclosure
25 issues and working to assist the hardest hit

1 communities. I agree with CalHFA's focus on principal
2 reduction as one of the most important components of
3 actually keeping people in their homes.

4 One of the goals of my foreclosure prevention
5 legislation was to urge lenders to work with their
6 customers to develop loan modification plans. That way
7 these homeowners can proceed on an agreed-upon path to
8 reducing their debt and have a chance at paying off
9 their homes, rather than walking away from their homes
10 because they owe so much more than the worth of the
11 property.

12 I also want to commend Neighborhood Legal
13 Services for their diligent work on the foreclosure
14 crisis. They are the folks who are on the ground
15 talking with homeowners and victims of the housing
16 meltdown. They are on the front lines every single day,
17 and I thank them for their work.

18 As I understand it, however, the California
19 Housing Finance Agency's Hardest Hit Fund plan does not
20 adequately address the needs of struggling homeowners,
21 while providing a windfall to the banks. I oppose this
22 plan as currently written for the following reasons --

23 I'm only going to go over one reason because my
24 colleagues here are going to talk about some of the
25 other reasons.

1 -- First, the plan provides taxpayer funds to
2 pay financial institutions 50 cents for every dollar of
3 principal reduction, and in some cases banks will get
4 \$50,000 in taxpayer funds to reduce principal without
5 investing any of their money to reduce principal any
6 further. This is good for the banks, but based on the
7 directives recently issued by the federal government
8 under the Home Affordable Modification Program
9 supplemental directive 10-5, mortgage debt today is
10 worth anywhere from 6 to 21 cents on the dollar. A
11 program that will pay 50 cents on the dollar is a waste
12 of taxpayer money and a giveaway to the banks. I don't
13 support this --

14 The other reasons are going to be covered by
15 some of my other colleagues here.

16 -- In conclusion, I fully support well-crafted
17 policies and programs to keep people in their homes and
18 to provide homeowners incentive to pay off their loans.
19 I ask California Housing Finance Agency Board to
20 consider the One LA principal reduction plan, which
21 better meets the needs of our hardest hit communities.

22 Thank you for your time and consideration of my
23 requests. Assemblymember Ted Lieu.

24 ACTING CHAIRPERSON CAREY: Thank you.

25 MR. LUNDHOLM: Hello. My name is Dean

1 Lundholm. I'm a leader with COPA, Communities Organized
2 for Relational Power and Action that covers -- an IAF
3 organization that covers Santa Cruz and Monterey
4 Counties.

5 We -- COPA has met with the housing chief for
6 Santa Cruz County, and he is interested in an innovative
7 program for the county. And the -- the local
8 governments are the place where innovative solutions
9 will arise. One size fits all will not be as efficient
10 in spending our money as allowing people who are close
11 to the problem to work on the problem. So I encourage
12 you to reconsider this -- to consider and reconsider,
13 actually, the -- increasing the funds for the innovative
14 programs.

15 COPA has also met with Congressman Farr, and he
16 supports the One LA and IAF changes to the -- to the
17 current program.

18 And I'd like to just close with reading -- I
19 have a letter, actually, from Sam Farr. I'm going to
20 read one sentence from it:

21 The residents of California who are suffering
22 from our economic recession and the families who are
23 threatened with losing their homes to foreclosure
24 deserve better stewardships of taxpayer funds.

25 Thank you.

1 ACTING CHAIRPERSON CAREY: Thank you.

2 MS. ROLAND: Good morning. My name is Yvette
3 Roland, and I speak to you this morning on behalf of the
4 California Association of Black Lawyers, the Black Women
5 Lawyers Association of Los Angeles, and certainly as a
6 One LA leader in South Los Angeles.

7 I'd like to ask you to consider -- first of
8 all, we join in the comments previously made this
9 morning by others and -- regarding the CalHFA plan, but
10 I'd like to direct your attention to one particular
11 aspect of the plan as it's currently structured. At
12 this point the plan would exclude thousands --
13 thousands -- of California homeowners who have been the
14 victim of predatory lending in California.

15 By excluding homeowners who refinanced and took
16 cash out of their homes, even though they did that
17 subject to loans that are known to have been predatory
18 lending loans, this eliminates numerous individuals who
19 have been -- who are targeted for unaffordable and
20 unsustainable loans and who were victims of predatory
21 lending.

22 There have been reports, such as the report
23 prepared by the Center for Responsible Lending, that
24 these were -- some of the loans, the refinances that
25 resulted in cash-outs of equity of the homes, were some

1 of the primary drivers of the current foreclosure
2 crisis. And without including those individuals in the
3 CalHFA plan, we cannot hope to really successfully
4 address and resolve the foreclosure crisis in
5 California.

6 For example, the California Center for
7 Responsible Lending report states that 60 percent of the
8 subprime loans that were refinanced subprime loans
9 between 2004 and 2006 were loans that were of a
10 predatory nature.

11 In addition, between 2005 and 2008, of all of
12 these foreclosures that took place in California, 64
13 percent of those foreclosures were foreclosures that
14 resulted from predatory refi cash-out loans. So we
15 cannot hope to resolve this issue without including this
16 large group of distressed California homeowners.

17 We're not asking you to develop a new formula.
18 We're not asking you to determine what is a predatory
19 loan and what isn't. We're not asking you to determine
20 which homeowners cashed out based on their use of it and
21 having been targeted by predatory lenders. What we're
22 asking you to do is to use the criteria already
23 established by the California Attorney General.

24 The California Attorney General in connection
25 with the Countrywide settlement identified those loans

1 in California which are predatory loans. We propose
2 that you include California homeowners who refi'ed and
3 cashed out subject to those predatory lending vehicles
4 identified by the California Attorney General and that
5 those individuals should be included if they obtained
6 pay option ARM loans with negative amortization, loans
7 that would increase, for example, each month if a
8 borrower made only a minimum payment, subprime mortgage
9 loans that combine higher risk features than risk
10 borrower profiles with -- these are not criteria that
11 are -- let's see -- they're criteria that are
12 transparent. We talked about transparency before.

13 We encourage you to take a look at the
14 California Attorney General's Web site that identifies
15 in the stipulation and judgment in the Countrywide
16 settlement that identifies those loans that are
17 predatory loans.

18 We have -- we know that if we do not get this
19 right, if the CalHFA Board does not get this right,
20 California's families, California's economy, and
21 California's homeowners will suffer.

22 As Assemblymember Speaker Emeritus Karen Bass
23 stated in her letter directed to the CalHFA Board -- and
24 you should have a copy of that letter in your packet --
25 the CalHFA plan excludes many long-term homeowners by

1 disallowing participation of anyone who received a cash-
2 out refinance, regardless of the amount and/or purpose
3 of the cash-out refinance. As we all know, the current
4 economic crisis, which is felt keenly in our state, will
5 not begin to be solved until the housing market is
6 stabilized. The CalHFA plan falls far -- falls way
7 short in helping to meet that goal.

8 I'd also direct your attention to the letter in
9 your packet from Los Angeles City Controller Wendy
10 Greuel addressing the same issue.

11 It is California's duty to set policy on this
12 issue. It is your duty to implement a plan which does
13 not waste taxpayer dollars. It is your duty to
14 implement a plan which -- that -- that has a policy that
15 will not allow -- that will not allow banks to be paid
16 more than the net present value for the reduced
17 principal. And it is certainly your duty to include
18 substantial groups of California homeowners who have
19 been targeted by predatory lending practices. You set
20 the policy. We are counting on you to get it right.

21 Thank you.

22 ACTING CHAIRPERSON CAREY: Thank you.

23 We have reached a little bit beyond our 15
24 minutes, and certainly appreciate all of the comments
25 made, particularly from the staff of the elected

1 officials.

2 Does anyone have any quick questions or --
3 Ms. Peters.

4 MS. PETERS: I'd like to thank all of the
5 speakers for doing such a wonderful job in getting what
6 you have to say out and being so well-coordinated and so
7 organized. That was one of the most concise,
8 well-coordinated sets of testimony I think I've ever
9 seen, so thank you for being so respectful of our time
10 and doing as much work as you had in advance
11 coordinating with each other.

12 I have just a quick question for -- and I don't
13 know whether the same folks are here that were here last
14 time, but the last time the One LA program came to speak
15 to us, they were still under negotiations with the
16 banks, and I was wondering if anyone could speak on
17 behalf of the program to let us know if the banks have
18 finalized their negotiations and committed anything to
19 paper.

20 MS. MARIAJIMENEZ: We have -- my name is Yvonne
21 Mariajimenez, deputy director for Neighborhood Legal
22 Services of Los Angeles County.

23 And all operational tools have been completed
24 with Bank of America. We are also in negotiation with
25 one other major bank, Chase. We are right now in

1 discussions with a memorandum of understanding with
2 regard to nondisclosure, which is a real issue.

3 We really feel that the California Housing
4 Finance Agency plan undermines the negotiations we've
5 had with our two major lenders because under the
6 California Housing Finance Agency plan, the banks will
7 receive 50 cents on the dollar, whereas our plan, as
8 supported by the Obama Administration under the Home
9 Affordable Modification Program directives that were
10 just issued in June, indicate that mortgage debt today
11 is worth 6 to 21 cents on the dollar, and that is what
12 our program provides. So we do feel that the banks are
13 waiting for the CalHFA plan to be implemented because
14 they will receive the 50 cents on the dollar.

15 Also, looking at the policy question, the
16 legislation that gave rise to Tarjley is --

17 MS. PETERS: We're not discussing the policy
18 question. We've had a lot of testimony on that. I just
19 wanted to know, simply, whether the banks had signed any
20 agreement with you to fund your program yet.

21 MS. MARIAJIMENEZ: We believe that they are
22 stalling because under the California Housing Finance
23 Agency plan they'll receive more money.

24 MS. PETERS: Okay. On that note, when you
25 folks were last here, I asked you to set up a meeting

1 between your bankers and our staffers to discuss the
2 CalHFA possible escalation of your program and scaling
3 up. Have you set up that meeting?

4 MS. MARIAJIMENEZ: There has not been agreement
5 for the banks to approach CalHFA.

6 MS. PETERS: Have you asked them to?

7 MS. MARIAJIMENEZ: We've -- we've mentioned it
8 to one of the major lenders that we're at the end of
9 negotiations with, and that has not been set up. I did
10 call --

11 MS. PETERS: Well, I'd like you to --

12 MS. MARIAJIMENEZ: I did call the office --

13 MS. PETERS: -- please commit to set it up for
14 us.

15 MS. MARIAJIMENEZ: Yes. I did call the office
16 of the California Housing Finance Agency to set up a
17 meeting, however, because Neighborhood Legal Services
18 has -- is a partner in the proposal submitted under the
19 innovative fund with the City of Los Angeles, I was
20 advised, I think properly so, that the staff could not
21 meet with us because we have a proposal before the
22 California Housing Finance Agency plan. So I do want to
23 raise that, as I believe --

24 MS. PETERS: Thank you. I appreciate that.
25 That's very important, that we follow proper procedure.

1 I don't think there's anything stopping the staff from
2 meeting with the banks, though, so if you could
3 facilitate that, I think --

4 MS. MARIAJIMENEZ: And I think they have. I
5 think the -- the banks have advised us that they have
6 been meeting with the California Housing Finance Agency.

7 MS. PETERS: Thank you. That's all I need.

8 MS. MARIAJIMENEZ: Thank you.

9 ACTING CHAIRPERSON CAREY: Mr. Hudson, did you
10 have a --

11 MR. HUDSON: Yeah.

12 ACTING CHAIRPERSON CAREY: -- comment?

13 MR. HUDSON: This is for staff. Refresh my
14 memory. How much money did we get total?

15 MS. RICHARDSON: We received almost 700 million
16 in the first allocation and an additional 700 -- I'm
17 sorry, 476 million in the newest allocation.

18 MR. HUDSON: So let's say a million-two.

19 MS. RICHARDSON: Right.

20 MR. SPEARS: Billion.

21 MS. RICHARDSON: Billion. B.

22 MS. PETERS: A billion-two. You said a
23 million-two.

24 MR. HUDSON: Oh, I said a million-two? 1.2
25 billion. And our estimate is that that would -- under

1 our plan, that would meet the need of what percentage of
2 the folks that need help in California?

3 MS. RICHARDSON: Well, we don't think it's
4 going to help everybody. I mean, we've said that from
5 the very beginning. I -- I can look at our term sheets
6 if, you know -- and tell how many people we think we're
7 going to help under each of the programs as proposed,
8 but I -- I don't know off the top of my head what
9 percentage that is of the total number of people that
10 are -- that are having problems.

11 MR. HUDSON: So we don't have any rough
12 estimates of what we think the dollar amount of the
13 problem is.

14 MS. RICHARDSON: I don't -- I don't -- I -- we
15 do, I just don't know it off the top of my head.

16 MR. HUDSON: Does Steve or anybody know what it
17 is?

18 MR. HUNTER: There is a number in the staff
19 report. And my question is -- it's 35,000 unemployed
20 borrowers, but I don't know if that just refers to the
21 new 400 --

22 MS. RICHARDSON: No, that just --

23 MR. HUNTER: -- million or if that's the total.

24 MS. RICHARDSON: That's how many borrowers we
25 believe we're going to help with the allocation that we

1 were given for the unemployment dollars. That doesn't
2 relate to the total number of borrowers that are in, you
3 know, 90-plus days delinquent or however you want to
4 define it. I just don't have that number in front of
5 me.

6 ACTING CHAIRPERSON CAREY: And just to clarify,
7 that -- that second allocation of 476 million is
8 strictly for the unemployment program, right?

9 MS. RICHARDSON: Yes.

10 ACTING CHAIRPERSON CAREY: Not the --

11 MS. RICHARDSON: Um-hmm.

12 MR. HUDSON: Okay. Then here's my sense of it.
13 I believe that when people testify before agencies, it's
14 important to have a dialogue, but it's not a -- it's not
15 a -- you can't -- it's hard to have a dialogue, so what
16 I'm going to do is I'm going to pose questions that I
17 would like if people stay for the public comments
18 afterwards to respond to as a way of having some sort of
19 dialogue. So I'm assuming that we don't have enough
20 dollars to solve the problem in California.

21 MS. RICHARDSON: That is correct.

22 MR. HUDSON: So there is a policy issue for me
23 that I would like the public to respond to and that is a
24 policy issue that says if you do cash -- there's three
25 questions. One, if you do cash out per the California

1 AG's predatory lending guidelines and you assume there's
2 not enough money to solve the problem, then there's a
3 policy issue that you have to make when you expand the
4 program to cash out.

5 My understanding is if you expand it to cash
6 out, then you're going to have to shrink it from
7 somewhere else. That's a policy issue, and I'd like
8 guidance from the public on how you would -- how you
9 would -- how you would have us solve that dilemma.

10 The second question is from a policy issue,
11 people talked about negative equity that borrowers have.
12 And the policy issue is is California trying to use
13 their money to remove people's negative equity or to
14 provide affordability for their ability to pay their
15 loans? They're not the same.

16 The third question is, and I think it got
17 answered, this 61 -- 6 cents to 21 cents is a function
18 of the banks' willingness to accept 6 cents to 21 cents.
19 I'm not convinced they'll accept 50 cents, but what I
20 think the answer to that part -- but you can speak to
21 this anyway, but I think the answer I heard is that the
22 banks won't have a dialogue with anyone as long as
23 California -- CHFA is giving -- is offering a
24 50-cents-on-the-dollar proposal.

25 So my theory of I don't think they'll accept 6

1 to 21 cents, you're saying, well, we'll never know
2 because you're offering 50 cents on the dollar, and
3 that's something I have to think about.

4 But I'm -- here's the policy issue that you can
5 address: I'm very concerned that we could have a
6 program that nobody takes because we could have a
7 program, if the banks don't accept it, it's no program.
8 It helps no one. So -- and we have no authority to
9 force banks to take a program. So you can have it --
10 it's like you can have a party and nobody comes. And we
11 have no authority, regulatory or otherwise, to force
12 them to take the 6 cents and 21 cents, which our program
13 requires.

14 Now, we could have a -- we could do something
15 else. We could have a range, say the minimum is 6 cents
16 and the maximum we'll do is 50 cents, and then everybody
17 is going to come to us with a 50-cents offer. So you --
18 to make this work the way you want it to work -- and you
19 can address all these questions when you come back --
20 you almost have to say, hey, take 6 cents or don't take
21 this program, because when you start giving them
22 variables up to 50 cents, as a banker I can tell you
23 I'll figure out a way to get to the 50-cents number
24 because that's in my best interests to do that.

25 So if -- if -- at -- when it's appropriate at

1 the end of the day, we can get public comments again,
2 I'm going to stay till you guys are finished talking to
3 respond to those questions, and I would appreciate it.
4 Thank you.

5 ACTING CHAIRPERSON CAREY: Any other --

6 MS. RICHARDSON: Can I --

7 ACTING CHAIRPERSON CAREY: -- comments or
8 questions from the Board members?

9 MS. RICHARDSON: Mr. Chairman, if I -- if I
10 could just add a couple of things to that.

11 I will tell you that we -- we did have a lot of
12 discussion about, you know, what -- you know, what the
13 match requirement would be, and I think we discussed
14 this last time, that we did not believe we would have
15 sufficient participation from the banks if it were too
16 low. And having a program that offered, you know, 10,
17 20 cents on the dollar and nobody paid, no borrowers get
18 helped, and that was an issue.

19 I -- I understand that they feel that we've
20 undercut them. That clearly was never our intent. And,
21 in fact, we're hoping -- you know, the goal here is to
22 have two programs out there, figure out what works and
23 then, you know, move money and pay for the one that is
24 the most successful. The goal is to help as many
25 borrowers as possible.

1 Also, with regard to the banks, as I said in my
2 opening comments, the, you know, Treasury just gave more
3 money, and now, I mean, first there were five states,
4 and then there were ten states, and now there are 18
5 states, and the banks have made it very clear to us that
6 they just do not have the resources, the platforms,
7 whatever, to do 18 different programs. So they're
8 looking to the state HFAs to come up with some
9 uniformity amongst ourselves in order to make these
10 programs so that they can administer these programs
11 across the country to the states that have the money.

12 So it's not simply a matter of CalHFA versus
13 the One LA plan. I think we all have to get our toe in
14 the water and -- and do what we can.

15 MS. CARROLL: Mr. Chairman?

16 ACTING CHAIRPERSON CAREY: Yes, Ms. Carroll.

17 MS. CARROLL: Thank you.

18 And, Di, thank you for that because you did
19 touch on something that I did want to ask our own staff,
20 and that is working with banks every day, as I do in my
21 position with the Treasurer's Office, I know that they
22 are very concerned about what happens on the national
23 level. And we work with a lot of national banks. I'm
24 sure CalHFA is working with a lot of national banks.

25 And so the question is, it seems to me, that

1 it's going to be difficult to get to any program unless
2 it's sort of implemented on a national level. If you
3 have a national bank that is -- has one program in one
4 state and another program in another state, that -- it
5 creates a difficulty.

6 So my question is in working with the federal
7 government, are they trying to work with the states to
8 create some equity in terms of --

9 MS. RICHARDSON: Yes.

10 MS. CARROLL: -- how the program --

11 MS. RICHARDSON: Yes. You'll remember when the
12 program was initially announced, I think they were
13 looking for as much diversity as possible so that they
14 could, you know, again, also have sort of a plethora of
15 programs and see what was working and then maybe
16 replicate that among the other states.

17 It's just turned out that it -- it is
18 impossible. The HAMP program, obviously, is -- is the
19 big gorilla in the room. That's the one that the banks
20 are using all their resources for. That's the one
21 they've got to comply with.

22 And so, you know, the farther you move away
23 from that, the harder it is for them to comply. There's
24 different reporting requirements, you know, again,
25 different -- different platforms. You heard us talk

1 about sort of, you know, the machinations we're putting
2 Springboard through to get all of our stuff done. And
3 we're actually having a meeting next week to see if we
4 can come up with some more commonality amongst the
5 unemployment programs, since that's really a very key
6 program across the country.

7 And then we'll be -- we're also having
8 conversations with Nevada and Arizona about ways that we
9 might be able to -- you know, pieces of our principal
10 reduction program that we might be able to standardize.
11 So that wouldn't be a national program, but it would at
12 least be regional, and it might be easier for the banks
13 to do.

14 ACTING CHAIRPERSON CAREY: Ms. Macri-Ortiz.

15 MS. MACRI-ORTIZ: I have, I guess, a question
16 and then something that can be addressed in the second
17 round.

18 On this 50 cents on a dollar, I want to
19 understand more thoroughly the HAMP regulation because
20 I'm looking at this letter from Sam Farr, who is a
21 member of Congress so you think he might know what he's
22 taking about. He says: I'm advised the federal
23 guidelines issued pursuant to the Housing Affordable
24 Modification Program currently value underwater mortgage
25 debt from 6 to 21 cents on the dollar, depending on a

1 variety of circumstances.

2 If we are trying to get some federal
3 consistency and if HAMP has actually said when you're
4 doing modifications this is your range -- and I realize
5 this probably has come out after you started working
6 and -- but I guess my question to staff is based on
7 these new guidelines, do we have the ability or is our
8 analysis maybe we need to look at it again to see if
9 that 50 cents arbitrary top -- because I totally agree
10 with the banker that the highest amount you're going to
11 put out there is the amount everybody is going to want.
12 But if we can model it as much as possible --

13 MS. RICHARDSON: I would say two --

14 MS. MACRI-ORTIZ: -- according to the HAMP
15 guidelines --

16 MS. RICHARDSON: -- two things in response to
17 that. First of all, Treasury reviewed our programs for
18 compliance with EESA. They underwent legal review for
19 compliance with EESA, and they determined that they were
20 compliant.

21 The 6 to 20, 21 cents on the dollar, which is
22 HAMP, I don't think there's anyone that will jump up and
23 down and say that that's been a roaring success to date,
24 and we're looking for a way to --

25 MS. MARIAJIMENEZ: It hasn't been implemented.

1 ACTING CHAIRPERSON CAREY: We're -- no dialogue
2 from the audience, please.

3 MS. RICHARDSON: You know, they're offering
4 HOPE -- HOPE Now or HOPE for Homeowners I guess it is.
5 The HOPE for Homeowners was the same sort of formula,
6 and it wasn't a roaring success.

7 We want to help borrowers stay in their home,
8 and it's a delicate balance, and we're looking for the
9 magic number. I'm not saying it's 50 cents. It
10 might -- you know, we're going to -- we're going to get
11 what we can get. We have -- you know, we have -- we
12 cannot force a bank to match anything. We cannot force
13 anything, so --

14 MS. MACRI-ORTIZ: So basically we're in a game
15 of chicken, okay. And that's the way -- and that's what
16 it is because we have money that the banks want. Okay.
17 But they are going to hold back. And I think maybe we
18 have to figure out a little finesse so that we can
19 better play a game of chicken to get a little bit more.
20 And I don't know. That's very --

21 (Applause.)

22 ACTING CHAIRPERSON CAREY: Please. I ask no
23 applause, even for us.

24 Okay. Are there other further comments from
25 Board members?

1 MS. MARIAJIMENEZ: Mr. Chair, if I could
2 respectfully request that we could quickly answer
3 Mr. Hudson's questions that he posed, and I believe if
4 we could do that now rather than waiting till the end of
5 the meeting. I think we could very quickly respond to
6 Mr. Hudson's questions.

7 ACTING CHAIRPERSON CAREY: How quickly?

8 MS. MARIAJIMENEZ: Very quickly. Two minutes.
9 Two minutes.

10 MR. HUDSON: Let me just interject. That's
11 fine with me. If you do it now, there's no chance for a
12 dialogue. If you do it at the end, there's a greater
13 chance for a dialogue because we can all stay, you can
14 all stay. I can tell you now you can answer the
15 questions, but I'm going to respect the chairman's wish
16 and I'm not going to -- I'm not going to do any
17 follow-up questions. So however you want to handle it.
18 I mean, it's up to the chairman. I'm just letting you
19 know that that's -- it won't have the best outcome, but
20 you can --whatever the chairman decides.

21 MS. MARIAJIMENEZ: If we -- if we have a quorum
22 left, that would be great. If everyone is running for
23 an airplane --

24 ACTING CHAIRPERSON CAREY: Yeah, I'm a
25 little --

1 MS. MARIAJIMENEZ: -- we may just be talking to
2 you.

3 ACTING CHAIRPERSON CAREY: I am a little
4 concerned about plane schedules that several folks have
5 talked to me about, flight schedules and such.

6 MR. HUDSON: But when you're talking about a
7 quorum, though, you're not going to get a decision.
8 We're not going to make --

9 MS. MARIAJIMENEZ: I understand.

10 MR. HUDSON: We're not going to take any action
11 today.

12 ACTING CHAIRPERSON CAREY: Right.

13 MS. MARIAJIMENEZ: It's just an audience.

14 MR. HUDSON: Okay. But we are --

15 ACTING CHAIRPERSON CAREY: But we are a public
16 meeting. We'll have to stay on the record.

17 MS. MARIAJIMENEZ: Yeah.

18 MS. PETERS: Let's do the two minutes and
19 then --

20 ACTING CHAIRPERSON CAREY: Let's do the two
21 minutes --

22 MS. PETERS: -- anybody who wants to stay,
23 stay.

24 ACTING CHAIRPERSON CAREY: -- and then we'll
25 play it as it lays at the end.

1 MS. MARIAJIMENEZ: Very quickly, with regard to
2 your first question on cash out, as Ms. Roland
3 testified, the -- there are criteria already set by the
4 California State Attorney General's Office to use on the
5 refinance parameters.

6 We all know there's not enough money to even
7 help anybody who right now would qualify under the
8 eligibility standards that are set out by the California
9 Housing Finance Agency. What could be done is that a
10 portion of that 500 million that CalHFA is not setting
11 aside for principal reduction could be used for the
12 population that is targeted here that refinanced.

13 Otherwise, there is going to be very large
14 disproportionate discrimination against a
15 disproportionate share on long-time homeowners who have
16 owned their homes 30, 40 years, who had paid them off,
17 refinanced to pay medical debt or what have you who are
18 not going to be assisted under the current CalHFA plan.

19 So that's with regard to your first question.

20 On the negative equity, Stephanie can.

21 MS. HAFFNER: Yeah, my name is Stephanie
22 Haffner. I'm an attorney with Neighborhood Legal
23 Services of Los Angeles County.

24 And I'm refreshing my memory with respect to
25 the negative equity question, which is that if

1 California is using money to -- oh, with respect to
2 whether -- how removing negative equity relates to
3 affordability?

4 MR. HUDSON: No, just whether -- are we trying
5 to get the negative equity, or are we trying to get
6 affordability? Which one are we trying to get to?

7 MS. HAFFNER: Modification programs currently
8 solve for affordability, and the reason that money went
9 to the states to solve hard-to-solve problems like
10 borrowers with severe negative equity is that solving
11 for affordability alone doesn't answer the whole
12 question. So you're already -- everybody who's getting
13 a modification should be, in the best of worlds, already
14 getting an affordable payment, but they might have an
15 affordable payment that leaves them with a \$200,000
16 balloon at the end of 40 years because that's -- because
17 they could only afford to pay a certain amount per
18 month.

19 And so the issue is taking care of that balloon
20 while also taking care of affordability, if that helps.

21 MS. MARIAJIMENEZ: And with regard to the third
22 question on the 6 to 21 cents on the dollar, the Home
23 Affordable Modification Program is putting together, is
24 implementing, a principal reduction program. It is not
25 yet implemented. It will be implemented at the end of

1 the year, which calls for the 6 to 21 cents on the
2 dollar for every dollar of principal reduction. Most of
3 the major lenders have already signed onto HAMP and as
4 so they are required to participate in that program.

5 So also referring to Ms. Carroll's point, talk
6 about a national model that can be used, that is the
7 national model, 6 to 21 cents on the dollar. And we
8 believe that together we can have the banks come to the
9 table and put pressure to have them take really what
10 mortgage debt is worth today and implement the national
11 model, which is 6 to 21 cents on the dollar.

12 ACTING CHAIRPERSON CAREY: Okay. With that,
13 we're going to take a 15-minute recess. Thank you,
14 everybody.

15 MS. MARIAJIMENEZ: Thank you.

16 (Recess taken from 11:26 a.m. to 11:42 a.m.)

17 ACTING CHAIRPERSON CAREY: We are -- we are
18 back in session -- if we can turn the mikes back on --
19 back in session. And the next item on the agenda is
20 report on the New Issue Bond program. And maybe we can
21 take the mikes down a little bit.

22 MS. JACOBS: Mr. Chair?

23 ACTING CHAIRPERSON CAREY: Yes.

24 MR. SPEARS: I'd like to ask the staff in the
25 back of the room to have a seat, please. Thank you.

1 MS. JACOBS: May I bring something up that I --

2 ACTING CHAIRPERSON CAREY: Yes. Of course.

3 MS. JACOBS: -- I don't know if Steve brought
4 these, so I will -- I will steal his thunder.

5 CalHFA, the Department of Real Estate, and us
6 have just completed a study called "Building
7 California's Future," and it talks about the fiscal
8 impacts of housing on state and local government. And
9 it's a great report, if I do say so ourselves. So I'm
10 sure that Steve will arrange to send copies to all the
11 Board members. I have a couple of copies here.

12 But it basically -- what it shows is that
13 housing has a positive fiscal impact on both state and
14 local government.

15 ACTING CHAIRPERSON CAREY: Great.

16 MR. SPEARS: And my discussion with Lynn,
17 however, is that the report probably could be more
18 complete and include more fee revenue that's there.

19 MS. JACOBS: Right.

20 MR. SPEARS: So it is positive, and that's
21 probably the most conservative number that you will
22 find.

23 MS. JACOBS: Right. It talks about local
24 government fees, and it does not include things like
25 special district fees and school fees and those kinds of

1 things.

2 MR. SPEARS: Right.

3 MS. JACOBS: Just purely the money that goes to
4 state, county and city government. So it's a very good
5 report, and it's been a long time in the making. We
6 finally have it, so look forward to getting this in the
7 mail. We didn't print very many copies because you
8 might be aware the State doesn't have a budget. You
9 might have heard that. It will be online by next week.

10 ACTING CHAIRPERSON CAREY: Great.

11 MS. JACOBS: On HCD and then we'll -- we'll
12 work with CalHFA and DRE to have a link to it.

13 ACTING CHAIRPERSON CAREY: Great.

14 MR. HUDSON: One quick observation.

15 ACTING CHAIRPERSON CAREY: Yes.

16 MR. HUDSON: I see why nobody wanted to wait
17 until the end for public comments. There is nobody left
18 for public comments.

19 ACTING CHAIRPERSON CAREY: Their choice.

20 MR. HUDSON: So much for waiting till -- you
21 know, giving committee to the public -- the public will.

22 MS. MACRI-ORTIZ: They're meeting out there.

23 MR. HUDSON: Yeah, okay.

24 MS. MACRI-ORTIZ: They'll come back in,
25 hopefully.

1 --o0o--

2 **Item 5. Report on the implementation of US Treasury**
3 **Department programs - B. New Issue Bond**
4 **Purchase program**

5 ACTING CHAIRPERSON CAREY: Okay. Returning to
6 the agenda, the next item up is the report on the New
7 Issue Bond program.

8 Bruce.

9 MR. GILBERTSON: Thank you again, Mr. Chairman.

10 I think it's good to go back and recap what
11 this New Issue Bond program is really all about. We --
12 we touched on it, I think, earlier when I was up with
13 the Resolution 10-08.

14 The New Issue Bond program was one of two
15 programs that the HFA community received as a part of
16 the HFA initiative last fall. So we received the New
17 Issue Bond program as well as the Temporary Credit and
18 Liquidity program.

19 The New Issue Bond program allowed us to apply
20 for proceeds of bonds that Treasury effectively would
21 purchase. We did all this not directly through
22 Treasury, but we did this through the GSEs. So in
23 December of 2009, we closed on a billion dollars of
24 single-family New Issue Bond proceeds, and we closed on
25 \$380 million of multifamily New Issue Bond proceeds.

1 The rules under the New Issue Bond program were
2 such that we had to use all of those proceeds by
3 releasing them out of an escrow account during the
4 course of this calendar year, so there is a definitive
5 expiration date of the program: December 31, 2010. As
6 the year unfolded and it took us a while to get
7 especially a single-family program up and running, we
8 were forewarning people that it would be great if they
9 could extend this because otherwise this billion-dollar
10 funding mechanism for new lending in California would
11 really go to waste.

12 The other thing that happened, of course, is
13 that interest rates had changed dramatically during the
14 course of this year and have fallen to the point that we
15 were below two and a half percent on the ten-year
16 Treasury. The interest costs that we pay on the New
17 Issue Bond programs are tied to the ten-year Treasury.

18 So last December we thought we had done the
19 right thing, and we locked in when the ten-year Treasury
20 was at 3.49 percent. We had to pay a credit spread on
21 top of that of 60 basis points, so we had an all-in cost
22 of 4 percent.

23 Well, as we got into the summer months,
24 especially kind of post-April, ten-year Treasury was
25 falling like a rock because of problems overseas and

1 Europe and just a variety of things. So it wasn't going
2 to work. We also conveyed that through our national
3 organization to Treasury and the GSEs.

4 The good news coming out of all of this is that
5 they listened to us, and on September 1st we actually
6 got -- we got the word from Treasury that they were
7 going to allow modifications to the program. So the
8 purpose of this report, really, is to go through that.

9 They've extended the time period under which we
10 can use these proceeds by an entire year, so the New
11 Issue Bond program is available to the Agency through
12 December 31, 2011. They have allowed a mechanism for us
13 to reset the interest rate, so we're not locked in on
14 the 3.49 Treasury plus the spread. That will now serve
15 as a ceiling for us this calendar year, and our rate can
16 never be higher than that.

17 And once we get to the point where we're close
18 enough to notice Treasury that we want to release moneys
19 from escrow, we will then get the benefit of whatever
20 the ten-year Treasury is between that date of
21 notification and eight days prior to the bond -- the
22 moneys actually being released out. So it's very
23 advantageous to the Agency.

24 In December of this year, we'll establish a new
25 ceiling based off where the ten-year Treasury is in

1 December 2010 for the entire year of 2011. So the
2 amounts -- and we will clearly be carrying forward some
3 of this into 2011, especially on the single-family
4 program.

5 And then one other thing that they did is they
6 allowed us to expand the number of draws. The original
7 program design you could access for each of the
8 single-family program and the multifamily program the
9 escrow three times during the course of the year. Since
10 they've extended it by a year, they've given us another
11 three draws, so we have a total of six.

12 And so as we think about the billion dollars
13 for the single-family program, you know, if we -- if we
14 have one draw towards the end of this year, we would
15 have five additional draws during the course of 2011.
16 Remembering one other aspect with the New Issue Bond
17 program for single-family is we have to go to the market
18 and issue 40 percent of the bonds or one dollar for
19 every two that we pull out of escrow in the public --
20 public marketplace.

21 So that's where we are. We're excited about
22 this. This is really going to kind of get our program
23 up to going. I think you're going to hear more from
24 Steve and Gary about single-family lending programs,
25 what's going on there, but this is exactly what we

1 needed, and we really hope that we'll have some ability
2 to kind of utilize these proceeds over the next 15
3 months or so.

4 Any questions?

5 ACTING CHAIRPERSON CAREY: Questions from Board
6 members?

7 MR. SPEARS: We decided to put this in this
8 spot on the agenda so that you could -- this is the
9 reason why we're going to be able to talk to you in a
10 second or two about other lending. If we had not gotten
11 this relock on the rate and extension of time, the
12 lending that we're doing right now that we just got
13 started taking reservations on would be a very, very
14 short program. It would have been a very short program,
15 so that's it.

16 ACTING CHAIRPERSON CAREY: Great. Okay.

17 --oOo--

18 **Item 6. Report on CalHFA Homeownership lending - A.**
19 **Fannie Mae Affordable Advantage program**

20 ACTING CHAIRPERSON CAREY: Moving on, we've got
21 a report on homeownership lending, the Fannie Mae
22 program and FHA.

23 MR. SPEARS: I'm going to ask Gary to come on
24 up, and I'll cover the A part of this agenda item.

25 The only reason this is on here is we had

1 talked so much before with the Board and the discussion
2 of the -- the business plan, that we were going to be
3 doing this Fannie Mae Affordable product that was for
4 those state FHAs that were participating in the Fannie
5 Mae Affinity agreement. It was a hundred percent loan
6 to value and it was -- we were having ongoing
7 conversations.

8 And in June, we had a credit meeting with
9 representatives from State Street, who are representing
10 the U.S. Treasury and Fannie Mae, in our offices in
11 Sacramento. Conference room full of people. And in the
12 middle of that conversation, one of the credit folks
13 from Fannie Mae said, "Oh, by the way, we're not going
14 to be able to do that hundred percent affordable
15 product, Fannie Mae Affordable, unless you guys are able
16 to post some collateral against the loans that we own."

17 So as a -- just by way of background and it's
18 in your memo here, in the last year and a half, roughly,
19 of full-on lending that CalHFA was doing, we were
20 offering the Interest Only Plus product to lenders, we
21 were securitizing those loans through Fannie Mae. So we
22 own mortgage-backed securities guaranteed by Fannie Mae.
23 Fannie Mae owns those loans, so they have exposure for
24 losses on those loans. What they were asking us to do
25 is to right today move the money over on the line of

1 credit between the General Fund and the Mortgage
2 Insurance Fund.

3 And the way that works is that it works like a
4 line of credit. When the Mortgage Insurance Fund is --
5 has insufficient cash to pay claims, at that time we can
6 move money. But really what they wanted was additional
7 security to Fannie Mae against the losses that may come
8 up on the Interest Only Plus loans.

9 I consulted with Tom, I consulted with Bruce,
10 about the impact that this would have on the indenture
11 because we have the bondholders to think about in this
12 whole balancing act -- here we go again with trying to
13 balance everybody's interest -- and came to the
14 conclusion that we couldn't move that over and -- and
15 draw on the line of credit because the criteria just
16 were not met.

17 So we asked Fannie Mae if they would consider a
18 participation fee for the Fannie Mae Affordable and
19 proposed a fee that would work for us economically. And
20 they said, "Love the idea, but we can't live with that
21 fee. We have to have a fee up here." And when they
22 proposed the fee up here, it destroyed all the economics
23 of making these loans. It's back to that old saying of
24 we were going to lose money on every loan so we'd have
25 make it up on volume.

1 So we decided at that point just not to do the
2 Fannie Mae Affordable product. There are only four HFAs
3 in the country that are doing this product right now.
4 They're not doing a lot of lending on the product.

5 But what I asked Gary and the homeownership
6 division, legal, finance, IT, and everyone is what we
7 had been doing is working on an FHA product at the same
8 time, and I simply said we need to go over, put all of
9 our efforts in on that. And in three and a half weeks,
10 the homeownership division and that team that I
11 mentioned had an FHA program up and running, and last
12 week we began taking reservations on that.

13 So let me ask if there are any questions about
14 the Fannie Mae decision first. I just -- you know, we
15 talked so much about it, and now, you know, we're not
16 doing it. I thought an explanation was in order.
17 Questions?

18 --o0o--

19 **Item 6. Report on CalHFA Homeownership lending - B. FHA**
20 **lending program**

21 MR. SPEARS: All right. So with that, I'll
22 have Gary talk about the FHA product, just for a couple
23 minutes and --

24 MR. BRAUNSTEIN: Sure. Thanks, Steve. Hello,
25 Board Members.

1 As Steve had mentioned and in the memo in your
2 Board package, when we decided not to move forward with
3 Fannie and the Affordable Advantage, through the efforts
4 of my staff and the other divisional staffs, we -- we
5 regrouped, refocused, and moved forward with -- on a
6 fast track in rolling out the -- the FHA product. It's
7 structured as a standard FHA-insured loan. It follows
8 FHA's guidelines and standards, such as FHA's loan to
9 value, cumulative loan to value, and downpayment
10 requirements.

11 Through the efforts of the NIBP and our
12 financing group, we were able to launch the product at a
13 below market interest rate. We were very pleased with
14 that. Some of the reaction that we're getting from our
15 lenders and other housing partners were favorable to
16 that interest rate. It's about a 25 -- a quarter rate
17 below the market, depending on the lending community and
18 changing, obviously, on a daily basis.

19 A few overlays, we placed -- from a risk
20 management standpoint -- on the FHA product. FHA
21 doesn't have a minimum FICO requirement on a 95 and
22 above loan to value. We placed a FICO minimum score of
23 620. We do have a requirement of homebuyer education
24 counseling on all of our borrowers for our conventional
25 and FHA product. FHA doesn't have a requirement for

1 homebuyer education, but we feel it's prudent lending to
2 have our borrowers as first-time homebuyers go through
3 counseling. We chose not to allow for manual
4 underwritten loans. We go through Fannie -- FHA's
5 decision engine and score card. That allows us to have
6 that rule set of FHA within the rule set of the decision
7 engine.

8 We also are pleased that we were able to add to
9 the FHA, our subordinate downpayment program, which is
10 our CHDAP, and also the locality nonprofit downpayment
11 and closing cost programs. We've gotten very good
12 feedback from the localities and the nonprofits as it
13 relates to this program allowing for their subordinate
14 programs. And our borrowers do have the opportunity to
15 add locality downpayment or closing costs assistance
16 along with our CalHFA CHDAP downpayment and closing
17 costs to allow for maximum financing for our typical
18 borrower in our borrower's profile for the first-time
19 homebuyer.

20 As you know, our business model is not holding
21 whole loans. As we've talked in other Board meetings
22 and we will -- these loans will be structured through
23 the purchase of Ginnie Mae securities. We're still
24 using a master servicer, Bank of America. They do a
25 good job for us on our conventional product and will be

1 facilitating our loans through Bank of America servicing
2 the FHA product.

3 Any questions? Based on time, I just thought
4 I'd give a quick summary.

5 MR. SPEARS: Right. Just to interject, the
6 question, Ms. Jacobs, that you asked earlier about the
7 multifamily conduit resolution, this is the same
8 business model where Ginnie Mae will guarantee the
9 income stream. FHA will back the loan with insurance,
10 so it's -- it's very similar, just over on the
11 single-family side.

12 MS. PETERS: I just want to say welcome back.

13 MR. BRAUNSTEIN: Thank you.

14 MS. PETERS: We're glad to have you back in
15 business.

16 MR. BRAUNSTEIN: Really. You know, it's been a
17 long time coming, and staff is very excited, so thank
18 you.

19 MR. HUDSON: So we are portfolioing or we're
20 not portfolioing these loans?

21 MR. SPEARS: We are not portfolioing.

22 MR. HUDSON: Right.

23 MR. SPEARS: We will own Ginnie Mae securities
24 rather than FHA loans, whole loans.

25 MR. BRAUNSTEIN: And again, it's a business

1 model we were using when we talked about the Fannie
2 Advantage product and using a master servicer and the
3 mortgage-backed securities. We moved the real estate
4 risk off of our balance sheet.

5 MR. HUDSON: So how does that actually work?
6 Lenders will use our program because we have a
7 25-basis-point-lower interest rate. The borrower gets
8 an FHA loan through us, and then we sell that paper to
9 FHA, and then we take a Ginnie Mae bond?

10 MR. BRAUNSTEIN: Um-hmm.

11 MR. HUDSON: Okay.

12 MR. BRAUNSTEIN: Yeah. I mean, the 25 -- you
13 know, a quarter-percent drop in rate in today's market
14 is important to the first-time homebuyer and to our
15 lender community. Years gone by, the Agency was able to
16 offer a much wider differential than we are today, but
17 within that framework down, along with the downpayment
18 programs and the closing costs programs that we could
19 offer through our own CHDAP program and the localities,
20 our lenders are finding it to be a favorable product.

21 MR. SPEARS: Our hope, by the way, is that if
22 interest rates and mortgage rates do gradually climb
23 over the next year and half, because we've locked a lot
24 of the costs of our funds with this New Issue Bond
25 program, that this product will become more and more

1 competitive as we go through the program. If interest
2 rates stay where they are or even drop, then, you know,
3 we'll be able to relock at the lower rates that Bruce
4 was talking about, but we'll be still at this quarter
5 basis point below market sort of level of
6 competitiveness.

7 Just one other note, the downpayment assistance
8 is coming from GO bond funded downpayment assistance
9 from Prop 46 and Prop 1C. No -- we're just not able to
10 fund downpayment assistance with internal funds like
11 we've done in the past, but I will say this: That there
12 are CHDAP funds and School Facility funds that are
13 available.

14 I had conversations with HCD, with Elliott
15 Mandell, who is Lynn's deputy, this past week and
16 Department of Finance. You know, bond funds were held
17 up there for a while, and Department of Finance was
18 acting as the traffic cop about who got what.
19 Department of Finance is now officially out of the
20 traffic cop business. So now we're back to the -- the
21 sort of the regular process and that is that bond funds
22 are sold by the Treasurer's Office. They go through
23 HCD. We make requests to HCD, and they come to us.

24 So we have a request in to HCD for \$32 million,
25 \$20 million of CHDAP funds and 12 and a half million

1 dollars of School Facility Fees. And that's in the
2 works, and I, you know -- neither Elliott nor Finance
3 could see any obstacles of transferring that over, so --
4 so we'll have downpayment assistance.

5 Then the only other piece of downpayment is
6 that Gary and his staff have really done a good job of
7 going back out to our local government partners in the
8 AHPP program to get them onboard, and it will be a
9 partnership with them as far as downpayment assistance.

10 So we will report to you on volume the next
11 time.

12 ACTING CHAIRPERSON CAREY: Yes.

13 MS. MACRI-ORTIZ: Question, on the downpayment
14 assistance, is there any -- going to be any restrictions
15 on the property in terms of ownership?

16 MR. SPEARS: Yes.

17 MS. MACRI-ORTIZ: Okay. And how long of a
18 period will that be for?

19 MR. SPEARS: Well, you mean for the --

20 MS. MACRI-ORTIZ: Well, in terms of, you know,
21 the restriction on the property. So people are going to
22 get money from --

23 MR. SPEARS: Right.

24 MS. MACRI-ORTIZ: -- the State to buy a home
25 for downpayment assistance, right?

1 MR. SPEARS: Right.

2 MS. JACOBS: Resale controls.

3 MS. MACRI-ORTIZ: Resale controls.

4 MR. SPEARS: Oh. There are no resale controls
5 on CHDAP or School Facility Fee funds.

6 MS. MACRI-ORTIZ: They're aren't?

7 MR. SPEARS: No.

8 MS. MACRI-ORTIZ: Oh.

9 MR. SPEARS: It attaches to the borrower, and
10 if the borrower sells that home, that loan is paid off
11 at the time the home is sold. If the loan is paid off,
12 then the downpayment assistance money becomes --

13 MR. BRAUNSTEIN: In some locality programs,
14 there are some resale restrictions. And when -- when
15 and before we approve a new locality, we internally
16 through our legal counsel, bond counsel, and my group
17 review the documentation in the program.

18 ACTING CHAIRPERSON CAREY: Generally if they're
19 going beyond simply helping with closing costs.

20 MR. BRAUNSTEIN: Oh, right, yes.

21 ACTING CHAIRPERSON CAREY: Right. Then there's
22 a fair amount of local restrictions.

23 MR. HUGHES: But I would point out that the
24 CHDAP and School Fee programs are statutory. They're
25 defined by statute, and there is no such provision in

1 the statutes.

2 MS. MACRI-ORTIZ: Okay. At least we're getting
3 some downpayment. So I saw this one as a little bit of
4 an improvement on the prior program that we lost.

5 MR. BRAUNSTEIN: Right.

6 MS. MACRI-ORTIZ: Would you agree?

7 MR. BRAUNSTEIN: Oh, well, yes. I mean, this
8 is a federally insured product through FHA product.
9 It's a product that we've done through the Agency for
10 years. The challenge we had in the past was really the
11 interest rate that we could offer at the time. When we
12 were talking about the other product, we didn't have the
13 vehicle we have now through the NIBP and the opportunity
14 to relock the rates, so months past, the rate -- to have
15 offered this product the way it sits today, we would not
16 have been able to offer a below market rate for our
17 lenders to choose this product over their own.

18 Any other questions?

19 ACTING CHAIRPERSON CAREY: Thank you.

20 MR. BRAUNSTEIN: Thanks.

21 --o0o--

22 **Item 7. Report of the Chair of the Audit Committee**

23 ACTING CHAIRPERSON CAREY: Next on the agenda
24 is the report of the chair of the Audit Committee. I
25 really appreciate Mr. Gunning for sitting in as chair

1 and being willing to report out.

2 MR. GUNNING: I surely don't want to accept the
3 title just yet.

4 ACTING CHAIRPERSON CAREY: I understand your
5 feeling.

6 MR. GUNNING: Mr. Chair.

7 The Audit Committee met this morning, Members,
8 and three main items on our agenda, the first being, of
9 course, our request for proposals to select a new
10 auditors for the Agency. Deloitte is our current
11 auditor in the six-year contract, I believe -- four-year
12 contract, and it's up for review. And so the staff is
13 going through the process now of the request for
14 proposal and looking for other auditors for our agency.

15 Steve, or anyone?

16 MR. SPEARS: And we think that process will --

17 MR. GUNNING: Lori?

18 MR. SPEARS: The contract expires at the end of
19 December. We need to get either Deloitte's contract
20 renewed or select the new auditor because the Mortgage
21 Insurance Fund is a December 31 year-end, and so they
22 will start right away with that, that audit. So the --
23 the contract covers both the Housing Fund and the
24 Mortgage Insurance Fund, so we expect that we will come
25 back to the Audit Committee in January with a name of a

1 firm that we believe is qualified and then complete that
2 process during January and have that contract done and
3 signed by February the 1st of next year.

4 MR. GUNNING: Questions?

5 The second item, I think all of us have seen
6 this, and it has to do with the examination by the Joint
7 Legislative Audit Committee which was a request from the
8 Pro Tem to perform an audit on the Agency. I think all
9 of us saw the letter. So we talked about the breadth
10 and scope of that audit.

11 And I guess the staff has already met -- begun
12 the interviews with the -- the -- not the committee, but
13 the Agency. We've supplied names of consultants to help
14 them. Actually, a pretty fast timetable. They expect
15 to be up and running the first week in October with the
16 selected consultant and begin the audit.

17 As someone who has participated in requesting
18 those audits on the Department of Insurance, sometimes
19 can be scary having the Legislature looking at you, but
20 I think they do a thorough job, and it does appear that
21 they're working with us to make sure that they have
22 professionals who will work with them to understand how
23 we do our business, which I think is critical, that --
24 because you just can't come into this Agency and do it
25 like any other state audit.

1 So Steve or Lori want to -- or Bruce want to
2 add to that, but --

3 MR. SPEARS: Well, they -- they are going to
4 start right away. I think they'll start their fieldwork
5 next week and -- and as Mr. Gunning said, we've been
6 very pleased with the amount of conversation that we've
7 had so far. It's been very professional. Ms. Howle,
8 the State Auditor, said in the Joint Legislative Audit
9 Committee when this was considered and the request was
10 granted that they don't have this expertise internally;
11 they're going to have to go out and get a subject matter
12 expert.

13 So they've talked to us about what sorts of
14 consultants are out there. They need to know who
15 already works with us or has in the past so they would
16 know who to exclude from their request. And the RFP has
17 already gone out, so they are going to get -- and
18 they'll have a parallel track. They're going to get
19 these folks in the door.

20 And the first few questions that are being
21 asked by the Auditor have to do with the past. And my
22 understanding is that their audit staff will start
23 looking at old Board minutes and documents from ten
24 years ago and on, while at the same time the subject
25 matter experts are going to be dealing with the more

1 technical questions that were asked. And those two
2 things will be going along side by side.

3 The deadline for completion is February 28th.
4 That deadline was the request of Senator Steinberg. He
5 would like to get this -- these questions asked and
6 answered as quickly as possible. I think that's a very
7 ambitious time frame, but I think the way they've
8 outlined it is -- I think they can -- they can meet
9 that. It would be beneficial to get this --

10 MR. GUNNING: Yes.

11 MR. SPEARS: -- complete.

12 MR. GUNNING: Comments?

13 The third and final item I think is something
14 we're very familiar with, which is our annual audit. I
15 guess the bad news first is I think there will be a loss
16 reflected for the current year similar to last year,
17 focusing on four items, three of which we know about.
18 One more is a new item. The first one, increase in our
19 loan loss reserves. Second, our basis mismatch.
20 Thirdly, our termination of our swap agreements. The
21 fourth one is a change in accounting standards, which
22 requires us -- forgive me here, I think it's Bruce or
23 Tom that's prepared -- I guess it's the -- help me here,
24 Steve.

25 MR. SPEARS: Well, this accounting rule

1 change -- just as background, you all know that in the
2 back of your -- your binders every time, there's another
3 one there, is a report from Bruce about how our swap
4 contracts are functioning.

5 And the accounting rule change is not just for
6 CalHFA and not just for the housing industry. It's for
7 all government entities that use derivatives, and our
8 swap contracts fall in that category. And it really
9 takes a lot of the information that's in Bruce's report
10 and folds it into the financial statement. So as I said
11 in the Audit Committee, you really have to take our
12 financial statements, Bruce's report, and the Milliman
13 report about losses to get a complete financial picture
14 of our Agency.

15 What this rule does is take a great deal of
16 what's in Bruce's report and folds it in so you only
17 have to look at the financial statements now to get the
18 gist of that. And what it measures is the effectiveness
19 of the swap contracts that we have. And if they're not
20 perfectly matched, they're considered to be ineffective.

21 And there was a little bit of a debate, not to
22 get too technical, that if they're slightly ineffective,
23 then you have to consider the entire swap ineffective,
24 and that would have been a very big hit to the income
25 statement. The more reasonable approach that we believe

1 the auditor is going to use is that they're only going
2 to measure the ineffective portion of the swap and put
3 that in. We believe that will be about a \$50-million
4 cost to the financial statement.

5 The other three items -- well, let me stop and
6 see if there's any questions about that rule. It's a
7 bit of a technical rule. I think what it means is that
8 you can look at the financial statements to get a more
9 complete picture of how we're doing on the -- on the
10 swap contract side of things.

11 The other three things are things that we
12 talked about last year. Loan losses, obviously
13 delinquencies continue. We believe that the loan loss
14 reserves that you're going to see are a very, very
15 accurate reflection of the loan losses in the loans that
16 are delinquent at June 30. It is not a complete report
17 like the Milliman study of all losses expected over the
18 life of the portfolio. So I would caution you about
19 that.

20 The other two are the basis mismatch that we
21 experience on swap contracts on the variable-rate debt.
22 And a lot of that went away when the Treasury facility
23 was put in place. That was taken care of.

24 And then we had swap terminations. That was at
25 the beginning of the year when we terminated some swaps.

1 I believe they were Lehman Brothers swaps -- or others?

2 MR. GILBERTSON: No, it was actually -- excuse
3 me. It was part of the negotiation that we did the
4 summer of 2009.

5 MR. SPEARS: Right.

6 MR. GILBERTSON: So we terminated swaps with
7 both Merrill Lynch and Citibank. A total of \$39
8 million. And all of that shows as an expenditure, which
9 puts you in an operating loss position.

10 MR. SPEARS: Right. The reason we bring up
11 these four items under the theory of no surprises, I do
12 not want you to be surprised by the fact that the income
13 statement will reflect all of these accounting
14 measurements and come up with a loss this year that's
15 probably greater than what we saw last year just because
16 of the loan loss reserve thing alone.

17 MR. GUNNING: And we'll let Ruben come back and
18 give that news.

19 MR. SPEARS: Fair enough.

20 MR. GUNNING: That's all I have, Mr. Chairman.

21 ACTING CHAIRPERSON CAREY: Thank you.

22 Any other questions?

23 --o0o--

24 **Item 8. Update regarding facilities at 500 Capitol**
25 **Mall, Sacramento and 1040 Riverside Parkway,**

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

West Sacramento

ACTING CHAIRPERSON CAREY: Okay. We'll move on. Brief update on the facilities moves.

MR. SPEARS: Just very quickly, we're moving forward. The move date hasn't changed. We're going to move the Meridian staff into the new -- the new floors at 500 Capitol Mall the first week in October. Then the second week in October, most of the Senator staff will move to the 500 Capitol Mall location.

What we have done, though, is some of the staff in portfolio management, the Hardest Hit Fund staff, since we don't believe that we'll have REO inventory, you know, forever and ever at this level, those staff we're moving to West Sacramento in a more affordable rental space. And that -- gradually over time as we reduce that staff, then we wouldn't have to have committed to as much of the more expensive space in the downtown location.

So we're on track budgetwise and schedulewise, and things so far have gone smoothly.

MR. GUNNING: Will there be an open house, or will we have a chance to come by and look or --

MR. SPEARS: Yes, absolutely. You can come by and visit any time you want. I believe that Ken has open house plans up his sleeve. Frankly, I'd like to

1 sort of get through the move first and then have a
2 little open house session later on.

3 ACTING CHAIRPERSON CAREY: Great. Okay.

4 --o0o--

5 **Item 9. Reports**

6 ACTING CHAIRPERSON CAREY: Steve, in the
7 reports -- are there things in the reports that the
8 Board should be particularly aware of?

9 MR. SPEARS: I would urge the Board to look at
10 all of them, of course, but the homeownership loan
11 portfolio update is important. I would note that what
12 you have there on page 217 of your binder is a June 30
13 report, portfolio.

14 Of course, our concerns are with conventional
15 loans, so if you look at the very last line on that
16 page, there's a line called weight average of
17 conventional loans, and it shows you the delinquency at
18 15.1 percent, is on page 217, the very last line of that
19 page.

20 I have an unreconciled report as of August 31st
21 that that has now gone down to 14.7 percent. So if you
22 see some of the graphs that Bruce's staff have prepared
23 later on in that report, I think it's fair to say that
24 delinquencies have stabilized in some way. What you're
25 seeing in the total delinquency going down every month

1 is progress that we're making with a backlog of very old
2 loans. We simply got behind. We had two moratoriums.
3 We took time out to develop two loan modification
4 programs. We moved staff to West Sacramento earlier in
5 the year. And through that process and rapidly
6 increasing delinquencies and -- and it took some time to
7 get staff onboard, we got a little behind.

8 We are also trying to do our best to work with
9 homeowners and keep them in their homes. But what's
10 happening now is we're seeing the 90-plus category of
11 delinquencies steadily go down. Unfortunately, those
12 are folks that are leaving their homes, but -- but it
13 does result in a decline in overall delinquencies.

14 MR. HUDSON: You know what would be interesting
15 to look at is a trend, so if you go back 12 quarters or
16 something like that or --

17 MR. SPEARS: What you may want is on page 219.

18 MR. HUDSON: 219?

19 MR. SPEARS: We've got --

20 MR. HUDSON: Oh, good. Okay.

21 MR. SPEARS: -- some trend analysis, but --

22 MR. HUDSON: But this is 90 plus?

23 MR. SPEARS: Yes.

24 MR. HUDSON: And --

25 MR. SPEARS: 90-plus FHA and then 90-plus

1 conventional.

2 Now, I have more graphs than you can
3 possibly --

4 MR. HUDSON: So, but -- no, but I'm just trying
5 to figure out the trend. So it peaked when? It looks
6 like it peaked like January of this year, right?

7 MR. SPEARS: January, February, in that range,
8 and then we begin to make some progress. And it has
9 steadily gone down. So what that means in -- is that we
10 are making progress on processing a backlog of loans
11 that have been delinquent for a very long time, and we
12 have fewer and fewer loans going into that category, so
13 it's steadily going down.

14 MR. HUDSON: Yeah, so if you have fewer and
15 fewer loans going into that category, I would say that
16 you're -- the delinquencies that are stabilizing will
17 trend down over time, if they're not new ones going in.

18 And even though the economy is still in the
19 dumps and unemployment is still high, you think that
20 trend is going to continue that way?

21 MR. SPEARS: The only caveat that I have, and
22 I've talked to Chuck about this a lot, in the last two
23 months -- and I'm getting unreconciled reports as soon
24 as I can and then they're going back and they're
25 reconciling to the penny. But these two last months of

1 unreconciled reports, I've seen a slight little uptick
2 in the 60-plus category. And so that causes me a little
3 concern that we might be seeing a few more homeowners,
4 but it's not the kind of rise that we saw in the summer
5 of last year, where -- and I have to say this: These
6 graphs that you see here absolutely mirror the
7 unemployment rate graph for California.

8 We did not see increase in delinquencies when
9 subprime loans started going up in '08. This went up as
10 soon as unemployment rates started going up. So when
11 unemployment stabilized, Paul, then we started seeing
12 improvement and stabilization of our own delinquencies.
13 Absolutely.

14 MR. HUDSON: Okay.

15 MR. SPEARS: So that's an important report.

16 And I always want everyone to spend some time
17 with -- because Bruce spends good, quality time on this
18 variable-rate report. I would urge you to spend some
19 time with that. And --

20 MS. JACOBS: Barbara's asking a question.

21 MR. SPEARS: I'm sorry.

22 MS. MACRI-ORTIZ: I've got a question, and this
23 goes probably to the servicers that we're going to deal
24 with for our new program. And I'm wondering whether we
25 are considering the delinquency rates of the servicers

1 that we've had in terms of selecting our new ones and
2 whether we're going to have any servicers coming out of
3 maybe the nonprofit CDFI-type organizations that can
4 process loans. And just in terms of the focus, maybe in
5 terms of changing a little bit on that, who's actually
6 doing the work to figure out who's going to get that
7 role?

8 MR. SPEARS: On these loans that we're going to
9 start making --

10 MS. MACRI-ORTIZ: Yeah.

11 MR. SPEARS: -- going forward?

12 MS. MACRI-ORTIZ: Because I just -- there's
13 one -- there's one servicing group here that's got 2800
14 loans, 35 percent of which are delinquent.

15 MR. SPEARS: That's Bank of America. And
16 they're doing a terrible job, and we have been on their
17 case.

18 MS. MACRI-ORTIZ: And -- and aren't we doing
19 our new deal with Bank of America? Isn't there -- don't
20 we have a disconnect here?

21 MR. SPEARS: A bit. I freely -- here's the
22 issue: Bank of America has been our master servicer,
23 and they've done a wonderful job on that side of the
24 house, but if -- packaging loans up. And we -- we made
25 a decision not to go out and -- and try to take the time

1 to select a new master servicer, but -- but we have been
2 working with them to try to get them to improve -- what
3 I would do if we had the personnel to do it, and we
4 simply don't have the ability to hire this many people,
5 is start taking back loans from servicers that aren't
6 doing a good job. We just don't physically have the
7 capability of doing that at this point.

8 MS. MACRI-ORTIZ: Well, I'm just saying,
9 though, that if you're dealing with somebody who's got
10 35 percent and we've got other servicers that are much
11 lower, like Wells Fargo is 12 percent, we've got Bank of
12 America at 35, to me that says maybe we've got --
13 because whoever is going to end up in the delinquency
14 category, barring the unemployment issues which are
15 pretty much across the board, is going to be based on
16 what happens when that person gets a loan. Are we doing
17 our homework right to get the right people into the
18 right loan?

19 And I think if we're not doing those loans
20 ourselves, then we've got to have more confidence in our
21 servicers to do the right thing. And I'm just saying
22 this is an indicator. I don't know what it means, but
23 to me it's an indicator.

24 MR. SPEARS: A couple of comments. Every
25 borrower in this new FHA program -- and if we ever do

1 the Ginnie Mae program, the conventionally insured
2 program -- is going to receive borrower -- first-time
3 homebuyer education before they get one of our loans.
4 We've never done that before. So that's No. 1.

5 No. 2, we're going to continue our practice of
6 actually underwriting loans and actually documenting
7 everything and working with borrowers to make sure that
8 they are -- they have solid credit. And as Gary pointed
9 out, we're asking for borrowers in this FHA program to
10 have a 620 FICO score instead of a 580 score that FHA
11 can deal with.

12 So I think we've taken steps, Barbara, to get
13 the right folks in the home. And -- and I think one of
14 those big steps is that borrower counseling before they
15 ever take this step. The lenders don't like those
16 programs.

17 MS. MACRI-ORTIZ: I know.

18 MR. SPEARS: Because those programs --

19 MS. MACRI-ORTIZ: That's --

20 MR. SPEARS: -- wind up talking people, some
21 people, out of buying a home.

22 MS. MACRI-ORTIZ: Exactly.

23 MR. SPEARS: And --

24 MS. MACRI-ORTIZ: And that's why I like the
25 nonprofits. And the more we can tap into that community

1 for some of our servicing and for the work on the ground
2 floor, the better shot we have and I think the healthier
3 in the long term.

4 MR. GUNNING: I'd want to echo those comments
5 because as we heard from the group here before, there
6 are a lot of issues with servicers. And if we're not
7 seeing the production here with our largest servicer,
8 maybe we do want to look at other entities or keep them
9 in mind.

10 MS. PETERS: I'd like to add to that. I've
11 been talking about holding the servicers' feet to the
12 fire for a long time now, and I hate to see us rewarding
13 servicers who are overtaxed, overburdened and
14 underperforming.

15 MR. SPEARS: Okay.

16 ACTING CHAIRPERSON CAREY: All right. Anything
17 else in the reports that we need to be aware of?

18 --o0o--

19 **Item 10. Discussion of other Board matters**

20 ACTING CHAIRPERSON CAREY: Hearing not, other
21 Board matters?

22 --o0o--

23 **Item 11. Public testimony, continued**

24 ACTING CHAIRPERSON CAREY: Hearing none, okay.
25 We're at the point where we will open public testimony

1 on other matters that the public would like to address
2 the Board. Once again, we would like to keep the time
3 brief and focused, as we are -- I see people checking
4 their watches, and some are hungry.

5 So with that, we are open to public comment.

6 Seeing -- it was close. Welcome back.

7 MS. HAFFNER: So my name is Stephanie Haffner.
8 I'm an attorney with Neighborhood Legal Services of Los
9 Angeles County. We spoke to the Board previously and
10 returned at the invitation of some Board members to
11 engage in further dialogue. So I think that we would
12 ask for your questions.

13 MR. HUDSON: So I have a question. So how much
14 would you recommend be allocated -- of the money we
15 have, the billion-two, how much would you allocation --
16 how much would you allocate to cash out?

17 MS. MARIAJIMENEZ: At this time we're not
18 prepared to propose to the Board or to the staff of a
19 certain amount of money. What we are asking the Board
20 in setting forth policy is to take into consideration
21 that by eliminating refinancing, you're closing the door
22 to thousands of long-term homeowners. It
23 disproportionately impacts communities of color, in
24 particular South Los Angeles and others throughout the
25 state, of long-term homeowners who were specifically

1 targeted for subprime mortgage lending.

2 So what we're asking the Board to do is to
3 reconsider, that that population be considered. We know
4 there is not enough money to help everyone in
5 foreclosure in the state of California even with the
6 amount of money California has received, therefore, that
7 the -- that the Board take into consideration that some
8 portion of that money be allocated to assist those
9 communities.

10 MR. HUDSON: So you trust our judgment on that?

11 MS. MARIAJIMENEZ: Well, we would -- we would
12 like to hear your recommendation and then maybe we would
13 comment to it. But at this time we're not prepared to
14 say that the Board should do -- set aside a specific
15 amount of money.

16 Frankly, what we're promoting here today is to
17 look at the housing market. Unless it is stabilized,
18 the economy in California is not going to recover. And
19 we do understand that we're looking at innovative
20 programs, even the California Housing Finance Agency
21 program. We need to start somewhere, and we need to
22 implement, but we need to implement keeping in mind that
23 we use taxpayer funds responsibly and that we look to
24 the guidance that has been set forth by the federal
25 government and that we implement these innovative --

1 these pilot programs now -- and I'm sure we will be
2 tweaking as we go forward -- but that the Board
3 recognize that they set forth policy and that it would
4 be bad policy to implement what's planned right now.

5 ACTING CHAIRPERSON CAREY: Mr. Hunter.

6 MR. HUNTER: I don't know if it's so much a
7 question, it's just, you know, if we're looking at the
8 policy issues, frankly, the -- the -- you know, when you
9 have -- you have a hundred people who need help and the
10 best case scenario you can help 30 of them, that's sort
11 of the picture that we're in. Frankly, in this -- in
12 this -- this \$1.2 billion is not going to stabilize the
13 California housing market.

14 I don't find the issue of predatory lending as
15 compelling from a policy perspective as what the money
16 was used for, particularly last month some of the
17 testimony we heard from homeowners who did take cash out
18 of their homes for very critical reasons. You know,
19 that -- to me, that's much more compelling from a --
20 from a policy perspective than the fact that you were or
21 weren't a victim of a predatory lender.

22 The other thing, though, that I've heard
23 several times and -- and I guess it's the other kind of
24 thing that I don't know how to frame it from a policy
25 perspective, but the fact that somebody's been in a home

1 for 20, 30 years, you know or even 10, 15 years, I don't
2 know -- I'm trying to figure out how long I've been in
3 my home.

4 MR. HUDSON: You want to make sure you're
5 included in the mix, is that it?

6 MR. HUNTER: But that somebody -- that a family
7 has been in a community and a member of a community, a
8 neighborhood, for a long time, there's -- there's not
9 just an economic value, there's a community value. But
10 every time we try to figure out -- you know, each one of
11 those things that we try to take from a policy
12 perspective, ultimately what it comes down to is a very
13 complex decision-making process at the level of actually
14 deciding.

15 But I just -- I just have to say I'm not -- I
16 can't say that I'm totally opposed to doing any lending
17 to people who took cash out of their homes, but to me
18 the more compelling policy perspective is why they took
19 cash out of their homes.

20 ACTING CHAIRPERSON CAREY: Ms. Peters.

21 MS. PETERS: I've had a chance during the
22 presentations -- not that I wasn't paying full attention
23 to staff.

24 ACTING CHAIRPERSON CAREY: Right.

25 MS. PETERS: -- to go over the handout that you

1 provided clarifying the cash-out refi criteria. Is this
2 the AG's criteria that were --

3 MS. HAFFNER: Yes.

4 MS. PETERS: -- referred to?

5 MS. HAFFNER: Yes.

6 MS. PETERS: Okay. I have a question here.
7 There are five listed. And so it's my understanding
8 that CalHFA now says no cash-out refi's are eligible.
9 You have proposed that some be eligible and that these
10 criteria be used as the guidance to determine who gets
11 it and who gets out, right?

12 MS. MARIAJIMENEZ: Well, what we're saying is
13 that that serves as a guide to the staff, given that it
14 has been adopted by the Attorney General.

15 MS. PETERS: Okay. Then I have more
16 clarification here because there are five things on the
17 list. So if we followed your recommendation, we would
18 allow anyone that falls into these categories to apply
19 for the CalHFA program. So it would be pay-option ARMS,
20 subprime mortgage loans that combined higher risk
21 features with higher risk borrower profiles, subprime
22 adjustable rates such as 228s, subprime fixed rates, and
23 Alt A residential loans. My question is who's not on
24 that list?

25 MS. HAFFNER: Who's not on that list are prime

1 borrowers.

2 MS. PETERS: So you could just say every
3 subprime borrower.

4 MS. MARIAJIMENEZ: Well, it also sets
5 parameters. If we're looking at that criteria, you're
6 also looking at a time frame parameter which I believe
7 is between 2005 and 2008, loans that were issued.

8 Another characteristic of these loans is that
9 because of the substantial fees that were charged on
10 these loans, the financial institutions that originated
11 them made substantial amounts of money, so the idea that
12 there's this moral hazard about assisting some that --
13 not assisting them because they refinanced, there's --
14 there's a -- just a culpable side as well on the
15 financial institutions who earned substantial amounts of
16 fees in having followed these predatory schemes.

17 MS. HAFFNER: And I think that that's why those
18 criteria are part of the settlement of the Attorney
19 General with Countrywide, because there was -- you know,
20 while there's not admission of liability, I think it's
21 an indicator of recognition that those are particularly
22 risky types of loans for which there's particular
23 responsibility to work them out in a certain way.

24 And so that's why -- and so the criteria from
25 the AG's settlement, we thought, would be a compromise

1 position for you to look at a way to include borrowers
2 who did refinance, did take cash out, and were under --
3 under some -- under a measure taken advantage of because
4 the loans were structured in a way that there was no
5 realistic way to pay them back in the first place as --
6 which was knowable by the folks who issued the loans in
7 the first place and who profited from the issuance of
8 the loans.

9 MS. MARIAJIMENEZ: And which disproportionately
10 impacted communities -- homeowners of color, which are,
11 in fact, the hardest hit communities in California.

12 MS. PETERS: It's a policy debate which --
13 reasonable minds could differ.

14 There's another aspect to the consideration
15 here, and that is the limited amount of resources not
16 only in dollars, but also in staff, with, unfortunately,
17 so few dollars. It sounds like a lot to say 1.2
18 billion, and in most situations that would be a lot of
19 money.

20 MS. MARIAJIMENEZ: Right.

21 MS. PETERS: But the magnitude of the problem
22 here in California, it is, unfortunately, a very little
23 amount of money. And, you heard from staff, it's an
24 extremely difficult program to run as it is to get those
25 dollars out the door.

1 So I personally -- and, of course, I don't
2 speak for the Board -- would hesitate to recommend that
3 the staff then go through an additional hoop of
4 analyzing all these different things we've been
5 discussing here, but that's just my personal opinion.

6 MS. MARIAJIMENEZ: And just to that point, we
7 do -- we do understand that there's a limited amount of
8 money.

9 I do call the Board take administrative notice
10 that the California Housing Finance Agency staff has
11 indicated in their summary that of the 500 million
12 they're setting aside, given the average amount that's
13 going to be invested in a homeowner, that money is going
14 to help about 13,000 homeowners in the state of
15 California as currently written. And we do believe that
16 that is not a wise use of money, that there could be
17 many, many more homeowners.

18 We know we're not going to be able to help
19 everybody, but we can help many, many more. We could
20 double that amount if the plan was reconsidered.

21 ACTING CHAIRPERSON CAREY: I think that's --

22 MS. PETERS: It's already been approved by
23 Treasury.

24 ACTING CHAIRPERSON CAREY: That's covering
25 familiar territory.

1 Mr. Shine, do you have a question?

2 MR. SHINE: Well, I'm scratching my head here a
3 little bit about this definition here. So you're saying
4 that anybody -- not what you are saying. What is being
5 said in this paper that I read, I think, that you're
6 discussing is that if anybody took a dollar or \$500,000
7 in cash in their pocket, that they should be eligible
8 for this program. Or in the alternative, is there some
9 difference in the thought process about a person owns a
10 house, they paid their loan down pretty low. Someone
11 comes in and hustles them to get a new loan and they
12 borrow 50 percent of its value at the time, versus
13 someone who comes in and makes a loan and someone gives
14 them 99 percent of the value of their home, both cases
15 of which existed at some point in time.

16 Is there any idea that there should be a
17 difference in the way these people are treated? Is
18 there any criteria? Or is it just if you took a buck or
19 you took out half a million, doesn't matter, we'll just
20 give you a reduction anyway?

21 MS. HAFFNER: National policy does not consider
22 the origin of the loan, where the loan came from. Under
23 national policy, what we're looking at is we have a
24 crisis. And we have a crisis in California as well. We
25 recognize that -- that the Board does have limited funds

1 at the moment.

2 And we also recognize that policy follows
3 practice and that the programs that the California
4 Housing Finance Agency implements now stands to receive
5 more money in the future to help more people in the
6 future.

7 And so I think that the issue is how can the
8 Board best address the housing crisis in California?
9 And so to make a judgment call of you took money out for
10 the right reason, you took money out for the wrong
11 reason, will negatively impact the communities that were
12 most targeted by bad loans and will fail to address the
13 most serious parts of the housing crisis in the first
14 instance.

15 MR. SHINE: Well, you said that there's a
16 limited number of people who could be helped by virtue
17 of the volume of dollars that are sitting in the pot
18 that are available for that purpose. Given that it's
19 going to be very difficult, I think, to come even close
20 to solving a majority or a significant minority of the
21 problems that exist today in the housing market and the
22 housing stock that's in problems in California, do you
23 not think that -- notwithstanding national policy, that
24 good economic sensibility dictates that there be some
25 kind of recognition of the variable ways in which people

1 got into this problem?

2 MS. MARIAJIMENEZ: That's very difficult to
3 determine. Therefore, what we're -- what we're
4 promoting here is that the Board be open to the fact
5 that barring at the gate people who refinanced means
6 that you exclude disproportionately communities of color,
7 long-time homeowners. And -- and the thing is that
8 you -- we do -- that some portion of funds should be
9 considered for those communities. We do understand
10 there's not going to be enough money, but people should
11 not be barred at the gate because they refinanced.

12 The other statistic is that more than 65
13 percent of all subprime mortgage lenders were
14 refinanced, were refinances. So you're looking at
15 barring a very large population of homeowners, and,
16 again, that disproportionately impacts communities of
17 color and long-term homeowners.

18 MR. SHINE: Well, so you're -- am I hearing you
19 say that economics alone should be not considered, that
20 the social implications of the government's funding
21 should be also added to the criteria, notwithstanding
22 the economics?

23 MS. HAFFNER: I think -- I think I understand
24 your concern is, you know, basically why do you want to
25 reward borrowers who -- who -- borrowers who took on

1 risks that they shouldn't have and who got cash? Why
2 should we -- why should we, the California Housing
3 Finance Agency, help make that debt go away when they
4 got cash?

5 And so I think the reason that we point to the
6 Countrywide settlement as a measure is because there's a
7 flip side of how did people get into these loans in the
8 first place, who issued the loans, why were they risky.
9 And so -- and that there's a finding that certain type
10 of loans are very, very risky and so that there's
11 culpability on both sides. And so if you want to look
12 at culpability, say, okay, well, at least we know that
13 certain type of subprime loans are defined as inherently
14 risky, that there was some culpability there, we'll
15 include those under the mix.

16 I don't know if that helps your concern, but I
17 think that's one way to look at it, is that there's
18 moral hazard on both sides.

19 MR. SHINE: I know exactly what you're saying.
20 Thank you.

21 ACTING CHAIRPERSON CAREY: Ms. Jacobs.

22 MS. JACOBS: Can you share with us, not -- not
23 at this second, but can you share with us any statewide
24 statistics that actually show that refinances are skewed
25 towards communities of color?

1 MS. MARIAJIMENEZ: We would -- we'll provide
2 those statistics to you and the report to you.

3 MS. JACOBS: Okay. Because that would be --
4 but we need -- we are not looking at Los Angeles alone.
5 We need to look at statewide --

6 MS. MARIAJIMENEZ: We're -- we're -- we're here
7 for the state --

8 MS. JACOBS: Okay.

9 MS. MARIAJIMENEZ: -- of California. Yes.
10 There were members of our group from Northern
11 California.

12 ACTING CHAIRPERSON CAREY: Ms. Macri-Ortiz.

13 MS. MACRI-ORTIZ: Okay. I'm looking at these,
14 the five. And, yes, it's true it happened with refi's,
15 but it also happened with firsts. I mean, anybody of
16 low income, color, that was targeted -- you know, my
17 community, we're all Mexican Americans because it was a
18 heavy, heavy Latino community, so the Latino community
19 was targeted. Most of them were not homeowners, so they
20 got into firsts with all of these features. So I think,
21 to me, it's a given that anybody that we're going to
22 help, the majority of people we're going to help are
23 going to come out of here.

24 Now, I think with respect to looking at the
25 refi, I really agree with my colleague here in terms of

1 the -- the damage that's done to a community when you
2 have someone that's been in there a long time. But at
3 the same time, there was a lot going on. And I -- where
4 you have -- and maybe you can talk about the profiles of
5 some of your clients or, you know, the people you're
6 trying to help in L.A. I know about the profile of the
7 clients that I've been working with in Oxnard.

8 And where the refi's came in was the elderly or
9 the person on the last, you know, end of their -- their
10 employment or the person on social security disability
11 or whatever that got into a loan and what -- maybe
12 the -- where you had the negatives, where every month
13 somebody's -- their -- their principal increases every
14 month. And I could see from myself voting for something
15 in terms of a policy issue for the Board where we say,
16 okay, we're not going to just totally exclude refi's,
17 but --

18 MS. PETERS: Cash-out refi's.

19 MS. MACRI-ORTIZ: -- cash-outs. But you have
20 to look at what was the amount of money that was taken
21 out in comparison to what was the debt, No. 1; No. 2,
22 you know, what was it used for; and then how much really
23 did the lender rip them off? Because a lot of the
24 people I know got in trouble, it was that extra \$500 was
25 added onto their premium every month because they picked

1 the wrong coupon because they could only afford the
2 minimum payment. And I could see that.

3 But, I mean, when we use a litigation with
4 Countrywide, okay, that's where, you know, they did
5 something that was illegal and because of that there was
6 a settlement. And we're dealing in a climate where
7 because of these bad practices, the whole thing
8 collapsed. We're trying to rebuild it back up without
9 having sufficient funds to be able to do it.

10 So I think we have to -- if we're going to err,
11 we have to err on the side of those who pose the best
12 chance of rebuilding their community. And I think with
13 respect to that, the long-term homeowners do have
14 something to say. But they can't just because they're
15 long term -- they could have taken out 500,000, their
16 original mortgage was 20,000, they got 500,000, now they
17 want to get bailed out. You know, I mean, there has to
18 be some relativity to what we're talking about.

19 MS. MARIAJIMENEZ: And we agree, Ms. Macri. We
20 do. It's a very difficult situation. I could attest to
21 the homeowners that we've seen here in Los Angeles and
22 also in Northern California, but long-term homeowners,
23 over 30 years of ownership, who at one time had paid off
24 their mortgages, refinanced in order to pay off mortgage
25 debt or pay educations or help their children purchase

1 homes that have now been lost. But that is a story
2 that's told time and time again.

3 And, yes, it's very difficult to narrow
4 criteria and -- but we do feel that there can be
5 rational criteria that can be used as a guideline, the
6 Countrywide settlement being one, the time frame of the
7 loans, and if you want to look at the purpose, that's
8 going to be very, very difficult and time-consuming and
9 unsure how you prove that, but all we're saying is that
10 these long-time homeowners, hard-hit communities, not be
11 barred at the gate and that some proportion of
12 assistance be provided to those communities.

13 ACTING CHAIRPERSON CAREY: Other questions or
14 follow-up from Board members?

15 MR. HUDSON: I had a question of staff, but I
16 don't have any questions of the public comment.

17 ACTING CHAIRPERSON CAREY: Great.

18 MS. HAFFNER: Have we adequately addressed also
19 the questions about negative equity and the --
20 Mr. Hudson, your questions about negative equity and the
21 affordable payments and how addressing equity relates to
22 an affordable payment as well as the banks' willingness
23 to accept the 6 to 21 cents?

24 MS. MACRI-ORTIZ: That, I don't think, was
25 adequately responded to. And I think that the question

1 is in terms of a priority, if you're going to place a
2 policy value, is it -- is the negative equity more of an
3 issue or is the lack of affordability in terms of the
4 amount a person can pay to keep his family in the home
5 for next ten years? What should be the priority?

6 MS. HAFFNER: Both are important issues and --
7 and affordability is addressed in every scenario, or at
8 least in every best case scenario affordability is
9 addressed.

10 And the -- but as a matter of -- again, as a
11 matter of national practice in loan workouts, the tools
12 used to get to an affordable payment: Reduce interest
13 rate, extend the term of the loan, and then impose a
14 balloon payment, as you know. And so -- and so
15 addressing affordability is one part of the equation.

16 However, in order to solve this crisis, you
17 also need to deal with the problem of mortgage debt
18 because people are 200-percent underwater. And when
19 they're paying an amount of money that's 1500 a month,
20 2000 a month, you can call that 2-percent interest, 40
21 years, and a balloon payment at the end or you could
22 call that 5-percent interest, 30 years, approximately,
23 and it's the same monthly payment. So the issue is do
24 homeowners have a chance of homeownership at the end of
25 the day?

1 And that's the question that Treasury actually
2 asked this Board to solve. Treasury asked the Board to
3 help solve the problem of borrowers with severe negative
4 equity. Treasury didn't ask the Board to solve the
5 problem of affordability because there already are
6 programs that address affordability. Treasury
7 recognized that that's not the whole -- the whole issue,
8 that there is a very serious issue of underwater
9 homeowners in California, Nevada, Arizona, Michigan, and
10 Florida and that different policies need to be in place
11 to do that, and that's what you're in a position to do.

12 And I think it's so that -- so that -- so that
13 you can actually prevent foreclosure long term. When I
14 need to repair my roof, what wherewithal do I have to do
15 that if I have an affordable payment but no equity?
16 When I need to sell because I need to move, what
17 wherewithal do I have if I don't have any equity and I'm
18 not going to have any equity for 20 years?

19 ACTING CHAIRPERSON CAREY: And if I'm
20 recalling, one of your points of disagreement is the LTV
21 target?

22 MS. HAFFNER: Yes. That we have recommended
23 that there be a loan to value cap. That after you
24 invest public money, that there's a maximum loan to
25 value so that you have some assurance that a foreclosure

1 will be prevented at the end of the day so that
2 somebody, again, five years down the road isn't faced
3 with, okay, now I can't -- I can make the monthly
4 payment but there's other things going on. I have to
5 deal with the roof. I have to move.

6 ACTING CHAIRPERSON CAREY: And your cap would
7 be?

8 MS. HAFFNER: What is in place at -- with the
9 City of Los Angeles program is 125 percent combined loan
10 to value.

11 ACTING CHAIRPERSON CAREY: Ms. Jacobs.

12 MS. JACOBS: I -- I appreciate your pointing
13 out to us some of the criteria that Treasury is -- is
14 trying to accomplish, but I'm pretty sure our plan has
15 been approved by Treasury. Right? So I think it -- you
16 know, it obviously meets their criteria. It may not
17 meet what you think their criteria are, but it meets
18 their criteria according to them.

19 The challenge that we all have is -- is what
20 has been brought up over and over again, that \$1.2
21 billion does not change the face of California real
22 estate. It's a very small amount of money that's going
23 to -- going to help very few families. And those
24 families that are helped are going to be happy, but we
25 are not going to change the real estate market by our

1 investments. I would like -- you know, we'd have to add
2 how many more zeros, Heather, two or three?

3 So I think we -- you know, we've got a program,
4 and I think the best thing we can do is get our money
5 out as quickly as we can get it out and help the
6 families we can help. I'm always open to reevaluating
7 it, you know, every six months and seeing if we need to
8 make changes to the program.

9 I personally think that an affordable payment
10 is a very important criteria. I think that when you
11 look at our housing shortage in California, if I have an
12 affordable payment and I'm in a house and I have
13 negative equity, where am I going to go? Am I going to
14 go to a rental that costs more when I have a little bit
15 of a tax advantage with that affordable payment? I
16 don't know.

17 So I mean, I think it's -- this is an issue,
18 you know, I think we should do a gubernatorial debate on
19 this or something, you know. This is a real thing we
20 could have a -- not that I've heard the word "housing"
21 in any government -- governor's candidate yet, but ever
22 hopeful.

23 You know, I think this is something that --
24 that you bring up some great points, and if we could add
25 some zeros, we would like to serve everybody we could

1 serve. But I think, you know, I'm comfortable with the
2 criteria that we have and the policy decisions that
3 we've made, and I'm looking forward to, you know, the
4 first monthly report of how many families we've helped
5 and getting going and seeing what we can get done by the
6 end of this year and then by the end of June of next
7 year and all those, so --

8 ACTING CHAIRPERSON CAREY: Thank you.

9 MS. JACOBS: -- that's my two cents.

10 ACTING CHAIRPERSON CAREY: I think we're done.
11 Thank you so much for staying.

12 MS. MARIAJIMENEZ: Thank you. And I just --
13 one final comment, again, it's just to, again, that the
14 Board seriously look at the plan, that we do feel that
15 given the loan to value that is set forth in the current
16 plan, you will be -- we will be as taxpayers assisting
17 people who are going to end up losing their homes anyway
18 and the banks are still going to get a windfall from
19 that. And also to consider that the Home Affordable
20 Modification Program is implementing a principal
21 reduction program not yet in place which will pay 6 to
22 21 cents on the dollar, and that will be the national
23 standard.

24 Thank you.

25 ACTING CHAIRPERSON CAREY: Thank you very much.

1 Further comments from Board members?

2 MR. HUDSON: So the 476 million, is that going
3 to go into the same program that we already have, or is
4 there a new program?

5 MS. PETERS: Only unemployment.

6 MR. SPEARS: It's only for unemployment.

7 MR. HUDSON: I know, but I mean so everybody
8 that's unemployed can get this money? I mean --

9 MR. SPEARS: The original proposal that went to
10 Treasury had four elements: An unemployment assistance,
11 reinstatement assistance, principal reduction, and
12 relocation assistance. The -- we had about \$45 million,
13 roughly, for unemployment assistance --

14 MR. HUDSON: In the original --

15 MR. SPEARS: -- in the original --

16 MR. HUDSON: -- 700 million?

17 MR. SPEARS: Yes. This 476 all goes to that
18 unemployment.

19 MR. HUDSON: So it's -- the unemployment
20 program was part of our original program, it just -- it
21 just got more money to that?

22 MR. SPEARS: Now, I will tell you and Di can
23 give you a lot more detail, but we didn't -- we -- we
24 then went back and changed the unemployment program a
25 bit, and that is in to Treasury. Those changes are in

1 to Treasury for approval. So it's not exactly the
2 program that we had originally, but it's still pretty
3 close to the original program, but it's all for
4 unemployment.

5 MR. HUDSON: Okay.

6 MR. SPEARS: So we now have a total of
7 approximately \$526 million for unemployment assistance.
8 I think that's the right number.

9 ACTING CHAIRPERSON CAREY: For unemployed
10 homeowners?

11 MR. SPEARS: Unemployed homeowners.

12 MR. HUDSON: So then I guess my final point is
13 then given all of the public concern about cash-out
14 refi's, if -- if -- if staff could just revisit for my
15 benefit our philosophy, the Agency's philosophy, behind
16 not doing cash-out refi's so we could have just some
17 sort of understanding as a Board of what we're doing,
18 why we're doing it and why we think it's important.

19 MS. MACRI-ORTIZ: And one final thing, I think
20 when we were discussing this earlier on, the
21 understanding I had between what you are doing in this
22 program and what we'd be doing in the other federal
23 programs, that we would only be assisting people that at
24 the end of the day were going to have an affordable
25 payment.

1 MR. HUDSON: Who are you directing that to?

2 MS. MACRI-ORTIZ: Well, I guess that's --

3 MR. HUDSON: Right.

4 MS. MACRI-ORTIZ: -- who had said it, but in
5 terms of that's what I'm hoping that's -- that's our
6 focus, that at -- whoever we give money to is going to
7 be able to survive, God willing, something --

8 MR. SHINE: And make the payments every month.

9 MS. MACRI-ORTIZ: Huh?

10 MR. SHINE: And make the payments every month
11 so they're current.

12 MS. MACRI-ORTIZ: Well, exactly.

13 MR. SHINE: When we're -- when it's over.

14 MR. SPEARS: It was made very clear in the
15 original guidelines that came out from Treasury last
16 spring, early last spring, was that sustainable
17 homeownership --

18 MS. MACRI-ORTIZ: Right.

19 MR. SPEARS: -- was the --

20 MS. MACRI-ORTIZ: Okay.

21 MR. SPEARS: -- primary goal.

22 MS. MACRI-ORTIZ: That's -- that -- if we do it
23 for 13,000, that's 13,000 more. If we can do it for
24 more, that's great, but whoever we do it for, if we can
25 do that, we've done something.

1 MR. HUDSON: And then one final point to Lynn's
2 question, Lynn's point, this is -- this program has
3 already been approved by Treasury, right?

4 MR. SPEARS: Yes, it has.

5 ACTING CHAIRPERSON CAREY: Yes.

6 MR. HUDSON: And if we want to make a change,
7 it's got to go back to Treasury, right?

8 MS. PETERS: Um-hmm.

9 MR. SPEARS: Yes.

10 MR. HUDSON: And I guess we could continue to
11 fund under our current program while we have an
12 application in to Treasury for a change, and then it's
13 just whatever time frame they take to make that decision
14 and get back to us would determine whether we could make
15 that change if we wanted to. When Lynn says every six
16 months we could revisit this, it really is saying if
17 we -- if in six months we see we want to make a change,
18 we could give it to Treasury and they'd get back to us.

19 MR. SPEARS: Yes. But we can fine-tune it,
20 change it dramatically. Part of the objective of the
21 innovation fund is to --

22 MR. HUDSON: See if it --

23 MR. SPEARS: -- find programs that --

24 MR. HUDSON: If we have an innovation fund
25 that's --

1 MR. SPEARS: -- are on a statewide basis.

2 MR. HUDSON: If innovation fund comes up with a
3 great program, then we can go back to Treasury say, "We
4 want all of our money to go like that."

5 MR. SPEARS: Absolutely.

6 MR. HUDSON: Okay. Thanks.

7 ACTING CHAIRPERSON CAREY: Further -- and I'm
8 assuming at some point at the end of the process we will
9 get back information on all of the applications and --

10 MR. SPEARS: Yes.

11 ACTING CHAIRPERSON CAREY: -- that will be
12 public information under the innovations fund.

13 Okay. Other -- other items from Board members?

14 --o0o--

15 **Adjournment**

16 ACTING CHAIRPERSON CAREY: With that, we are
17 adjourned.

18 (The meeting concluded at 1:01 p.m.)

19 --o0o--

REPORTER'S CERTIFICATE

I hereby certify the foregoing proceedings were reported by me at the time and place therein named; that the proceedings were reported by me, a duly certified shorthand reporter and a disinterested person, and was thereafter transcribed into typewriting by computer.

In witness whereof, I have hereunto set my hand this 6th day of October 2010.

Yvonne K. Fenner
Certified Shorthand Reporter
License No. 10909, RPR