California Housing Finance Agency

Meeting of the Board of Directors

January 20, 2011

CalHFA℠

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Agenda Item 4 – *Keep Your Home California*

Program Update

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KEEP YOUR HOME CALIFORNIA℠

www.KeepYourHomeCalifornia.org

Keep Your Home California

CalHFA Board
Project Update

January 7, 2011

CalHFA MAC
CALHFA MORTGAGE ASSISTANCE CORPORATION

Distribution of Funds

- Initial Allocation – June 23, 2010
  - $699,600,000.00 Total
- First Amendment – September 23, 2010
  - $476,257,070.00 Additional for Unemployment
  - $1,175,857,070.00 Total
- Second Amendment – September 29, 2010
  - $799,477,026.00 Additional for any approved program
- Total -- $1,975,334,096.00

Estimated Program Assistance *Funds may be reallocated based on results

Program	Allocated Program Dollars	# of Households Assisted
Unemployment	$875 million	~60,000
Mortgage Reinstatement	$129 million	~9,000
Principal Reduction	$790 million	~25,000
Transition Assistance	$32 million	~6,500

High-Level Status

- Timeline
  - Unemployment Assistance Program fully deployed on January 10, 2011
  - RCAC and HUD-approved external counselors come on line as of January 24, 2011
  - "Retail" Mortgage Reduction Assistance, Principal Reduction and Transition Assistance Program is planned for full deployment on February 7, 2011
  - "Bulk" Principal Reduction Program deployment is targeted for March 2011

- Participating Servicers (as of January 7, 2011)
  - CalHFA, CalVet, GMAC, Wells Fargo, and Chase are on board.
  - Anticipate Bank of America and CITI will be on board by mid January

First full week of UMA (Jan 10 – Jan 15)

- 3,146 calls to triage
- 609 calls to counseling
- 236 completed counseling

- All phone systems operated normally
- Minimum wait times for callers

Agenda Item 5 – Single Family Financing Resolution

January 20, 2011

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Overall Financing Objectives

- More conservative financing strategies for new issue bonds;
- Avoid additional real estate risk;
- Take advantage of market opportunities to reduce financial risk related to existing variable rate debt.

Authority Included in the Resolution

- Article 1 – Refunding Bonds
  - Flexibility to manage existing debt;
  - Amend, modify or replace existing financial agmts.;
  - No increase in $ amount of swap contracts, liquidity support or credit enhancement;
  - Executive Director certification – no greater risk
- Article 2 – New Money Bonds
  - Used to purchase new MBS;
  - May NOT be used to purchase whole loans;
  - Amount of authority is limited.

Authority Included in the Resolution (cont'd)

- Article 3 – Applicable to All Bonds Issued Under this Resolution
  - Circulate Official Statements;
  - Negotiated or competitive sales – public offerings or private placements as market dictates;
  - All documents necessary for CalHFA programs;
  - Financial agreements necessary to issue bonds;
  - Short term credit facilities – limited to $400 million for the Agency
- Prior Bonds (not refunding bonds)
  - Amend, modify or replace existing financial agmts.;

Agenda Item 6 – Multifamily Financing Resolution

January 20, 2011

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Authority Included in the Resolution

- Article 1 – Refunding Bonds
  - Flexibility to manage existing debt;
  - Amend, modify or replace existing financial agmts.;
  - No increase in $ amount of swap contracts, liquidity support or credit enhancement;
  - Executive Director certification – no greater risk.
- Article 2 – New Money Bonds
  - Limited amount;
  - Fixed or convertible rates of interest – 50 years max maturity;
  - Permits conduit financing bonds.

Authority Included in the Resolution (cont'd)

- Article 3 – Applicable to All Bonds Issued Under this Resolution
  - Circulate Official Statements;
  - Negotiated or competitive sales – public offerings or private placements as market dictates;
  - All documents necessary for CalHFA programs;
  - Financial agreements necessary to issue bonds;
  - Short term credit facilities – limited to $400 million for the Agency.
- Prior Bonds (not refunding bonds)
  - Amend, modify or replace existing financial agmts.;

Agenda Item 7 – Resolution Authorizing Applications to CDLAC for Bond Allocation

January 20, 2011

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Authority Included in the Resolution

Apply to California Debt Limit Allocation Committee

- Authority to issue "private activity" tax exempt bonds
- Applications may not exceed:
  - $900 million for Single Family Bonds;
  - $400 million for Multifamily Bonds.
- Carryover allocation may be available
  - Assumption: Board desires staff to apply if available;
  - Three years to utilize CDLAC allocation.

Agenda Item 8 – Mid-Year Business Plan Update

January 20, 2011

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Business Plan Priorities

- Maintain Agency Credit Ratings
  - Management decisions based on these objectives.
- Mitigation of Single Family Loan Losses
  - KYHC, Loan mods, short sales, foreclosures, REO.
- Renew Lending Activities
  - Use of NIBP for Single Family and Multifamily.
- Renew and Strengthen Old Partnerships
  - Local governments, non-profits and GSEs.
- Explore New Business Models
  - May require new partners and new roles.

Priority 1 - Maintain Agency Credit Ratings

- S&P
  - Has not altered its ratings during FY 2010-11;
  - Likely will review during 1st Quarter 2011.
- Moody's Investor Services
  - Rating decision in October 2010;
  - Removed from Credit Watch for Downgrade;
  - Confirmed HMRB rating;
  - One-notch downgrade on Issuer Credit Rating – now at same level as S&P;
- Other Management Actions to Preserve Credit
  - BAHP Loans – Bond sale planned for February
  - Resulted in $40 million combined increase in fund equity of HMRB and GO

Existing CalHFA credit ratings

	CalHFA General Obligation		HMRB (Special Obligation)		CalHFA MI Fund	
	Bonds outstanding = $1.2Bn TCLF = $676Mn Swap notional outstanding = $3.8Bn BoA's line of credit = $100Mn		Bonds outstanding = $6.0Bn TCLF = $2.6Bn		Risk-in-force = $230Mn	
	S&P's	Moody's	S&P's	Moody's	S&P's	Moody's
	Negative	Negative	Negative	Negative	---	Negative
	Outlook	Outlook	Outlook	Outlook	---	Outlook
	04/01/10	10/26/10	04/02/10	10/26/10	01/21/10	12/08/10
A+/A1						
A/A2	A	A2	A			
A-/A3				A3		
BBB+/Baa1						
BBB/Baa2						
BBB-/Baa3						
						Caa3
					withdrawn	

Priority 2 -- Mitigation of Single Family Loan Losses

- Hardest Hit Funds
  - Beta test (Sept '10); Pilot program (Oct '10);
  - CalHFA serviced loans – other servicers being brought on board; Genworth on board;
  - More CalHFA Loan Mods are expected.
- Increased staffing levels
  - Loan Servicing and Portfolio Mgt – 7 positions added.
  - Extended Hours of Operation in Loan Servicing
- Short Sales
  - Allowed in hardship situations.
- REO
  - Added one new master broker.

Portfolio Management

FY 2010-2011 as of 12/31/2010

CalHFA Conventional FY 2010/2011

	Forecast	Actual	Variance	%Variance
Loan Modifications Approved	284	270	-14	-4.93%
Short Sales Closed	180	149	-31	-17.22%
Foreclosures	972	797	-175	-18.00%
REO Sales	674	626	-48	-7.12%

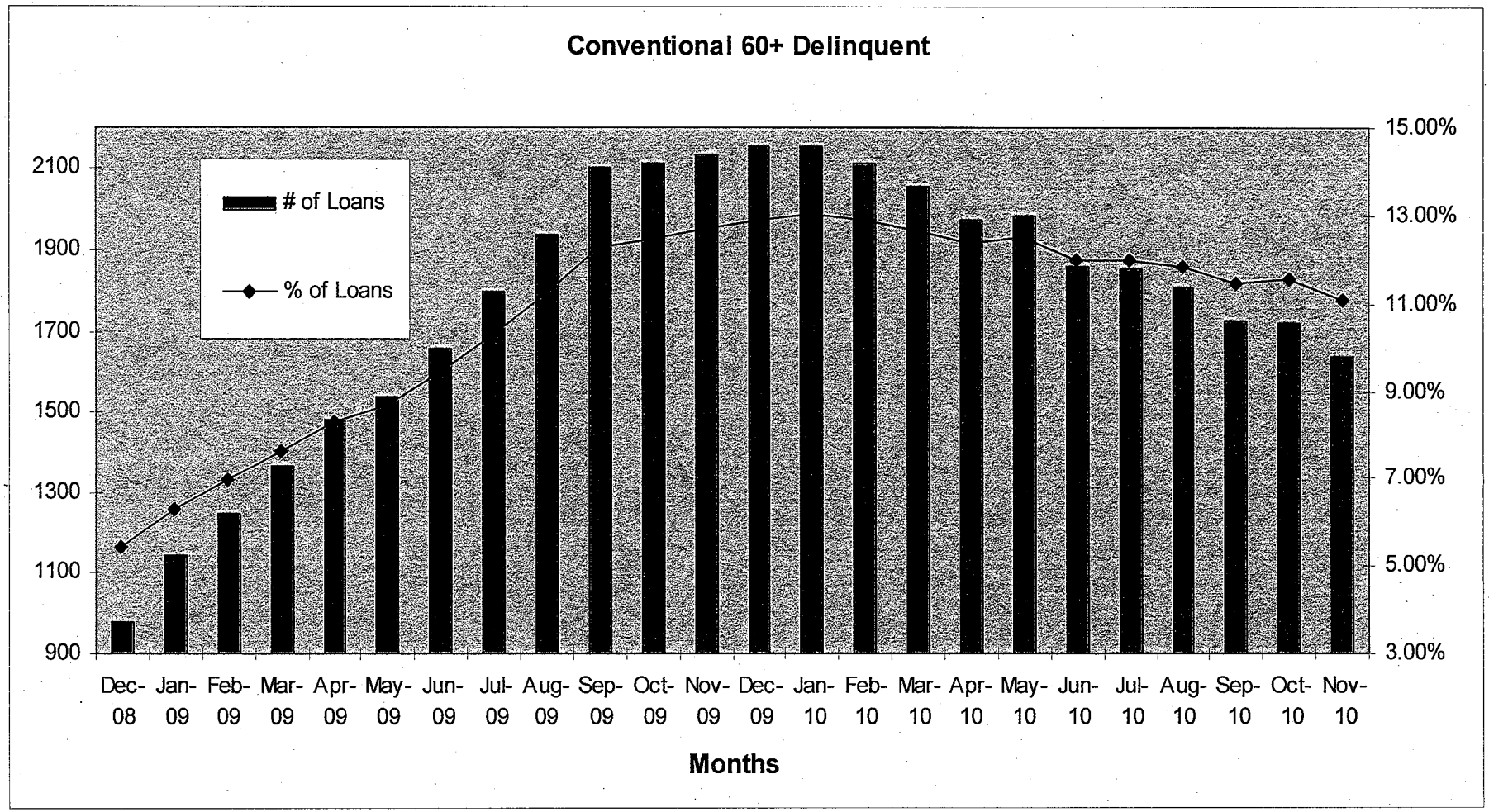
Portfolio Management

FY 2010-2011 as of 12/31/2010

CalHFA Conventional first Half FY 2009/2010 vs 2010/2011

	2009/2010	2010/2011	Change	%Change
Loan Modifications Approved	181	270	89	32.96%
Short Sales Closed	35	149	114	76.51%
Foreclosures	589	797	208	26.10%
REO Sales	374	626	252	40.26%

Conventional Loans – CalHFA Risk



Priority 3 -- Renewed Single Family Lending

- Single Family Lending Revived
  - Plans for Fannie Mae Affordable Advantage were scrapped
  - FHA Program revived – Early September 2010
- Loan production to date
  - Reservations – 627 loans ($127 million)
  - Purchased – 64 loans ($12 million)
- Quality of loans purchased
  - Average Loan Amount - $187,500
  - Average FICO score – 694 (prior FHA experience – 685)
  - Average LTV – 96%
  - Average CLTV – 99.7% (with CHDAP and AHPP)
  - Low Income Loans – 65% of loans purchased

Priority 3 – Renewed Multifamily Lending

- **New Issue Bond Program:** $262,340,000

  Total Mid-Year FY 2010/11: 17 Projects (2,281 Units) – many projects would not have been completed but for this funding

- **MHSA Overview**
  - Amount of Loans Committed/Closed $116mn/$81mn
  - Number of Loans Committed/Closed 41/49
  - MHSA Applications $39mn
  - Total MHSA Funds Requested $236mn
  - Total MHSA Units 2,036 units
- **ARRA/TCAC Production**
  - 62 Projects – FY 2010-11
  - Since inception – 144 Projects

Multifamily Asset Management Update

- Over 500 properties in portfolio – 40,000 units
- Excellent condition overall
  - $1.9B loan balance
  - 96% occupancy
  - No delinquencies over 30 days
- MHSA – 12 permanent closings
  - 95 MHSA units
  - 85 receiving Capital Operating Subsidy funds
- Pilot Prepayment Program
  - 4 interested parties. No closings yet

Priorities 4 and 5 – Renew and Strengthen Old Partnerships and Explore New Opportunities

- Seek extension of NIBP
  - Program extended through 2011
  - Rate relock allows more competitive rates
- Single Family Lending –
  - BLOCK Program – forward commitment of funds/rate
  - Federal Targeted Areas Program
- Multifamily Lending
  - Partnering with GSEs for credit enhancement
- Asset Management
  - Performance Based Contract Administration

California Housing Finance Agency

Agenda Item 8 – Operating Budget Update

January 20, 2011

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Operating Budget Update

- Adopted Budget for FY 2010-11
  - $48.3 million/ 311 authorized positions.
- Projections
  - $22.2 million projected for first 6 months of fiscal year;
  - $45.7 million actual expenditures projected for full yr.
- Personnel costs
  - Still operating at 40+ vacancies in perm positions;
  - Increased costs for Temp Help and Overtime;
  - 7 positions added in Loan Servicing and Portfolio Mgt.
- Strategic Projects
  - Making investments in updated systems.

California Housing Finance Agency

Agenda Item 8 – First Quarter Financial Results

January 20, 2011

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California Housing Finance Agency (CalHFA)
Housing Finance Fund

Statement of Revenues, Expenses and Changes in Fund Equity
For the quarter ending September 30, 2010 and prior quarters

	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10
Operating Revenues (in millions):					
Interest income program loans – net	$103	100	102	88	$90
Interest income investments – net	10	9	10	11	9
Increase in fair value of investments	2	(2)	0	19	0
Other loan and commitment fees	6	7	7	9	8
Other revenues	23	19	21	(14)	17
Total Operating Revenues	$144	$133	$140	$113	$124
Operating Expenses (in millions):					
Interest	$97	91	71	58	$70
Mortgage servicing fees	4	4	4	4	3
Operating expenses	8	11	11	12	10
Other expenses	112	62	98	71	69
Total Operating Expenses	$221	$168	$184	$145	$152
Operating Income before transfers	(77)	(35)	(44)	(32)	(28)

California Housing Finance Agency (CalHFA)
Housing Finance Fund

Balance Sheet
As of September 30, 2010 and prior quarters

	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10
Assets (in millions):					
Cash and investments	$2,012	$2,199	$3,679	$3,784	$3,685
Program loans receivable-net	8,140	7,935	7,381	7,144	6,903
Other	219	262	285	635	691
Total Assets	$10,371	$10,396	$11,345	$11,563	$11,279
Liabilities (in millions):					
Bonds payable – net	$8,024	$8,001	$9,085	$8,906	$8,706
Notes payable	0	0	41	94	93
Other	666	745	614	1,009	954
Total Liabilities	$8,690	$8,746	$9,740	$10,009	$9,753
Fund Equity (in millions):					
Invested in capital assets	$1	$1	$1	$1	$1
Restricted equity	1,680	1,649	1,604	1,553	1,525
Total Fund Equity	$1,681	$1,650	$1,605	$1,554	$1,526
Total Liabilities and Fund Equity	$10,371	$10,396	$11,345	$11,563	$11,279

California Housing Finance Agency
Housing Finance Fund

Reserves for Delinquent Loans and Real Estate Owned (REO)

	Dec-09	Mar-10	Jun-10	Sep-10
CaHLIF Insurance Fund Loss Reserves *	$62,962,465	$59,698,154	57,549,318	52,986,824
Genworth Loss Reserves	179,019,488	168,118,343	161,079,671	149,889,356
GAP Insurance Loss Reserves **	121,088,203	123,746,145	118,792,604	63,377,259
Loan Loss Reserves on Delinquent Loans (HMRB only)	16,592,403	16,592,078	16,558,038	55,366,612
REO - Market Value Adjustments (HMRB only)	20,609,127	25,030,481	26,528,880	34,239,700
Total Reserves	$400,271,686	$393,185,201	$380,508,511	$355,858,951

* At 9/30/10, approximately $35,752,196 was available to pay claims

** "GAP Insurance Loss Reserves" include GAP reserve for Insured loans, REO and Uninsured loans

As of September 30, 2010, $46,270,451.39 of GAP Loan Loss Reserves was moved from Supplementary Bonds Security account to HMRB indenture.