

**STATE OF CALIFORNIA
CALIFORNIA HOUSING FINANCE AGENCY**

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BOARD OF DIRECTORS

PUBLIC MEETING

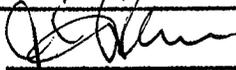
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**Burbank Airport Marriott Hotel & Convention Center
2500 Hollywood Way
Burbank, California**

**Wednesday, November 17, 2010
10:03 a.m. to 11:38 a.m.**

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Minutes approved by the Board
of Directors at its meeting held:
January 20, 2011

Attest: 

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

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A P P E A R A N C E S**Board of Directors Present:**

GRANT BOYKEN
for BILL LOCKYER
State Treasurer
State of California

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

MICHAEL A. GUNNING
Vice President
Personal Insurance Federation of California

JONATHAN HUNTER
Managing Director, Region 2
Corporation for Supportive Housing

ELLIOTT MANDELL
For LYNN L. JACOBS, Director
Department of Housing and Community Development
State of California

JACK SHINE, Chairperson
Chairman
American Beauty Development Co.

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

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

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CalHFA Staff Present:

BRUCE D. GILBERTSON
Director of Financing

THOMAS C. HUGHES
General Counsel

CalHFA Staff Present, continued:

CHARLES K. McMANUS
Director of Mortgage Insurance

JOJO OJIMA
Office of the General Counsel

DIANE RICHARDSON
Director of Legislation

LINN WARREN
Deputy Program Director

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Public Testimony:

FATHER BILL ANTONE
Pastor, Mary Immaculate
One LA

KimMARIE JOHNSON-ROUSELL

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

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1 BE IT REMEMBERED that on Wednesday,
2 November 17, 2010, commencing at the hour of 10:03 a.m.,
3 at the Burbank Airport Marriott Hotel and Convention
4 Center, Producers A and B, 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: Okay. Welcome to the
9 California Housing Finance Agency Board of Directors
10 meeting for November 17th.

11 --o0o--

12 **Item 1. Roll Call**

13 ACTING CHAIRMAN CAREY: First item of business
14 is roll call.

15 MS. OJIMA: Thank you.

16 Mr. Bonner.

17 (No audible response.)

18 MS. OJIMA: Mr. Gunning.

19 MR. GUNNING: Here.

20 MS. OJIMA: Mr. Hudson.

21 (No audible response.)

22 MS. OJIMA: Mr. Hunter.

23 MR. HUNTER: Here.

24 MS. OJIMA: Mr. Mandell for Ms. Jacobs.

25 MR. MANDELL: Here.

1 MS. OJIMA: Mr. Boyken for Mr. Lockyer.

2 MR. BOYKEN: Here.

3 MS. OJIMA: Mr. Shine.

4 MR. SHINE: Here.

5 MS. OJIMA: Mr. Smith.

6 (No audible response.)

7 MS. OJIMA: Mr. Taylor for Ms. Cox.

8 MR. TAYLOR: Here.

9 MS. OJIMA: Ms. Matosantos.

10 (No audible response.)

11 MS. OJIMA: Mr. Spears.

12 MR. SPEARS: Here.

13 MS. OJIMA: Mr. Carey.

14 ACTING CHAIRMAN CAREY: Here.

15 MS. OJIMA: We have a quorum.

16 ACTING CHAIRMAN CAREY: Thank you.

17 --o0o--

18 **Item 2. Approval of the minutes of the September 15,**

19 **2010 Board of Directors meeting**

20 ACTING CHAIRMAN CAREY: Next item of business is
21 approval of minutes of the September 15th meeting.

22 MR. SHINE: Move to approve.

23 MS. OJIMA: Mr. Shine.

24 MR. HUNTER: Second.

25 ACTING CHAIRMAN CAREY: Motion and second.

1 (Interruption by the court reporter for
2 clarification of the record.)

3 MS. OJIMA: Mr. Shine and --

4 ACTING CHAIRMAN CAREY: Mr. Hunter.

5 MS. OJIMA: -- Mr. Hunter.

6 ACTING CHAIRMAN CAREY: Roll call.

7 MS. OJIMA: Thank you.

8 Mr. Gunning.

9 MR. GUNNING: Yes.

10 MS. OJIMA: Mr. Hunter.

11 MR. HUNTER: Here -- yes.

12 MS. OJIMA: Mr. Mandell.

13 MR. MANDELL: Yes.

14 MS. OJIMA: Mr. Boyken.

15 MR. BOYKEN: Yes.

16 MS. OJIMA: Mr. Shine.

17 MR. SHINE: Yes.

18 MS. OJIMA: Mr. Carey.

19 ACTING CHAIRMAN CAREY: Yes.

20 MS. OJIMA: The minutes have been approved.

21 --oOo--

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

23 ACTING CHAIRMAN CAREY: All right. With that,
24 we'll move on. We have a relatively short agenda,
25 largely updates, today, but of key issues facing the

1 Agency.

2 But before that, I think our executive director
3 has some comments to make.

4 MR. SPEARS: Just a few, Mr. Chairman, thank you
5 very much.

6 We have a little bit of better news to report
7 this time. We're going to be talking about the Moody's
8 decision on the -- on CalHFA's credit ratings, both the
9 general obligation credit rating and the HMRB credit
10 rating. The best news, I think, is that we are off
11 credit watch, and these ratings will stay in place for a
12 little while. Bruce gets to think about other things
13 than the Moody's report upcoming, so we'll -- we'll
14 spend some time talking about that under item five.

15 The other thing I thought I'd bring up is the
16 lending. Gary's folks have been busy. We have the FHA
17 program up and running. We have 160 loans in the
18 reservation pipeline. That's \$33 million of new lending
19 that we're doing now. Most of those have CHDAP
20 downpayment assistance with it, so that's -- that's good
21 news all the way around.

22 And along with that -- and of course this is all
23 made possible by the U.S. Treasury's New Issue Bond
24 program. You remember that we need to sell market-rate
25 bonds to go with the Treasury draws, and we have a bond

1 sale planned for December 15 to close. And that's
2 something that we haven't been doing lately, and so
3 things are beginning to look a little more normal at
4 CalHFA, and that's good news I'd like to bring to -- to
5 the Board.

6 The other thing to report is that I've met for
7 the first time with the representative from the
8 transition team for Governor-elect Brown's transition
9 team. This individual has responsibility for Business,
10 Transportation and Housing. I met with him for two
11 hours day before yesterday. We had a very good meeting.
12 We have follow-up meetings planned. They're just
13 beginning to sort of get to know all the different
14 branches of government divisions, and we were one of the
15 first that they met with.

16 It was just the one individual, a guy by the
17 name of Jacob Applesmith. He's been with the Attorney
18 General's Office for a very long time. He's a special
19 assistant to the Attorney General and has been assigned
20 to the transition team for BT&H issues.

21 The other is that the State Auditor General
22 continues their fieldwork on their examination of
23 CalHFA. They plan -- I believe Bruce told me the other
24 day -- to be halfway done with their engagement by about
25 halfway through December. I think that's correct,

1 roughly.

2 And they -- they continue to ask a lot of
3 questions about details. They're just kind of laying a
4 foundation of understanding about how things work --
5 that they, again, have hired a contractor, Caine Mitter,
6 somebody that is known to the HFA community and is very
7 familiar with HFA operations and financial analysis.
8 And so I think they will be very helpful to the State
9 Auditor.

10 Still planning on a completion date of
11 February 28 and that -- we're not sure exactly what that
12 means, whether it's the completion of the fieldwork,
13 completion of the writing. But the report, we think,
14 will be written by that time. That's the plan at this
15 point, anyway.

16 Anyway, and then finally one more thing and that
17 is that we have some Board members who will -- we think
18 may be moving on, but it's the end of the Schwarzenegger
19 Administration, and we wanted to recognize Brooks
20 Taylor, Heather Peters, who's not here, and also our
21 very good friend Lynn Jacobs, who's represented by
22 Elliott today.

23 So we had a little something made up. We'd like
24 to give this to you guys at this time.

25 And, Brooks, if you'd come on up.

1 MR. GUNNING: Picture time.

2 MR. SPEARS: I'm not sure we have a
3 photographer. We'll have to photograph it later.

4 MR. GUNNING: Anyone have a camera with their
5 phone?

6 MR. SPEARS: I didn't ask Ken about the base for
7 this, but we think that this rocky base here is the
8 solid rock that CalHFA is built on. We just want to
9 thank you for your participation. Thank you very much.

10 MR. TAYLOR: Thank you.

11 MR. SPEARS: And, Elliott, if you would accept
12 this for Lynn. Both of these say:

13 "With sincere appreciation for your
14 outstanding leadership, dedication and support of
15 affordable housing as a member of the Board of
16 Directors, CalHFA."

17 And it has the dates, a little bit of variation
18 on Brooks.

19 MR. MANDELL: On behalf of Lynn --

20 MR. SPEARS: Thank you very much.

21 MR. MANDELL: -- I'll be glad to. Thank you
22 very much.

23 MR. SPEARS: And those are my comments,
24 Mr. Chairman.

25 ACTING CHAIRMAN CAREY: Thank you.

1 I -- I just mention as we see some transition, I
2 think that it's -- it's the nature of public business to
3 see some transition, but I think that over the past
4 couple of years, this Board has really solidified in a
5 way that's been very productive, and I will personally
6 miss the participation of those who will probably be
7 moving on with the end of the Administration.

8 --o0o--

9 **Item 4. Update and discussion regarding the status of**
10 **the Hardest Hit program**

11 ACTING CHAIRMAN CAREY: With that, we will move
12 on to item four, which is update and discussion of the
13 Hardest Hit Fund.

14 MR. SPEARS: I've asked Di if she would come and
15 give us an update, where we are with development of the
16 program. Linn Warren is also going to join.

17 We -- and the slides there, Di, I think you
18 just -- it's already up. You just click there at the
19 bottom of the screen, and they'll pop up.

20 MS. RICHARDSON: Mr. Chairman, Members, thank
21 you for having us again. I have several things that I'd
22 like to report to you -- you're not hearing? -- several
23 things that we would like to report, what -- things that
24 are happening with the program. Excuse me.

25 As most of you know, we had a very ambitious

1 goal. We tried to get the program out by November 1st
2 and despite our best efforts haven't quite been able to
3 have the full launch that we were hoping for. But there
4 are -- you know, we have made a significant amount of
5 progress that I would like to talk to you about.

6 You know, since the program was originally -- I
7 guess we should go one more. Since the program was
8 originally announced in March, it has nearly tripled in
9 size. It is now nearly a two-billion-dollar program,
10 which is really great news for California homeowners.
11 And we've been working extremely hard to get all of the
12 systems in place and the personnel hired and trained
13 that we think that we need to make this effective.

14 We, on October 29th -- another very significant
15 change was on October 29th. Fannie and Freddie issued
16 guidance that they -- to their servicers that they would
17 be participating in the unemployment program, which was
18 a very significant change for us in the development
19 phase. As you know, Fannie and Freddie own about 70 to
20 80 percent of the loans in California. And as we were
21 developing a program expecting them not to participate,
22 based on what they'd been telling us, you know, before,
23 we knew that those calls were going to be coming in in
24 the triage phase, but they'd be stopping there because
25 their investor wasn't participating.

1 Now their participation means that more of those
2 loans actually move through the pipeline into counseling
3 and processing and eligibility, which required us to
4 make sure we had more phone lines, computers, trained
5 staff, you know, to be able to handle that aspect.

6 We do -- we did begin a pilot program in
7 October. We currently have about 300 borrowers that are
8 working their way through the process. It's been -- I
9 would say it's been very successful. It's been very
10 educational. We've learned, you know, where we needed
11 to make some adjustments, things that were working well,
12 things that weren't working so well. And we currently
13 have -- of the applicants that are currently in the
14 process, about 45 are in the unemployment program.
15 About 108 are in the -- the mortgage reinstatement
16 program, and about 159, 160, are being considered for
17 the principal reduction program. And I think about 20
18 are in the transition -- are being looked at for the
19 transition program.

20 And of those, 36 have made it all the way
21 through and are in -- were in the stages where
22 there's -- the central processing center is having
23 conversations with -- you know, working on the lender
24 worksheets and just trying to confirm all the numbers,
25 but we expect those to -- to fund in the very near

1 future.

2 We have been working closely with Treasury. You
3 know, we've got some very stringent readiness
4 requirements that we have to meet. We've got to pass a
5 SIGTARP audit, so that's really a fun little challenge.

6 We are -- where we are at the moment is in early
7 December we will have -- you know, we're in -- we're
8 testing all the systems now with the 300 loans from
9 CalHFA. We will be opening it up. We'll have at least
10 three more major servicers onboard to participate in the
11 pilot in December. And we've asked them to give us, you
12 know, up to 200 more loans to put through on the
13 unemployment program.

14 Most of them have asked to start with the
15 unemployment program. They -- lenders are not in a
16 position in December to take on new big technology
17 projects. It's the end of year. They're closing their
18 books. They -- the way they say it is they sort of go
19 dark in December, but they're -- they're looking at this
20 as an opportunity to allow them to test our systems, to
21 test the security of our systems, which is also a very
22 big deal for them. And then, you know, based on the
23 success of that pilot, we'll do a full rollout of the
24 unemployment program in January, early January, and
25 they'll be able to get the resources that they need and

1 the teams that they need to build -- to build out the
2 other programs on their end.

3 MR. GUNNING: Excuse me, Di, which servicers are
4 participating? Can you say?

5 MS. RICHARDSON: I would rather not say only
6 because they are pilot programs, and if somebody is not
7 picked for the pilot, it creates other problems, so
8 I'd --

9 MR. GUNNING: I understand.

10 MS. RICHARDSON: -- rather not say.

11 The principal reduction and reinstatement
12 programs, again we're having -- I will tell you we are
13 having conversations, and I would say I would still
14 characterize them as very positive conversations, with
15 at least four major servicers. I've had conversations
16 with my colleagues in Nevada and Arizona in the last
17 couple of days, and they are not -- they are not as far
18 along in those conversations. They're -- so we're going
19 to bring them in to make sure that we're all talking to
20 the same people and try to get more synergy that way.

21 On the Innovation Fund, we talked about that a
22 little bit the last time. We had submitted three
23 proposals to Treasury. We got some feedback from
24 Treasury. They had a number of questions that they
25 asked us to follow up on. Those questions have gone

1 back out to the sponsors of those proposals. And
2 we're -- I think we just got the last one --

3 MR. WARREN: Yes.

4 MS. RICHARDSON: -- a few days ago, so we're in
5 the process of gathering that information and trying to
6 get those finalized, but the other applicants that were
7 not chosen at this time have been notified.

8 I will leave it there unless you have other
9 questions.

10 ACTING CHAIRMAN CAREY: Questions of Board
11 members?

12 MR. GUNNING: Just one. So I can understand it
13 that the delay is Treasury?

14 MS. RICHARDSON: Which delay?

15 MR. GUNNING: For the rollout of all the
16 programs.

17 MS. RICHARDSON: Well, the delay -- the delay is
18 really just that the build has changed a few times. You
19 know, it's grown significantly. And the systems that we
20 have to have in place -- the phones, the number of
21 phones, the number of people available to answer the
22 phones -- I don't -- I don't know if I -- we've hired --
23 we're hiring about 200 people. We're going to be
24 actually operating a call center. And I think we've --
25 we've got about 185 of those that we've already hired

1 and that are going through training now.

2 Now, this -- the Freddie and Fannie coming
3 onboard and having more people, that will make it -- you
4 know, I mean the triage part is the easy part. Those --
5 that's a lower skill set. But since more people are
6 going to be moving through that pipeline, that's going
7 to require a little bit more, obviously, higher skill
8 set and more training for that staff.

9 MR. WARREN: We did assume, because non-GSE
10 involvement, a number of them would not be successful
11 because they wouldn't qualify. And as Di said, it's
12 correct, so that the intake would be roughly the same,
13 but as we go forward with the processing, now two or
14 three times more borrowers will now be in the pipeline
15 for processing because the GSEs are now involved. That
16 has a ripple effect all through the project, so
17 that's -- that's -- that's caused a lot of our issues,
18 to try to -- try to get the infrastructure organized to
19 accomplish -- it mainly is a change of GSEs as well as
20 the additional funds.

21 MS. RICHARDSON: And I believe FHA will be
22 coming on --

23 MR. WARREN: Yes.

24 MS. RICHARDSON: -- for the unemployment program
25 very soon in RDA.

1 MR. WARREN: RDA, there's already been
2 discussion about RDA, but the FHA does want to
3 participate, and that's a whole nother set of borrowers
4 that would be eligible for the unemployment.

5 MR. GUNNING: I'm sorry, RDA?

6 MR. WARREN: Rural Development.

7 ACTING CHAIRMAN CAREY: RD.

8 MR. WARREN: Yeah, RD.

9 MS. RICHARDSON: Sorry. I'm just used to that
10 redevelopment.

11 And I -- I had another thought, but I lost it,
12 sorry.

13 ACTING CHAIRMAN CAREY: So -- so there's --
14 there's internal issues, and there's program design
15 issues. There's structure of hiring and phone lines,
16 and that's all internal to CalHFA?

17 MS. RICHARDSON: Yes.

18 ACTING CHAIRMAN CAREY: What about the -- what
19 about the external side? What about -- is it
20 Springboard that is -- are they where they need to be?

21 MS. RICHARDSON: Yeah, that's who we're talking
22 about. They're actually -- all of the hiring and the
23 systems are going on down at Springboard in Riverside.
24 We've had to expand to two new buildings. We've had to
25 completely, you know, renovate them, get -- you know,

1 build them out as call centers, cubicles, computers,
2 phones. We've had to expand the trunk line so that the
3 volume of calls that can come in can happen.

4 You know, they've -- we've -- they've actually
5 got a -- we meet with Springboard all day and then they
6 actually have a development team that works all night to
7 develop everything that we've talked about during the
8 day, so it's -- it is -- it's a 24/7 process.

9 ACTING CHAIRMAN CAREY: Di, I'm -- I'm just
10 confused. Springboard is doing it, but you say "we've
11 hired."

12 MS. RICHARDSON: Well --

13 MR. WARREN: It's merging, I think, but, yeah.
14 Springboard is doing the actual hiring of the primary
15 staff, which are the counselors, the phone folks, the
16 programmers, the decisioners, so that when we say "we,"
17 it is collective but it is the Springboard organization
18 we've contracted with to perform the function of hiring
19 staff to deal with the problems.

20 MS. RICHARDSON: Right. In collaboration with
21 CalHFA MAC.

22 ACTING CHAIRMAN CAREY: Technically they're
23 where they need to be in their platform?

24 MR. WARREN: Yes. I think that -- we spent --
25 two weeks ago we spent a long time, a whole week,

1 basically calibrating where we are. As Di said,
2 overnight, we'd make decisions on programs, the
3 programming would be done. They're hiring rapidly. So
4 we feel very confident on the December dates, and I
5 think it's --

6 MS. RICHARDSON: Yeah, I'm --

7 MR. WARREN: We're in a good place.

8 MS. RICHARDSON: We're going to also -- I mean,
9 we've had a core team that's been, you know, sort of
10 pulling the cart most of the way, and we're in the
11 process of creating some parallel teams to just keep
12 things moving in different swim lanes, as we sort of
13 call them.

14 But it's also, you know, finding the people that
15 are qualified to do that that's -- you know, it's easy
16 to find the lower level, like I said, you know just to
17 do the initial triage, but a lot of the more technical
18 work is a little bit more sophisticated and a little bit
19 more difficult.

20 ACTING CHAIRMAN CAREY: Yeah, from my point,
21 there's no question the ramp-up of the thing is
22 horrendous. I mean it's from -- from a standstill to a
23 hundred miles an hour because the volume is going to be
24 huge, I suspect. I worry about the public concerns that
25 there's two billion dollars here to help homeowners and

1 it isn't getting out.

2 MS. RICHARDSON: Right.

3 MR. GUNNING: Correct.

4 ACTING CHAIRMAN CAREY: And it just seems to me
5 we've got to get it out there.

6 MR. WARREN: Yes.

7 MS. RICHARDSON: I agree.

8 ACTING CHAIRMAN CAREY: I know you do.

9 Other questions? Thoughts?

10 Okay. Thanks, Di. Thanks, Linn.

11 MR. WARREN: Thank you.

12 MS. RICHARDSON: Thanks.

13 MR. HUGHES: Mr. Chair, we -- we should solicit
14 public --

15 ACTING CHAIRMAN CAREY: Yes. You're right.

16 MR. HUGHES: -- comment.

17 ACTING CHAIRMAN CAREY: Thank you. I've learned
18 a new approach. Is that why you kicked me?

19 With that, we are now -- and I would appreciate
20 the reminder. We are now going to open up for comment
21 on each agenda item as we move through the agenda, as a
22 routine. So with that, we would take public comment
23 related to this item on the agenda.

24 MS. MARIAJIMENEZ: Good morning. We are here to
25 provide comments on the Hardest Hit Fund. You don't

1 have the cards or notepads out there for the speakers,
2 but one of the speakers just arrived, so if I could be
3 given a few minutes to go get her and bring her in
4 because she's lost.

5 ACTING CHAIRMAN CAREY: Sure.

6 MS. MARIAJIMENEZ: Thank you.

7 --o0o--

8 **Item 5. Update and discussion regarding the recent**
9 **ratings reports by Moody's Investor's Service for the**
10 **CalHFA general obligation issuer rating and the Home**
11 **Mortgage Revenue Bond rating.**

12 ACTING CHAIRMAN CAREY: Let's -- well, let's --
13 let's -- let's move forward and cover item five and come
14 back to the public comment on the Hardest Hit Fund.
15 Given that it's a non-action item, I'm not that
16 concerned about it.

17 MR. SPEARS: Fair enough.

18 MR. GILBERTSON: Steve, did you want to kick
19 this off, or did you want me to just launch in?

20 MR. SPEARS: Why don't you lead out, Bruce, and
21 I'll join you along the way.

22 MR. GILBERTSON: Well, good morning,
23 Mr. Chairman, Members of the Board.

24 We have talked to you many times about our
25 ratings with both Moody's and S&P, and after many months

1 of anticipation -- sometimes positive anticipation,
2 sometimes negative -- Moody's did call and give us an
3 update on their view of the two primary credit ratings
4 of CalHFA, the CalHFA general obligation, or what is
5 referred to as the issuer credit rating, and the Home
6 Mortgage Revenue Bond indenture credit rating, which is
7 our large single-family bond indenture that we've used
8 for some, you know, almost 30 years at this point.

9 So the good news was we were downgraded, but we
10 were only downgraded by one notch on the GO from an A-1
11 rating to an A-2 rating, and the HMRB credit rating was
12 confirmed at A-3. And perhaps the most important thing,
13 and Steve mentioned this in his comments earlier, we
14 were removed from credit watch, and they're no longer
15 closely monitoring us for downgrade.

16 However, we are on negative outlook, and that
17 really is due to the uncertainties, in their mind, as to
18 the pace of the economic recovery and the real estate
19 recovery in California. Clearly there's not a clear
20 direction at this point. And quite honestly, my own
21 personal perspective, this perhaps is the best result we
22 could have expected. You know, we had been planning and
23 anticipating for much worse and looking at the
24 consequences of lower credit ratings and what we would
25 have to do, especially as related to some of the

1 GO-related exposures that we have with swap
2 counterparties, a bank that provides a revolving credit
3 agreement, and that type of thing.

4 So I'll run through this fairly quickly. You
5 have full reports in your Board binder. I wrote a quick
6 summary as well, but I think we ought to just highlight
7 some of the things that are noted within the reports.

8 You know, one of the big -- and there's two
9 reports. Remember, they write a separate report or
10 rating letter for the GO rating and a separate rating
11 report for the HMRB credit rating.

12 So most of the negatives and the reason for the
13 downgrades and what's happened over the last two
14 years -- because, remember, we started -- before the
15 crisis, we had, you know, strong double-A ratings,
16 mid-double-A to lower double-A ratings on both the GO
17 rating and HMRB. We've lost notches a little bit over
18 time, over a period of time that's elapsed, about two
19 years. And the erosion of the Agency's fund balances,
20 profitability and liquidity, as well as single-family
21 loan delinquencies and foreclosures have really led to
22 this.

23 So just to keep this in context, over the last
24 two fiscal years the Agency has had an operating loss in
25 excess of \$330 million. That is a fact. It's on the

1 financial statements that I think you've all received.
2 We've had delinquencies on our single-family portfolio
3 of loans ranging between 17 and 20 percent at different
4 times. It appears to be on the decline, which is all
5 good news.

6 Moody's put us through a rigorous test where we
7 had to absorb \$460 million of losses related to the loan
8 portfolio after the benefit of mortgage insurance.
9 Okay, so this is after our own MI fund pays their
10 portion of the mortgage insurance claim, after Genworth
11 pays their three-quarters percent of that mortgage
12 insurance claim, after the amounts that are set aside
13 for the GAP coverage. We -- we ran a model for them
14 with \$460 million of losses that incurred over a
15 seven-year period.

16 The good news is the cash flows work. They
17 continue to perform debt services paid to bondholders,
18 and that is, you know, significant reason why the HMRB
19 credit rating was left unchanged.

20 On the positive side, they made special note of
21 many things, two more recent events: One, the action
22 that the Agency took -- Executive Director Spears in
23 April of 2010 after consulting with the Board to place a
24 cap of \$135 million on the Agency's general fund support
25 for HMRB in the form of this GAP mortgage insurance

1 coverage. You'll recall those conversations back in
2 March of this year.

3 And then second, in October 2010, at the
4 Agency's request over the summer, the California
5 Legislature was able to approve a loan sale -- was able
6 to approve legislation to allow a loan refinancing of
7 the Bay Area Housing loans that we've had. We've talked
8 many times about the Bay Area Housing financing plan.
9 It goes back to 2005. It originally was going to be a
10 hundred million dollars. We were planning to issue
11 bonds. Market turmoil and disruption didn't let us get
12 to market. We didn't always have stakeholders and
13 partners that wanted to cooperate fully with us as well.

14 So this is a great -- this is an excellent
15 outcome for us. We -- we fully anticipate that the sale
16 will be concluded in January, no later than the first
17 week in February.

18 You know, on the -- further items on -- on the
19 positives, they pointed to some specific things that
20 management has done, actions that we have taken, that
21 have contributed positively to the rating decision. I
22 won't go through all of them, just mention cap the GAP,
23 some of the things we've done to organize ourselves
24 better to deal with loan losses and foreclosures and REO
25 properties that we take back as a real estate lender.

1 We renegotiated interest rate swap collateral
2 provisions over a year ago. They continue to note that
3 and make special attention of that. Our application and
4 success, as Di has pointed out, to receive almost two
5 billion dollars of Hardest Hit moneys that will not only
6 go to support our portfolio, but other Californians that
7 are in dire need of potentially having to be foreclosed
8 upon, and the authorization from the Legislature to deal
9 with a permanent financing solution for the Bay Area
10 Housing program.

11 Just as we think about the negative outlook,
12 what they -- what they provide in the rating letter is
13 what are the things that could change the ratings for
14 the positive and what things could change the ratings,
15 you know, further downgrade, further negative going
16 forward.

17 Many of these things are outside of our control,
18 quite honestly. We will do the best that we can to
19 manage those that we can control. We can -- we can be
20 efficient in managing the single-family loan
21 delinquencies, the portfolio borrowers that are having
22 financial trouble, the related foreclosures, the
23 acquisition of the property, the disposition of the
24 property, you know, all of those things.

25 We continue to actively deal with our

1 variable-rate bond portfolio. Of note in the ratings is
2 that we've reduced the variable-rate component of our
3 debt profile from 90 percent to about 62 percent over
4 the last few years. Continue to work with our swap
5 counterparties in looking for opportunities to reduce or
6 otherwise minimize the collateral postings that goes
7 along with that because of low interest rates and our
8 credit rating deterioration.

9 Things that could change the ratings more
10 negatively is if something unanticipated happened with
11 the Bay Area Housing and if that financing did not get
12 concluded early next year. Remember, those loans are on
13 a credit line that we have with Bank of America that
14 does -- is set to expire on February 28th, so we're
15 really running up against the clock. We hope that all
16 comes together. We have no indication that it won't
17 happen in January.

18 Genworth Mortgage Insurance, you know, a
19 significant counterparty to the Agency providing credit
20 support for the HMRB indenture, if they were to suffer a
21 downgrade or otherwise start rescinding claim payments
22 that they're liable for on the mortgage insurance
23 policies.

24 If for some reason economic conditions led to a
25 greater number of mortgage delinquencies than even

1 stress levels might project leading to higher
2 foreclosures and additional loan losses, that would be a
3 negative impact on the credit ratings. And if, in fact,
4 swap collateral postings became so large that we were
5 unable to deal with them financially because of low
6 interest rates or further deterioration of our credit
7 ratings, that would become an issue.

8 And then they are very carefully watching what
9 happens at the end of 2012 when the Temporary Credit
10 Liquidity program, which is a credit support and
11 liquidity support for over three billion dollars of
12 variable-rate bonds, expires. This was provided to us
13 by the federal government via the GSEs.

14 Steve did not mention, but we are planning to go
15 back and visit some of the folks in Washington the first
16 week in December, specifically some of the folks at
17 Treasury that will be making some of these decisions
18 about extending those facilities to HFAs or not, so we
19 think that's a positive indication as well.

20 And then the last slide simply is a summary of
21 the ratings. You've seen a similar chart like this
22 before. It shows the two primary credits and where --
23 where we stand from S&P's perspective and Moody's
24 perspective and the dates of the last significant rating
25 action.

1 The only other thing that I would add is that
2 that is all very good news. With the completion of the
3 audited financial statements recently, we're already
4 beginning to update the basis for them to do a rating
5 review again using June 30, 2010. I don't anticipate
6 that either S&P or Moody's will conclude that process
7 until sometime in the first quarter of next year. It's
8 just a lot of work to get the basis updated, get them
9 the information that they're requesting, and they have
10 to have the time to spend to review the rating.

11 With that, I'll ask if there's any questions.

12 ACTING CHAIRMAN CAREY: Questions from Board
13 members?

14 MR. SPEARS: Acknowledgement from the executive
15 director. Bruce and Tim and Tom Hughes have all done a
16 lot of work on this, but I also sent an e-mail out to
17 all CalHFA staff. It was very clear from the Moody's
18 report that they placed a lot of -- of value in the work
19 that we've done in all areas of the -- of the Agency.
20 The new lending, particularly they gave attention to the
21 work that we've done in trying to pay even more
22 attention, staffing supervision, reorganization of the
23 loan servicing areas. Multifamily asset management is a
24 solid part of what we do, and the fact that it remains
25 solid is a credit to Margaret and her staff. So all

1 across the board I think there's credit to be given.

2 The one thing that I would say is that on the
3 finance side, what Bruce and Tim have tried to do is
4 take advantage of every little opportunity. The analogy
5 that I'll use is the little dodge ball game that we all
6 used to play in elementary school. The worst thing you
7 could do if you wanted to get out is stand still. You
8 had to keep moving, and that's the thing here. We have
9 to keep moving, looking for every single little
10 opportunity that we have to improve our balance sheet,
11 to improve our financial structure, to improve our --
12 our approach to managing our single-family portfolio.
13 And that's what we're doing every day, every day.

14 So my thanks to the entire staff, to Bruce for
15 leading this effort, and all the hard work that's gone
16 into this.

17 It's -- it was very nice. It was unusual to get
18 congratulatory e-mails on a downgrade, but we got them.
19 It was -- it was nice.

20 MR. GUNNING: Mr. Chairman.

21 ACTING CHAIRMAN CAREY: Yes.

22 MR. GUNNING: On behalf of the Board and I guess
23 as one of the newer members here, I just want to echo
24 those comments. And also, I don't know if
25 congratulations is the appropriate word or a sigh of

1 relief is the appropriate word, but certainly to have
2 Moody's commend specifically in their report the
3 management's performance, I just want to thank you guys
4 as well and let you know we appreciate your steering of
5 the ship and helping us stay on course.

6 MR. GILBERTSON: Thank you so much.

7 MR. GUNNING: Thank you.

8 MR. HUGHES: And you should solicit public
9 comment.

10 ACTING CHAIRMAN CAREY: Yeah. So just to -- we
11 are now going to open public comment. The first piece
12 of public comment we'll ask for is back to item --
13 agenda item four, which is the Hardest Hit Fund. I
14 believe we have three speakers.

15 FR. ANTONE: Good morning. I'm Father Bill
16 Antone, pastor of Mary Immaculate Church located in
17 northeast San Fernando Valley of the city of Los
18 Angeles, one of the communities hardest hit by
19 foreclosures in the county of Los Angeles. My parish is
20 in Pacoima.

21 I appear before you this morning in my capacity
22 as pastor of Mary Immaculate Parish and as a leader of
23 One LA. I come with a perspective, I suppose, from the
24 bottom, of seeing many families who are on the edge of
25 financial survival in their humble homes struggling from

1 month to month, and I simply invite you to share that
2 concern of -- of real families that I myself know.

3 Hundreds of our homeowners have managed to avoid
4 foreclosure sales because of the intervention of -- by
5 One LA member institutions such as Neighborhood Legal
6 Services who continue to do what has been characterized
7 as hand-to-hand combat with the banks to make sure they
8 follow the federal mandates in providing meaningful
9 modifications which keep families who are capable of
10 homeownership in their homes.

11 As you know from previous testimonies, One LA
12 has been long in the forefront of promoting the notion
13 of principal reduction as a foreclosure prevention
14 strategy that provides a long-term and sustainable
15 solution to the foreclosure crisis and goes a long way
16 in stabilizing our housing market. We believe this is a
17 win-win solution for both investors and for our economy.

18 It is my understanding that the Obama
19 Administration has essentially agreed with this strategy
20 of One LA. Federal guidelines issued by the U.S.
21 Treasury provide you, CalHFA, a tool for principal
22 reduction. Our concern is that the current principal
23 reduction program of CalHFA permits you to invest
24 \$50,000 to reduce mortgage debt without any standard for
25 a bank's or investor's share of responsibility.

1 As the Board of California Housing Finance
2 Agency, you have been entrusted with a heavy
3 responsibility for hundreds of millions of taxpayer
4 dollars allocated by the U.S. Treasury's Hardest Hit
5 Fund. My understanding is that you are ultimately
6 responsible for more than a billion dollars in federal
7 funds. It is a sacred responsibility and a moral issue
8 which impacts the real lives of real people.

9 I would love to give any of you the opportunity
10 to meet families that I know and visit their homes. I
11 urge you to please review your current plan so that
12 these funds are used in a way that benefits as many
13 Californians as possible. Your leadership is crucial in
14 setting forth good public policy in administering the
15 more than a billion dollars in TARP funds.

16 And I add one further concern regarding those
17 homeowners who received cashout refinancing. I urge you
18 in your plan and decision-making to not unfairly bar
19 these long-time homeowners who have refinanced in this
20 way. There's no doubt that many homeowners with equity
21 were preyed upon during the housing boom. They were
22 entrapped to take out mortgages in the greatest amount
23 possible. Meanwhile, the brokers and bankers could
24 profit even more without any regard to the homeowner's
25 ultimate ability to pay.

1 The sad reality is that our communities of color
2 were targeted by this practice. Your plan as currently
3 written will discriminate against and bar homeowners in
4 these poor communities who have been preyed upon.

5 One LA and with that our parish I serve, Mary
6 Immaculate in Pacoima, will continue to fight this
7 battle to ensure the funds provided to California are
8 used to help the people who live on Main Street and not
9 as another bailout.

10 So thank you for your attention.

11 ACTING CHAIRMAN CAREY: Thank you, Father.

12 MS. JOHNSON-ROUSSELL: Good morning, Members of
13 the Board. I am KimMarie Johnson-Roussell, and I appear
14 before you as a One LA -- One LA homeowner who has
15 fought more than two years to save my home of 21 years.

16 My husband and I purchased a home in 1991 for
17 \$90,000. Prior to that, my husband was struck with an
18 illness, and we undertook a long battle of illness,
19 required extensive medical care and hospital treatment.
20 We incurred a great deal of medical debt in the process.

21 My husband died in 2003. I refinanced my home
22 to pay my husband's burial, the medical bills and
23 improvements on the home and pay my daughter's college
24 expenses. At the time I refinanced, I owed \$80,000 on
25 my home. Today because I was led down the path of

1 financial entrapment and given high-cost subprime
2 mortgage loans, I owe approximately \$340,000 of my home
3 that it's worth 215,000.

4 I battled with Bank of America for almost two
5 years. I fought a long battle to save my home. Several
6 times I nearly lost it. Bank of America lost paperwork
7 repeatedly. I begged them to work with me and provide
8 me a modification so that I could stay in my home.

9 Almost -- after a year of fighting Bank of
10 America on my own, I turned to Bank of -- I mean to One
11 LA through my church and joined One LA's hundreds of
12 organized homeowners fighting to save their home. I
13 also met with an attorney from Neighborhood Legal
14 Services, an institutional member of One LA.

15 Because I had fought, I had the good fortune of
16 obtaining a pro bono lawyer and member of a powerful
17 constituency of families fighting for their homes, Bank
18 of America finally provided me with a modification under
19 the Home Affordable Modification Program, the Obama
20 plan, and I gladly signed the modification papers at the
21 end of January this year and promptly began to make
22 payments, my new mortgage payments. I finally had peace
23 of mind or so I thought.

24 Not less than four months later, Bank of America
25 began sending me letters saying that I was behind on

1 mortgage payments. Not only did I -- not only did they
2 claim that I had not made payments, but the letters
3 reflected a monthly mortgage amount hundreds of dollars
4 in excess of the payments that we had agreed under the
5 HAMP program. I had made all my mortgage payments since
6 January 2010, and I had my canceled check and evidence
7 from my bank where checks had -- the payments had been
8 made. I am still battling with Bank of America. It's a
9 nightmare.

10 I understand that the federal government has
11 provided California 1.2 billion dollars to help
12 homeowners and other -- and their families to keep their
13 homes. I also understand that California Housing
14 Finance has set aside 500 million for principal
15 reduction; however, the plan currently written will bar
16 me from getting help to reduce my principal.

17 I have owned my home for over 20 years. I've
18 raised my kids there. I refinanced my home to pay
19 significant amounts of medical debt, and I know I could
20 not do on a regular monthly plan. I also made
21 improvements to my home, which helped preserve the
22 bank's investment on their loan.

23 I am -- I'm an industrious woman. I acquired
24 skills and am employed as a mediator and interpreter. I
25 am fluent in Spanish. I believe I'm a graphic example

1 of many African American families in South Los Angeles
2 who worked hard to be middle class and to achieve the
3 American dream who are now losing their homes.

4 I am not doing -- I didn't do anything
5 irresponsible. I implore you to reconsider barring --
6 bearing homeowners like me with receiving -- from
7 receiving help from -- sorry. I implore you to
8 reconsider from barring homeowners like me from
9 receiving help from the program Hardest Hit Fund. There
10 are thousands of homeowners like me in South Los
11 Angeles, throughout the city of Los Angeles and county
12 of Los Angeles. The California Housing Finance plan as
13 currently written does discriminate against me and many
14 other families like me.

15 Thank you for listening.

16 ACTING CHAIRMAN CAREY: Thank you, Ms. Roussell.

17 MS. MARIAJIMENEZ: Good morning. I'm Yvonne
18 Mariajimenez. I'm the deputy director of Neighborhood
19 Legal Services of Los Angeles County.

20 We are a member institution of One LA, and we're
21 here this morning -- again, we've appeared before you,
22 your Board meetings, throughout the year. We are very
23 pleased and we commend CalHFA for allocating a good
24 chunk of the money -- the TARP funds that are coming to
25 California for principal reduction. However, we do

1 implore you that it be studied to ensure that taxpayer
2 money is spent diligently and is spent in the best
3 manner to serve as many people as possible.

4 It is incumbent upon us and primarily you as the
5 board and body that sets public policy for the
6 California Housing Finance Agency to ensure that
7 taxpayer money is being spent in a wise manner and that
8 we leverage these funds to help as many Californians as
9 possible.

10 And, also, we believe that you've been provided
11 guidelines by the federal government that although you
12 can pay up to 50 cents on the dollar, that we need to
13 start low and maximize the use of those moneys.

14 Also, we again, as KimMarie asked -- that you
15 reconsider and review the exclusion of long-time
16 homeowners who refinanced and cashed out. As KimMarie
17 said, she is an example of many of the African American
18 families in South Los Angeles that are middle class,
19 were middle class, and purchased their homes, many who
20 paid for their homes completely and then refinanced and
21 were enticed to take out their equity.

22 So we ask that you do seriously consider that
23 issue as it will disproportionately impact a community
24 of color.

25 And we thank you for your time again this

1 morning. Thank you.

2 ACTING CHAIRMAN CAREY: Thank you,
3 Ms. Mariajimenez.

4 Are there Board members who would like to ask
5 questions of the three speakers at all?

6 MR. SHINE: I think I understand.

7 MR. GUNNING: My question was answered.

8 ACTING CHAIRMAN CAREY: Okay. Thank you very
9 much.

10 MS. MARIAJIMENEZ: Thank you.

11 FR. ANTONE: Thank you.

12 ACTING CHAIRMAN CAREY: From a personal
13 perspective and someone whose organization is involved
14 day-to-day with folks facing foreclosure, I think that
15 the issue of the -- of some cases of cashout refinancing
16 is probably the toughest piece for me because it comes
17 down to the -- the most personal, and every case is very
18 personal.

19 Di, could I ask you in the -- in the meetings
20 with counselors before the rollout of the program, was
21 there a general sense among counselors about the issue
22 of participation by cashout borrowers?

23 MS. RICHARDSON: It was discussed with the
24 various groups and there -- I would say that there were
25 some people that -- that thought that we should consider

1 allowing cashout refi's, but I believe the majority of
2 them understood that the resources were limited and
3 that -- you know, that it would -- it would, you know --
4 you needed to make the money go as far as possible. You
5 know, I -- this is really the only -- only opposition
6 we've received to the -- to the program, is from this
7 group.

8 ACTING CHAIRMAN CAREY: Okay. Thanks, Di.

9 MR. GUNNING: I've got one.

10 ACTING CHAIRMAN CAREY: Yeah.

11 MR. GUNNING: Just a follow-up on that, Diane.
12 Was -- in those conversations, was there consideration
13 to the impact on minority communities as in terms of
14 cashouts and subprime lending?

15 MS. RICHARDSON: I don't -- I don't think we
16 discussed it in terms of minority communities. I think,
17 you know, we -- we obviously held the meetings in a
18 state -- you know, statewide. We had representatives
19 from statewide organizations that we met with and, you
20 know, including the Center for -- what's Kevin Stein's
21 group? I'm sorry, I'm --

22 MR. GUNNING: Responsible Lending.

23 MS. RICHARDSON: Right. And, you know, I know
24 that that's a concern that they've raised, but they --
25 we discussed it and I -- I just don't think it was -- it

1 certainly wasn't a decision that we made based on the
2 impact to minority communities. It was strictly an
3 economic decision. We have a limited amount of dollars.
4 You know, what's the -- what's the most common pool of
5 borrowers? You know, what's the fairest way for us to
6 do that?

7 And as we've said, if it turns out that the --
8 that the program -- you know, we -- if the program's --
9 the money's not going out the door and we want to expand
10 the eligible pool of borrowers, we can do that at a
11 later time. But at this point, we felt it was -- you
12 know, it's easier to start with a narrower pipeline
13 and -- and open the gates a little bit than to try to
14 shut gates and have all the money go out in the first
15 two weeks.

16 MR. GUNNING: Thanks, Diane.

17 ACTING CHAIRMAN CAREY: And it is a difficult
18 thing, too. I mean, some of the -- some of the worst
19 stories you hear are the other end of the spectrum from
20 the story, very personal story, we heard here today,
21 which are cashouts that went to all sorts of -- I mean,
22 we have families who did cashouts while they were facing
23 inability to make a payment, but anyway.

24 Well, it's an issue that obviously will stay on
25 the table for us.

1 Thank you, Di.

2 MR. GUNNING: Thanks, Diane.

3 ACTING CHAIRMAN CAREY: We will now -- if
4 there's any public comment on item five on the agenda,
5 the update on the investor ratings.

6 --oOo--

7 **Item 6. Report of the Chairman of the Audit Committee**

8 ACTING CHAIRMAN CAREY: Seeing none, we'll move
9 on to the report from the Chair of the Audit Committee,
10 Mr. Gunning. And thank you very much for filling in
11 this morning.

12 MR. GUNNING: Thank you, Mr. Chairman.

13 The Audit Committee met this morning and
14 reviewed the audit from Deloitte. And notwithstanding
15 some of the losses we knew about from our last meeting,
16 we had a good audit.

17 I think of important notice was the new GASB 53
18 that the staff was required to now look at all of our
19 swaps and derivatives and list those in their values.
20 And being one of the first agencies in the country and
21 one of this size to do this, I think a lot of
22 compliments should go to Lori and her team for getting
23 that done and getting the audit done.

24 So with that, Mr. Chairman, I submit the audit
25 report. I think it's included in all of your packets.

1 state organization. But with that said, we really are a
2 financial institution with financial risk and real
3 estate risk that have to be managed with assets and
4 liabilities that have to be managed in concert. You
5 cannot segregate that.

6 That -- a concern that I've had is that there is
7 not a single position at CalHFA for the management of
8 the financial risk, what you would see in a financial
9 institution as a senior vice president for financial
10 operations, chief financial officer, CFO. So I've given
11 a lot of thought to that and done a lot of research, and
12 Tom helped with this as well.

13 The statutory definition of the director of
14 finance, our own Bruce Gilbertson, fills that position
15 at this point. The statutory -- there are only three
16 positions that are created by statute for CalHFA: The
17 executive director, the director of finance, and I
18 believe the mortgage insurance director.

19 The definition of finance director includes a
20 very broad definition, to manage -- let me see if I can
21 find the quote -- the overall --

22 MR. SHINE: Responsibility.

23 MR. SPEARS: -- responsibility of managing the
24 financial risk of the Agency, responsibility for the
25 financial operations of the Agency is the way it's

1 worded, which can be interpreted very broadly in the
2 past, going, I believe, all the way back to Executive
3 Director Karney Hodge.

4 The position of director of finance, however,
5 has been limited to issuing bonds, investing the
6 proceeds, managing the bond portfolio, and over the
7 years as our bond structure got more complicated, swap
8 contracts, collateral postings, liquidity facility
9 negotiations, all of that. But with regard to financial
10 statement analysis, financings -- overall financing
11 strategies, that fell outside what previous directors
12 have done.

13 So my thought is to move forward with a plan to
14 broaden the director of finance's role to an overall
15 chief financial officer. I used to discuss, tease,
16 banter with Terri Parker about my role as chief deputy,
17 that you're there with all the other senior directors
18 reporting through the chief deputy up to the executive
19 director, that I was both the chief operating officer
20 and chief financial officer and that did she really, you
21 know, trust me to do that exactly.

22 So I think having a separate CFO position with
23 broader responsibilities where -- in your -- in the
24 memorandum -- and I agree that the -- the second chart
25 that I added to the back of the -- to the memorandum,

1 the attachment two, is not truly a personnel
2 organization chart. It's part of a -- first of all, it
3 only deals with the business processes and financial
4 management of the Agency. And the boxes in the -- in
5 the bottom part of that chart just represent functions
6 that would report up through these individuals.

7 How this would actually be outlined and what
8 individuals would fill those positions and manage those
9 responsibilities, how they might be combined under, you
10 know, one person perhaps would be something to discuss
11 and analyze down the road. But the idea in attachment
12 two is that under the director -- under the executive
13 director would be the CFO position, that the financial
14 management, a controller, the IT, the chief information
15 officer, the IT area, a treasurer function that
16 essentially is what Bruce does now would report directly
17 to the CFO, and all these functions would fall below
18 that.

19 We also have just ongoing business processes in
20 the Agency, and this is the second half of the
21 memorandum, that I believe need to get completely looked
22 at, top to bottom. I think we need to look at it from
23 the standpoint of do we have duplication? Can we save
24 money? Can we streamline? Can we make things go -- go
25 faster, kill fewer trees? I think we need to do that

1 from soup to nuts, and my idea would be that we would
2 have Howard Iwata, our administrative director, and
3 Bruce, our director of finance, get together and carry
4 that project on, of looking at all of our business
5 processes over the next few months, however long it
6 took.

7 And that -- we need to do that for a couple
8 reasons. One is to find out if we can operate this
9 organization more efficiently, save a little money, but
10 the other is that we're right at the phase of putting
11 together a financial information system. Our old
12 accounting system, we've moved off an old rickety
13 platform to a more stable platform, and it's working
14 better. I think Lori is a happier person.

15 But we really just have an accounting system,
16 and what we need is something more than that. We need
17 an information system that incorporates financial
18 information and management information about our
19 programs, our lending, our functions, that are blended
20 together, and they can provide reports to the senior
21 executive team and the Board of Directors that we can
22 use to better run this Agency.

23 And before we can design a system that looks
24 like that, before we can tell some vendor that comes in,
25 I think we need to take a look at our business processes

1 first. I think you need to start from the ground floor
2 and work up. So -- so that's -- that's the idea for the
3 first part of this.

4 The other two issues that are in the back, the
5 second section of the memorandum, contract
6 administration and insurance management, we've known for
7 a long time that CalHFA has grown very fast over the
8 years and that a lot of the processes we have have been
9 in place for a long time, and, like I said, I think we
10 need to review those.

11 But one thing we do have is a bit of a siloed
12 management of the Agency. On the contract part, we have
13 a lot of different divisions that have contracts. They
14 all manage them individually. Some contracts pertain to
15 several different divisions. What we don't have is a
16 central place where those contracts are managed,
17 watched, and folks are held accountable for the
18 deliverables under the contract.

19 And so what I'd like to do is centralize that,
20 review the contracting process, and I believe we'll have
21 a more accountable system. We'll get more out of
22 vendors. We'll be -- I'll have a higher degree of
23 confidence that when we get to the end of the contract,
24 we got everything out of that contract that we were
25 entitled to, and if we didn't, we got concessions for a

1 change in whatever happened along the way.

2 Then the final thing is insurance services, and
3 this really just has come up recently. Chuck now has
4 under his control 1200 --

5 MR. McMANUS: 1100. 1100.

6 MR. SPEARS: All right. I exaggerated a bit --
7 over a thousand REOs. We have an insurance policy for
8 the Agency, a general liability policy. When we had
9 two, three, four REOs back two or three years ago, this
10 was not a big concern. This is a concern now.

11 We have an earthquake policy that Margaret
12 manages. So my only thought at this point is to do a
13 complete soup-to-nuts review of our need for insurance
14 services and see if it doesn't make sense to have an
15 overall policy where we can go to a broker and we can
16 negotiate all of these different needs into one
17 insurance contract and save money for the Agency and
18 have it easier to manage in a single place. Simple
19 concept.

20 I'm not trying to make the Agency more
21 bureaucratic. I'm trying to make it more accountable.
22 I'm trying to see if we can streamline some things, have
23 better coordination, have fewer silos, break these down
24 and have a lot more coordination between divisions and
25 that's -- that's the -- that's the idea.

1 I know this is a lot of detail about the
2 day-to-day management of the Agency. I brought it up to
3 the Board of Directors because, you know, in the end it
4 could mean that the Agency looks a lot different,
5 behaves, you know, differently than before, and thought
6 it would be a good idea to discuss this, see if the
7 Board members had questions before we proceed.

8 ACTING CHAIRMAN CAREY: Yeah, Mr. Boyken.

9 MR. BOYKEN: Thank you.

10 This is sort of hard, being the newest member
11 here, but I come sort of with some concerns and
12 questions from the Treasurer's Office, but the first one
13 has to do with the CFO position. Is it -- is what
14 you're suggesting, taking the statutory position that
15 Bruce Gilbertson is in right now and then sort of
16 reaffirming the duties that are in statute and taking
17 some of the other duties, the treasury-type duties that
18 Mr. Gilbertson is doing, and putting those into a
19 different position? Is that sort of what you're --
20 you're not suggesting going for legislation to create a
21 new position of CFO?

22 MR. SPEARS: No, on the contrary. I think we
23 can do this with the current statute that's in place.

24 MR. BOYKEN: Okay. So you wouldn't be
25 necessarily creating a different position, but it would

1 be redefining the existing position?

2 MR. SPEARS: Right. Just simply saying whereas
3 before the director of finance -- despite the fact that
4 the statutory definition is this, that person's duty
5 statement at CalHFA does this. It's much narrower.

6 MR. BOYKEN: Right.

7 MR. SPEARS: Just rewriting that person's duty
8 statement and opening it up.

9 Now, there are other movements, you know, in the
10 organizational chart that may need to take place
11 underneath that to make sure that --

12 MR. BOYKEN: Right.

13 MR. SPEARS: -- things are equitably distributed
14 as far as the scope of management, but, no, I don't
15 foresee any legislation at all.

16 MR. BOYKEN: All right. And then just one
17 observation, and I'm not the expert on this, but when
18 I've seen major accounting systems being adopted by
19 organizations, it often seems that it's the accounting
20 system that drives the reorg rather than the reorg that
21 drives, you know, what type of system you're going to
22 get. And I'm just wondering, you know, would -- the
23 reality is it'll probably kind of work in tandem as you
24 get whatever vendor, you'll see what's there, but I'm
25 just wondering if it would make sense to look at the

1 business processes a little bit more once you get closer
2 down the road of adopting a new accounting system.

3 MR. SPEARS: That's my -- that's exactly my
4 proposal.

5 MR. BOYKEN: Okay.

6 MR. SPEARS: If I didn't make that clear, I
7 apologize. But I think you have to do that review of
8 business processes and responsibilities right down to
9 the documentation, you know, how is that going to work
10 with a new, you know, accounting system and decide what
11 kind of system we're going to have.

12 If we just need a bookkeeping system, we don't
13 need that. We've got something along that line. What
14 we really need is an information system that -- the
15 amount of manual labor that goes into creating our
16 financial statements is unreasonable. I'll be kind. We
17 need -- we need systems that work for us. We're working
18 for the systems now, and that's backwards, so.

19 So I completely agree with you. We need to get
20 all this groundwork done first, decide how
21 responsibilities are going be laid out and what we want
22 the organization to look like and how we want it to work
23 and then we can put this information system together
24 intelligently. But if you try to get a vendor onboard
25 and you don't know how it looks and you're trying to

1 invent this along the way with a vendor -- and we have
2 some IT folks here -- you're going to pay a lot of money
3 while you start and stop and start and stop and try
4 different things, and that's not going to work.

5 MR. BOYKEN: Thanks.

6 ACTING CHAIRMAN CAREY: Mr. Mandell.

7 MR. MANDELL: Just some comments for you, Steve.
8 I think that thinking about how to make the organization
9 work the best it can is always a good idea, so I applaud
10 your thinking about it.

11 With regard to that last comment about the
12 accounting system and the database and all that, HCD is
13 still going through an effort that was started I think
14 in 2000 where -- the thing that I like about the
15 proposed org chart that you have is that you have a
16 fairly direct relationship between the money people and
17 the program people. And without that, I think that you
18 don't have to have that on an organizational chart, to
19 kind of get to another point I want to make, but
20 recognizing, as you just said, the importance of that as
21 you move forward on your IT side is critical. They
22 can't -- they are -- they are both served by the same
23 system, and they both need to have a part in that
24 discussion and look at it as you were suggesting, not
25 necessarily at the bottom, that might be the right

1 perspective, but from the business that you're trying to
2 accomplish and rather than laying some arcane rules over
3 it, you know, figure out what rules you really need and
4 make sure everyone's using the same rules. That's a
5 really great thought.

6 I'm a little bit concerned that from the org
7 chart that shows the proposed CFO position, that you've
8 got the director of administration reporting to the
9 executive director. To add it as you had previously a
10 direct report through what would now be labeled as the
11 chief financial officer would be a workload, but while
12 some people will say, well, those are the minor
13 activities, sometimes the tail does wag the dog. And to
14 have those responsibilities, the HR -- and I don't mean
15 that -- with no disrespect, but, you know, that you do
16 need to have a proper managing HR system. You have to
17 be hiring qualified people. You have to keep those
18 people happy, otherwise nothing works.

19 Well, all of that shouldn't be given short
20 shrift and I think needs to be integrated in the
21 day-to-day discussions along with the money issues, the
22 program issues. So I'm not going to make a -- I'm not
23 making any recommendations. I'm just pointing out
24 things that I have seen in the past could be problems.

25 And the third thing I wanted to suggest is that

1 there is some truth to some humor -- humorous stories.

2 MS. RICHARDSON: Can't hear.

3 MR. MANDELL: I'm sorry. There is some truth to
4 some humorous stories, and the one that comes to mind is
5 the make three envelopes. You -- I think, Peter, you
6 know the one I'm referring to.

7 And so when you're talking about silos, it's
8 just one pie. And there are lots of, an infinite number
9 of, ways to slice the pie. It's not really who reports
10 to whom but how those people relate to each other.

11 So it should be more important -- and maybe it's
12 through the business processes review as opposed to
13 putting a box under a different box, that that might be
14 the way to focus on how the organization should look.
15 So it's who's -- not who's doing what, but how the
16 what's being done and how people need to relate in that
17 regard.

18 So I just wanted to give you those comments.
19 Thank you for that opportunity.

20 MR. SPEARS: Thank you.

21 ACTING CHAIRMAN CAREY: Okay. Other comments or
22 questions? Mr. Hunter.

23 MR. HUNTER: I just had a couple of things.
24 One -- one it seemed to me to be missing from attachment
25 two is Mr. Hughes seems to have disappeared. And that

1 role is such a critical role, both in relationship to
2 the Board and to the activity of the organization, it
3 just -- I didn't see where it was functioning.

4 MR. SPEARS: Well, a number of people
5 disappeared in attachment two, no disrespect to the
6 remainder of the senior executive staff. But the only
7 thing on attachment two, I just was dealing with just
8 the financial and -- and business processes, day-to-day
9 part of this, so that there is the legal division, all
10 the program areas are somewhere off to the right, off
11 screen here, off stage. And just the only people that
12 were on stage would be the -- just the financial
13 management part, so --

14 MR. HUNTER: Okay.

15 MR. SPEARS: -- that would still be out there.

16 And just -- the other quick response to one of
17 Elliott's concerns is I debated this administrative
18 area. It's got HR, business services, facilities. I
19 mean, part of my job is to make sure that their job is
20 as easy as possible, and I try to allocate HR services,
21 business services, picking up the mail, I thought it
22 would be better if those broad support services reported
23 directly to me, I mean, just as an impartial way to
24 allocate support services around the Agency, so.

25 Like I said, not -- this concrete is still not

1 set, if it is even concrete.

2 MR. HUNTER: Yeah. Then that was actually --
3 your comment about the support services was my other
4 comment, which is far too many years ago when I was
5 trying to learn management and we used to talk about
6 span of control, in other words, how many people can --
7 how many supervisees can a supervisor supervise?

8 And increasingly I feel that really successful
9 and highly functional organizations are the ones that
10 really have turned that upside down and are talking
11 about the role of supervisor not as a control point, but
12 as a facilitation point. So that, to me, the -- the
13 kind of inverting the structure and starting -- looking
14 at it from the top up rather than the top down, what
15 does the executive director need to do to facilitate the
16 successful work of the CFO? What does that person need
17 to do to facilitate the successful work, you know, all
18 the way down to the line staff. How do you create the
19 resources, the mentoring and the facilities that are
20 necessary for, in the traditional point of view, the
21 person who's at the bottom of the ladder being most
22 successful, because that's where our organization's
23 success always resides.

24 And, you know, one of the places I learned that
25 was in managing a public health center where when I did

1 a business review found myself scared to death that the
2 person who is most responsible for the financial success
3 of our organization was the person who was paid minimum
4 wage and greeted people when they came in the door and
5 picked one of 17 boxes to check. And so our most
6 critical function was the person who was the lowest paid
7 person in the organization just struck me as insane.

8 So, you know, just as we're looking at this, if
9 we can keep that in mind, that the point of supervision
10 is to enable the success of the people that are being
11 supervised, and how do we -- how does the structure then
12 facilitate that.

13 ACTING CHAIRMAN CAREY: Great comments.

14 MR. SPEARS: This is very helpful. Thank you.

15 ACTING CHAIRMAN CAREY: Other thoughts or
16 comments from Board members?

17 Is there anyone from the public who'd like to
18 comment on the proposal?

19 MR. HUGHES: Well, my mortgage lender thanks
20 Mr. Hunter for that clarification on me disappearing
21 from that chart, so that would be my comment.

22 --o0o--

23 **Item 8. Reports - A. Homeownership Loan Portfolio**
24 **Update**

25 ACTING CHAIRMAN CAREY: Okay. With that, we are

1 on to reports.

2 MR. SPEARS: We don't have any special
3 presentations. I just would encourage the Board members
4 to each time please review the -- I believe it was the
5 January 2009 meeting, my very first meeting as executive
6 director, when the Board in its wisdom asked for a
7 homeownership loan portfolio report each time, so I
8 would encourage you to take a look at that.

9 We have made a lot of progress since
10 delinquencies, total delinquencies, peaked in February
11 of 2010. That's declined dramatically for a couple
12 reasons. Not great news for borrowers because that
13 represents foreclosures that have taken place on the
14 older loans, and it represents REO properties that Chuck
15 is managing. So -- but total delinquencies have gone
16 down.

17 I have seen in recent months, and we have a
18 little more recent reconciled information than what you
19 see right here that I just received this last week after
20 Board packages went out, that looks like delinquencies
21 might be ticking up just a bit in each of the categories
22 30, 60 and 90-plus. I think the unrelenting grip the
23 economy has on unemployment is just giving borrowers a
24 nightmare, and it's -- it's unfortunate, but it is a
25 reality that we're dealing with.

1 with variable-rate debt, swaps, et cetera, et cetera,
2 so.

3 --oOo--

4 **Item 8. Reports - C. Legislative Report**

5 MR. SPEARS: And there is a brief legislative
6 report under tab C in the back, and that would be Di's
7 responsibility.

8 So if there are any questions, I'd be happy to
9 entertain those. If the Board members would like
10 additional reports, I would encourage you to let me know
11 that. We'd like to give you whatever you think you need
12 to keep up to date.

13 ACTING CHAIRMAN CAREY: Thank you.

14 Any questions?

15 MR. HUNTER: I just have one on the variable
16 rate. You know, we've been talking about what are the
17 maximum numbers that we can hit, and I'm looking at the
18 basis mismatch chart on page 158. That, you know --
19 clearly 2010 so far is -- has been much better than
20 2009. Do you foresee a time when the little orange bar
21 will go above the line and we can start regaining some
22 of the ground we've lost?

23 MR. SPEARS: I'll let Bruce comment on it. One
24 of the reasons why this improved dramatically, I
25 believe, was because of the Treasury program that we

1 engaged in. Further improvement, I believe, has to do
2 with interest rate movements.

3 MR. GILBERTSON: Yeah, basis mismatch is a
4 multifaceted kind of phenomenon. You can see back in
5 2001 the incremental bars were above the line. I
6 wouldn't anticipate, Jonathan, that we would see that
7 cumulatively ever. I don't even know that a periodic
8 positive mismatch is likely.

9 The challenges that we faced over the last few
10 years, as you can see, the orange or golden bars
11 becoming larger, dealt with inefficiencies in the
12 marketplace and the relationship of some of the
13 securities that are these floating-rate securities,
14 action-rate securities. Remember, you've heard us talk
15 at length about that marketplace simply not existing
16 anymore. Auction-rate bonds simply don't have
17 successful auctions anymore.

18 Variable-rate demand obligations, we had a huge
19 experience in 2008 and into 2009 until the Treasury
20 facilities came into place where we couldn't find a
21 liquidity provider, which meant that we paid a penalty
22 rate of interest which is reflected in this chart. And
23 even if we did, interest rates and the compression of
24 rates -- you know, a lot of this is driven based off the
25 relationship of a short-term tax-exempt bond and a

1 short-term taxable bond because of the Agency's election
2 to -- to enter into most of their swaps on a percentage
3 of LIBOR rather than a SIFMA-based swap.

4 So there are several things going on. The short
5 answer to your question is I think we should look for
6 further improvement. This -- this is not a calendar
7 year, remember. It's explained in the report. This
8 goes from a debt service or a bond year, if you will.
9 It starts on August 1st and goes to July 31. So it will
10 start again for what we call 2011 on August 1 of 2010,
11 and I would expect that it's going to be significantly
12 improved, even over what's shown in 2010, but I don't
13 think it will become positive.

14 MR. HUNTER: Thank you.

15 ACTING CHAIRMAN CAREY: Other questions?

16 All right. Thanks, Bruce.

17 --oOo--

18 **Item 9. Discussion of other Board matters**

19 ACTING CHAIRMAN CAREY: Other Board matters.

20 MR. SPEARS: Mr. Chairman and Learned Counsel,
21 is it appropriate for me to go back and point out one
22 other thing in item four?

23 MR. HUGHES: Sure.

24 MR. SPEARS: The criticisms you heard are not
25 new from the group One LA. And I'm not sure, I know we

1 have new Board members around the table, those filling
2 in this time around, but I did send to the Board members
3 a November 8 memorandum. It's almost like a points and
4 authority, but not quite. But it is a, you know --
5 criticisms that we've heard and staff's response to
6 those criticisms. And I encourage you to take a look at
7 that.

8 I -- I think more Board members are going to be
9 contacted about this. I know the Treasurer's Office has
10 been contacted and others, so I think it would be
11 important for you to understand the staff's position on
12 this.

13 I know there is testimony here today that --
14 that we have federal guidance on, you know, how much to
15 pay. The federal guidance that they have referred to
16 again and again is Supplemental Directive 10-05 issued
17 in June 2010 for the Help America's -- the HAMP program,
18 making homes affordable. Our program is not the HAMP
19 program. Treasury designed this completely outside of
20 HAMP.

21 We are following federal guidelines that were
22 provided to the states that were provided Hardest Hit
23 funds, and we followed those guidelines to the letter,
24 submitted proposals according to those guidelines and
25 been approved by Treasury. So what you'll see in the

1 response memo that I put out is a rebuttal to the
2 argument that we're bound by this directive that came
3 out.

4 Two thoughts. One is this a HAMP directive and
5 we're not HAMP so this doesn't bind to us, but even if
6 it did, what's in this is an incentive payment, not a
7 purchase of a portion of a loan. It is not what has
8 been purported to be a net present value calculation of
9 a written-down loan amount or a purchase loan amount.

10 I looked and looked and looked to try to find
11 the 6-to-21-cents number and finally found it in the
12 back of this under the section entitled "Incentive
13 Compensation." And I don't claim to be a HAMP
14 specialist. I think that would be a dangerous thing to
15 claim. But this is the -- this is the basis for their
16 argument that we should be paying much, much less for
17 the loans that -- for the principal reduction that we're
18 talking about in the -- in the -- in our program.

19 So I would just say that. I thought about it
20 after they left, and I would just put that on the
21 record.

22 MR. HUNTER: Is that --

23 ACTING CHAIRMAN CAREY: Mr. Hunter.

24 MR. HUNTER: Was that memo in the packet?

25 MR. SPEARS: No. This is something that I sent

1 out by e-mail a week or so ago. I brought mine just in
2 case, but I should have sent a reminder.

3 MR. SHINE: It came out by e-mail?

4 MR. SPEARS: Yes. From me to Board members. So
5 if -- and, Grant, I didn't know you were going to be
6 here, but --

7 MR. BOYKEN: It should be in the office.

8 MR. SPEARS: -- it should be somewhere.

9 I would be happy to send that out again,
10 Mr. Hunter.

11 MR. HUNTER: Thank you.

12 ACTING CHAIRMAN CAREY: And it seems to me that
13 we're dealing with two different issues in their
14 concerns, one of which is some factual issues, which I
15 think the memo does a good job of pointing out are not
16 correct and were the basis of some of the legislative
17 letters that we got. And the other is subjective, about
18 what's the right way to roll the program out. And --
19 and at this point it seems the decisions are made and
20 the program is moving.

21 And there is a world of disagreement about how
22 best to deal with -- with foreclosure issues out there.
23 I think the Agency's working very hard to choose a
24 prudent path.

25 Other Board matters?

1 MR. HUGHES: I think, Mr. Chair, since we went
2 back to item four for a moment, we just ought to ask for
3 another round of public comments, if there --

4 ACTING CHAIRMAN CAREY: Great.

5 MR. HUGHES: -- are any.

6 ACTING CHAIRMAN CAREY: Sure.

7 Yeah, is there anybody from the public who'd
8 like to add to the discussion?

9 --oOo--

10 **Item 10. Public testimony: Discussion only of other**
11 **matters to be brought to the Board's attention**

12 ACTING CHAIRMAN CAREY: Seeing none, we'll move
13 on. And, in fact, this is an opportunity that we permit
14 the public to speak on matters that are not on the
15 agenda that ought to be brought to the Board's
16 attention. Is there anyone who wishes to speak?

17 MR. GUNNING: Mr. Chairman, I did want to --

18 ACTING CHAIRMAN CAREY: Yes.

19 MR. GUNNING: -- just have one comment back on
20 the previous item.

21 Is there a way, Steve, to inform the One LA
22 group of our discoveries or can we push back a little
23 bit or -- I don't mean push back, I shouldn't say that.

24 MR. SPEARS: We've certainly done that in
25 private conversations with them.

1 MR. GUNNING: Okay. So that has --

2 MR. SPEARS: Di --

3 MR. GUNNING: That has occurred.

4 MR. SPEARS: I would say this: They have --
5 they have a proposal in for Innovation funds that's
6 being reviewed and -- and Di is spending an enormous
7 amount of time providing folks who have been approached
8 by One LA and are asking us questions, so we're -- we're
9 refuting their arguments but only indirectly because
10 they -- they don't talk to us much anymore because they
11 know where we stand on it.

12 I respect very much what they're trying to do.
13 I respect -- I think the testimony this morning was
14 brave and it's -- it's -- it's -- there are difficult
15 situations like that. But Di's comment that we have
16 limited resources is -- I did a -- you'll see in the
17 memorandum, I did a quick calculation that there are
18 about two to three million homes in California that are
19 underwater. If they're average underwater by \$50,000,
20 it's an enormous amount of money. Even if only a
21 portion of those people qualify for our program, it far
22 exceeds the amount of money that we have available.

23 And I -- as Di said, if we roll this program
24 out, we don't get people to come to the door and
25 participate and we have the ability to open it up and

1 open it up on the basis of medical expenses, education
2 expenses and, you know, a -- a limited list of -- a
3 limited list of proceeds, I mean use of proceeds --

4 MR. GUNNING: Right.

5 MR. SPEARS: -- we'll do that. We'll do that.

6 I can tell you that will create an enormous
7 headache of trying to document what that money was spent
8 for. That's going to be -- that's going to be almost
9 impossible to do, but we are willing to try if we have
10 funds left over to do that.

11 MR. GUNNING: Okay. Thanks, Steve.

12 ACTING CHAIRMAN CAREY: Okay. No further public
13 testimony -- actually, having -- having sat here and
14 thinking a little bit, I'd just like to point out that
15 this is our last meeting for 2010. It's also the last
16 meeting under the Schwarzenegger Administration. And
17 most of us are here as appointments by Governor
18 Schwarzenegger or by virtue of being in office or
19 particular public functions with this Administration.

20 It's -- it's good to note that the Agency was
21 designed in a way to somewhat isolate it from political
22 transition, so -- so many of us will continue on the
23 Board and provide some continuity, which I think is
24 very, very healthy. And -- and we have some excellent
25 Board members. The next time we meet, Thanksgiving will

1 have passed. The holidays will have passed. We'll be
2 in a new administration and facing some of the same
3 challenges, but -- but it will be a new year.

4 And this has been a year. I mean this has been
5 a very challenging year. Some of the news today is some
6 of the best news we've had all year, I think, and it's
7 nice to take a deep breath and realize that we did end
8 with some positive news.

9 And I think -- I know I speak for the entire
10 Board when I say that I know that isn't the winds that
11 blew in. That's the incredibly hard work of the
12 organization in every piece of the organization and
13 every -- every staff member making -- making things work
14 in an incredibly difficult environment. We all
15 appreciate all the staff in every piece of the
16 organization and -- and would like that known.

17 And I'd also like to mention two Board members
18 who are retiring from the Board. Lynn Jacobs, who
19 serves by virtue of being director of HCD, has not just
20 been an incredibly loyal and active Board member here,
21 but an incredibly driven advocate for affordable housing
22 statewide and has -- has worked hard to roll the ball
23 uphill in dealing with what we in the affordable housing
24 world call the permanent source campaign and has kept
25 that in the forefront all the way along and has rolled

1 that ball, moved that ball, forward.

2 And other is Heather Peters, who represents Dale
3 Bonner and has, again, been an incredibly active and
4 helpful and supportive Board member and excellent
5 representative connecting the Board and the Agency to
6 the field, particularly during the early days of the
7 foreclosure crisis. And her knowledge and personal
8 investment in that area has been very helpful.

9 And we're going to miss both of those people, in
10 addition to missing Brooks and -- and Fred Klass.

11 MR. MANDELL: If I may, Peter?

12 ACTING CHAIRMAN CAREY: Yes.

13 MR. MANDELL: Just because I know we have
14 verbatim minutes that I assume that Ms. Jacobs will read
15 your words and will appreciate what you said, but I
16 think she'll be at the next meeting --

17 ACTING CHAIRMAN CAREY: Oh, really?

18 MR. MANDELL: -- when it's called. It's not my
19 understanding that Lynn is intending to retire from the
20 Board until she is no longer the HCD director.

21 ACTING CHAIRMAN CAREY: Better news yet. That's
22 wonderful.

23 MR. SPEARS: That's great news.

24 ACTING CHAIRMAN CAREY: Just -- in the -- in
25 the --

1 MR. MANDELL: I hope I'm not misspeaking, but --

2 ACTING CHAIRMAN CAREY: Yeah. No, that would

3 be --

4 MR. MANDELL: -- at least not to my knowledge.

5 ACTING CHAIRMAN CAREY: That would be wonderful.

6 But in the -- in the transition of not knowing,

7 I wanted to be sure to be on the record. That's great

8 news.

9 ----o0o----

10 **Item 11. Adjournment**

11 ACTING CHAIRMAN CAREY: Okay. With that, we are

12 adjourned.

13 (The meeting concluded at 11:38 a.m.)

14 --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 December 2010.

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

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