

STATE OF CALIFORNIA
CALIFORNIA HOUSING FINANCE AGENCY

--o0o--

BOARD OF DIRECTORS
PUBLIC MEETING

--o0o--

Holiday Inn Capitol Plaza
300 J Street
Sacramento, California

Thursday, January 19, 2012
10:05 a.m. to 1:55 p.m.

--o0o--

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

MARCH 14, 2012

Attest: 

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

Daniel P. Feldhaus, C.S.R., Inc.
Certified Shorthand Reporters
8414 Yermo Way, Sacramento, California 95828
Telephone 916.682.9482 Fax 916.688.0723
FeldhausDepo@aol.com

CalHFA Board of Directors Meeting – January 19, 2012

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

KEN ALEX
Director
Office of Planning and Research
State of California

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

CLAUDIA CAPPIO
Executive Director
California Housing Finance Agency
State of California

KATIE CARROLL
For Bill Lockyer
State Treasurer
State of California

CATHY CRESWELL
Acting Director
Department of Housing and Community Development
State of California

MICHAEL A. GUNNING
Vice President
Personal Insurance Federation of California

JONATHAN HUNTER
Managing Director, Region 2
Corporation for Supportive Housing

HEATHER PETERS
for TRACI STEVENS, Acting Undersecretary
Business, Transportation & Housing Agency
State of California

JACK SHINE, Chairperson
Chairman
American Beauty Development Co.

RUBEN A. SMITH
Partner
Adorno Yoss Alvarado & Smith

CalHFA Board of Directors Meeting – January 19, 2012

CalHFA Staff Present:

TIM HSU
Financing Risk Manager

VICTOR J. JAMES
Deputy General Counsel

JOJO OJIMA
Office of the General Counsel

L. STEVEN SPEARS
Chief Deputy Director

--o0o--

Public Testimony:

LAURA BLAKELY

RIGO CABEZAS
NACA

SHIRLEY CAMPBELL
NACA

JOY DAVIS
NACA

STANLEY J. DIRKS
Attorney at Law
Orrick

ANNE JORDAN

KATHARINE (KATIE) JORDAN

MARTIN WHITE
NACA

MARCIA WOLD

HOWARD ZUCKER
Hawkins Delafield & Wood, LLP

--o0o--

CalHFA Board of Directors Meeting – January 19, 2012

Table of Contents

<u>Item</u>	<u>Page</u>
1. Roll Call	6
2. Approval of the minutes of the October 18, 2011 Board of Directors meeting	10
3. Chairman/Executive Director comments	7
4. Discussion, recommendation and possible action regarding the adoption of a resolution authorizing the Agency’s single family bond indentures, the issuance of single family bonds, short term credit facilities for homeownership purposes, and related financial agreements and contracts for services	
Resolution 12-01	31
Motion	65
Vote	65
5. Discussion, recommendation and possible action regarding the adoption of a resolution authorizing the Agency’s multifamily bond indentures, the issuance of multifamily bonds, short term credit facilities for multifamily purposes, and related financial agreements and contracts for services	
Resolution 12-02	66
Motion	67
Vote	67
6. Discussion, recommendation and possible action regarding the adoption of a resolution authorizing applications to the California Debt Limit Allocation Committee for private Activity bond allocations for the Agency’s Homeownership and multifamily programs	
Resolution 12-03	68
Motion	69
Vote	69
7. Review and discuss the Agency’s policy of allowing homeowners with Agency first-mortgages to rent their home	71
8. Report of the Chairman of the Audit Committee	109

CalHFA Board of Directors Meeting – January 19, 2012

Table of Contents, continued

<u>Item</u>	<u>Page</u>
9. Discussion, recommendation and possible action to select an auditor to perform the yearly financial audit of both the California Housing Finance Fund and the California Housing Loan Insurance Fund	
Resolution 12-04	109
Motion	110
Vote	111
10. Update on the status of proposed new energy efficiency lending program	112
11. Reports:	115
A. Homeownership Loan Portfolio Update	
B. Update on Variable Rate Bonds and Interest Rate Swaps	
C. Report of Multifamily Bond Sale	
D. Annual Investment Report	
E. Legislative Report	
12. Discussion of other Board matters	115
13. Public testimony	11, 115
14. Adjournment	120
Reporter's Certificate	121

--oOo--

CalHFA Board of Directors Meeting – January 19, 2012

1 BE IT REMEMBERED that on Thursday, January 19,
2 2012, commencing at the hour of 10:05 a.m., at the
3 Holiday Inn Capitol Plaza, John Q Ballroom, 300 J
4 Street, Sacramento, California, before me, YVONNE K.
5 FENNER, CSR #10909, RPR, the following proceedings were
6 held:

7 --oOo--

8 ACTING CHAIRPERSON CAREY: I'd like to welcome
9 everyone to the January 19th, 2012 meeting of the
10 California Housing Finance Agency Board of Directors.

11 --oOo--

12 **Item 1. Roll Call**

13 ACTING CHAIRPERSON CAREY: Our first item of
14 business is roll call.

15 JoJo.

16 MS. OJIMA: Ms. Creswell.

17 MS. CRESWELL: Here.

18 MS. OJIMA: Mr. Gunning.

19 MR. GUNNING: Here.

20 MS. OJIMA: Mr. Hunter.

21 (No audible response.)

22 MS. OJIMA: Ms. Carroll for Mr. Lockyer.

23 MS. CARROLL: Here.

24 MS. OJIMA: Mr. Shine.

25 MR. SHINE: Here.

CalHFA Board of Directors Meeting – January 19, 2012

1 MS. OJIMA: Mr. Smith.

2 MR. SMITH: Here.

3 MS. OJIMA: Ms. Peters for Ms. Stevens.

4 MS. PETERS: Here.

5 MS. OJIMA: Mr. Alex.

6 MR. ALEX: Here.

7 MS. OJIMA: Ms. Matosantos.

8 (No audible response.)

9 MS. OJIMA: Ms. Cappio.

10 MS. CAPPPIO: Here.

11 MS. OJIMA: Mr. Carey.

12 ACTING CHAIRPERSON CAREY: Here.

13 MS. OJIMA: We have a quorum.

14 ACTING CHAIRPERSON CAREY: Thank you.

15 --oOo--

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

17 ACTING CHAIRPERSON CAREY: Just -- just a
18 couple of items of business. I apologize for the lack
19 of chairs, but we'll try to move things along so that's
20 not a problem.

21 I understand that a number of folks here are
22 representing NACA and would like to speak on an item
23 that's not on the agenda. Typically that's the --
24 speaking on other matters is the last item on the
25 agenda, but because there's a number of you here and to

CalHFA Board of Directors Meeting – January 19, 2012

1 keep things as easy as possible for you, particularly
2 those who are standing, we will move that item forward
3 on the agenda immediately following executive director
4 comments.

5 And I understand we also have some speakers
6 who have submitted speaker cards for item 7. Item 7
7 will remain as scheduled on the agenda.

8 So the opportunity to speak after the
9 executive director comments would be strictly on matters
10 not on the agenda.

11 And with that, I'll turn it over to our
12 executive director, Ms. Cappio.

13 MS. CAPPPIO: Good morning. I have just a few
14 comments of interest. First, the Governor during his
15 budget message last week did call for a proposal to
16 consolidate a number of state functions together, and
17 included in that overall initiative for streamlining and
18 more efficient operations and services was the proposal
19 to consolidate CalHFA into HCD, the Housing and
20 Community Development division. We are missing the
21 details at this point, but we do know that this will be
22 vetted and reviewed during the next year, and the time
23 line for implementation appears at this point to be
24 sometime in the 2013-14 fiscal year.

25 I want to note that the executive directors of

CalHFA Board of Directors Meeting – January 19, 2012

1 HCD, CalHFA, CDLAC, and TCAC have all been working
2 together since last spring to look at opportunities and
3 other kinds of proposals for more consolidation,
4 coordination, collaboration, and we will just continue
5 that work, particularly focused with HCD, on how we can
6 do this. I think we can meet the Governor's intentions
7 and objectives quite handily.

8 Next, I think I mentioned before that the --
9 there's been an idea out there for some time about a
10 permanent source of funding in California for affordable
11 housing, and this has risen a couple of notches in the
12 last week or so due to the demise of redevelopment. It
13 is my intention to work with my sister agencies in
14 developing a number of options to begin to publicly
15 review with stakeholders during the next 60 to 90 days
16 in an effort to bring something to the Governor by
17 spring or summer in order to make sure that we can fully
18 look at this and look at practical and workable ways to
19 make up what is becoming an increasingly small resource
20 for affordable housing in this state.

21 And lastly, I'd like to note that two
22 California Housing Finance Agency senior staff will be
23 leaving us in the next few weeks. Both Gary Braunstein
24 and Chuck McManus have -- have decided to leave and will
25 be leaving the Agency. I want to extend my best wishes

CalHFA Board of Directors Meeting – January 19, 2012

1 and my hearty thanks for a job well done and service to
2 this Agency over the last couple of years. And I want
3 to extend my best wishes for wild success in your
4 endeavors in the future, whatever they be. So I would
5 like to make sure that the Board knew that.

6 That ends my executive director comments.

7 ACTING CHAIRPERSON CAREY: I think the Board
8 shares in that appreciation for both Chuck and Gary and
9 all the -- being with us and all you've done through the
10 pretty challenging recent years as an Agency.

11 --oOo--

12 **Item 2. Approval of the minutes of the October 18, 2011**
13 **Board of Directors meeting**

14 ACTING CHAIRPERSON CAREY: With that, we will
15 ask for approval of the minutes of the meeting of
16 October 18th.

17 MS. PETERS: So moved.

18 MR. GUNNING: Second.

19 ACTING CHAIRPERSON CAREY: Moved and seconded.

20 Any discussion?

21 Roll call, please.

22 MS. OJIMA: Thank you.

23 Ms. Creswell.

24 MS. CRESWELL: Yes.

25 MS. OJIMA: Mr. Gunning.

CalHFA Board of Directors Meeting – January 19, 2012

1 MR. GUNNING: Yes.

2 MS. OJIMA: Mr. Hunter.

3 MR. HUNTER: Yes.

4 MS. OJIMA: Ms. Carroll.

5 MS. CARROLL: Yes.

6 MS. OJIMA: Mr. Shine.

7 MR. SHINE: Abstain.

8 MS. OJIMA: Thank you.

9 Mr. Smith.

10 MR. SMITH: Yes.

11 MS. OJIMA: Ms. Peters.

12 MS. PETERS: Yes.

13 MS. OJIMA: Mr. Carey.

14 ACTING CHAIRPERSON CAREY: Yes.

15 MS. OJIMA: The minutes have been approved.

16 ACTING CHAIRPERSON CAREY: Thank you.

17 --oOo--

18 **Item 13. Public testimony**

19 ACTING CHAIRPERSON CAREY: With that, then, we
20 will allow some time for public comment on other
21 matters, particularly NACA representatives. I'd like to
22 ask a -- make a couple of points of order.

23 First, our agenda time is limited, so we'd ask
24 you to be concise and to the point and not repetitive.
25 We'd ask that each speaker come forward to the speaker

CalHFA Board of Directors Meeting – January 19, 2012

1 table, and if you've given us a speaker card, just give
2 us your name, and then we have the information we need.
3 If you have not, then we'll need your full name. These
4 meetings are -- there is a transcript created for these
5 meetings, so we need accurate and full information from
6 each speaker.

7 With that, we will have the first speaker from
8 NACA.

9 MR. WHITE: My name is Martin White, and I am
10 a regional officer of NACA. NACA, Neighborhood Housing
11 Assistance Corporation of America, is the largest home
12 modification program in the country and the largest
13 counseling service in the country. We have several
14 speakers that would like to speak, and then I would like
15 to. You have the list of names of speakers that you can
16 call.

17 ACTING CHAIRPERSON CAREY: I have four names.
18 I have Martin White. I have Amber Lewis. I have Joy
19 Davis and Shirley Campbell.

20 MR. WHITE: Will you come forward.

21 MS. CAPPIO: Excuse me, Mr. White.

22 MR. WHITE: Yes, ma'am.

23 MS. CAPPIO: You're welcome to sit at the
24 podium with the microphone.

25 MR. WHITE: Okay. Good.

CalHFA Board of Directors Meeting – January 19, 2012

1 MS. CAPPPIO: It would help us out.

2 MS. DAVIS: Okay. Good morning, Executive
3 Director Cappio and Board of Directors. My name is Joy
4 Davis. I am an office manager in our Northern
5 California Oakland office.

6 And the reason why we're here today is we
7 wanted be able to address the Board to have your staff
8 work with NACA. Our reach is very extensive. We have
9 over 2.3 (sic) members within our organization. We do
10 help members with home saves and saving their homes as
11 well as purchase programs.

12 We know that CalHFA has been working with
13 individuals to save their homes, and we would like to be
14 a part of what you're doing and to be listed as one of
15 your providers. We change the lives of many
16 Californians and elsewhere as we have offices all over
17 the country. What we're asking is to be able to partner
18 with you to make homes more affordable for individuals
19 as well as to allow individuals who have worked so hard
20 to get into their homes to keep their homes.

21 With this present state of economy being what
22 it is today, it is very hard for individuals to make
23 ends meet, to meet their mortgage. I hear horror
24 stories of individuals who have to make the choice of
25 buying food or paying their PG&E or paying their

CalHFA Board of Directors Meeting – January 19, 2012

1 mortgage.

2 What we are asking is to be taken into
3 consideration, to be a part of what you're doing, to
4 allow us to help others just as you are doing because we
5 have a very extensive reach. Our CEO is very adamant,
6 and we are an advocacy program as well. So we're here
7 to help people, and we ask that you allow us to do this.

8 Thank you.

9 ACTING CHAIRPERSON CAREY: Thank you.

10 MR. CABEZAS: Good morning, Executive Board.
11 My name is Rigoberto Cabezas, and I'm here to witness to
12 what Ms. Davis just stated.

13 About October '09 I had an opportunity to
14 register for a workshop with NACA, and my loan at that
15 time was variable. And at the moment when I
16 participated, I was paying 7-and-a-half-percent
17 interest. My mortgage payment was about \$2700.

18 I had attended a workshop. They guided me
19 through the process, and they were very professional and
20 gentle with me. I followed the instructions. It took a
21 year, from October '09 to October '10, when I had the
22 extreme good fortune to attend a NACA event here in
23 Sacramento at the fairgrounds. I have never seen so
24 many people. It looked like a pilgrimage. Easy I saw
25 about 17- to 18,000 people the moment that I was there.

CalHFA Board of Directors Meeting – January 19, 2012

1 Because I had already done all my paperwork,
2 they sent me home. I slept in my van at the parking
3 lot. I would not leave. 4:00 a.m. I did the line where
4 they told me to go to. At 8:00 a.m. I was in front of a
5 loan officer from Bank of America. The loan officer
6 asked me to produce one piece of paper. I had to go
7 back to San Lorenzo where I live to get that paper. I
8 brought it back. I came back by like 3:00 p.m. They
9 saw me.

10 And I don't know how to put this. From 7 and
11 a half percent go down to 2 percent fixed for 25 years.
12 That saved my home. That saved my family. I'm at the
13 brink of tears. This is what NACA does. Please allow
14 NACA to work with you, and you will make more minor
15 miracles happen.

16 Thank you so much.

17 ACTING CHAIRPERSON CAREY: Thank you.

18 MS. CAMPBELL: My name is Shirley Campbell,
19 and I was also at the event in October of 2010. I'm a
20 business owner, and my business had shrunk in the year.
21 So I did have five employees. I was down to one and a
22 half. And so I applied. I went through the whole
23 process on the fair -- at the fairgrounds.

24 I was very impressed with NACA's ability to
25 handle these large numbers of people. They used

CalHFA Board of Directors Meeting – January 19, 2012

1 technology to the greatest advantage. And we were up
2 all night. It was a very long, stressful weekend, just
3 the waiting and the waiting. It was because there were
4 so many people in line. Everything was orderly. There
5 were a lot of volunteers there to move people through
6 the process.

7 And in the end, I got an interview with the
8 Bank of America, and they offered me a reduction in my
9 interest rate. Amounted to about \$200 a month. It went
10 and -- it's taken 16 months and quite a lot of
11 persistence, but I believe it is final now as of January
12 1st, and it's going to be 3.75 percent, having been
13 about 6.75 percent. And it every bit helps in my budget
14 because I'm still trying to keep my business floating,
15 and I have quite a lot of debt because of the business.

16 So I'm grateful to NACA. I consider -- I
17 respect them for the work that they do, the way that
18 they treat the people that came through. And I would
19 urge that they be allowed to participate in the programs
20 that you are servicing.

21 Thank you.

22 ACTING CHAIRPERSON CAREY: Thank you.

23 MR. WHITE: Again, my name is Martin White.

24 You've heard from people who have come through
25 our program. You see other people behind us who have

CalHFA Board of Directors Meeting – January 19, 2012

1 worked with the program. NACA is the largest counseling
2 agency in the country. We have modified several
3 hundreds of thousands of -- of loans over the past two
4 and a half years. We started in -- in May of 2008. We
5 have counseled over a million people during that period
6 of time. You have heard of the -- the modification
7 programs at the Cow Palace, 50,000 people. That's NACA.

8 We have reviewed your programs for assisting
9 people who are unemployed and cannot make their
10 mortgages, people whose houses are underwater and need a
11 reduction in their principal amounts, people who have
12 lost their homes but are still with the bank and could
13 be saved if their homes could be returned to them if
14 their homes were able to bring their debt up-to-date.

15 Those are essentially the three programs that
16 you have \$1.8 billion to handle. NACA has a
17 sophisticated software system that could assist the
18 State in underwriting those loans which applicably --
19 which potentially apply to this state.

20 Now, we work all over the country, but within
21 the next month we're going to have a hundred thousand
22 people in California come through our program. Okay.
23 As far as we can tell, okay, this program is not off as
24 robustly as could be. And I know that what happens is
25 the feds give us money, and we reduce our staff, and it

CalHFA Board of Directors Meeting – January 19, 2012

1 gets really hard to move all of that through. But NACA
2 has been getting money from the feds too to help you
3 move it through, okay.

4 We get money from HUD. We also get money from
5 Neighborhood Works, okay. And with your staff on one
6 side, what we could do is in our -- in our sessions,
7 when we have these 20,000 people moving through us that
8 we counsel and we -- we help underwrite, we can select
9 those people who meet the criteria of your programs.
10 Because a lot of the people who fall out -- we're able
11 to do one out of four, one out of five people. But a
12 lot of the people who fell out, they fell out for the
13 exact reasons that you have money for, okay. And we
14 will be able to direct those people, okay, to your
15 people, having done all the paperwork, having done all
16 the underwriting. Okay. So we think that it's
17 essential that -- that this Board direct their staff to
18 work with us.

19 Now, Director, Madame Director, there were two
20 people, Di Richardson and Linn Warren, and we invited
21 them to come to our San Jose event. And they refused to
22 come. And we -- we invite you to come to our San
23 Francisco event since that's going to be the close one
24 that happens February 2nd through February 6th. Okay.
25 We will have events in Los Angeles, San Bernardino and

CalHFA Board of Directors Meeting – January 19, 2012

1 San Diego in the next 30 days. Okay.

2 Now, this programming, this type of thing,
3 fortunately seems to be winding down. I'm not sure if
4 we're going to come back to California again. We're
5 going to do 40 of these this year, 40 such events. But
6 in those four places, over a hundred thousand
7 Californians will be there. Okay. If 10 percent -- 5
8 percent of those people fit your programs, then we will
9 massively move your programs up.

10 Our computer systems -- and if you come to our
11 workshops, what you have is about five or six hundred of
12 our staff sitting on one side and three or four hundred
13 of the banking staff. So we have major contracts with
14 all of the banks and all the major and minor banks.

15 So what would happen is that we would review it.
16 When we determine that a client could be helped by your
17 program, we would -- we would do the underwriting for
18 your program to make sure that they met all the criteria
19 of your program. If your staff were there -- if your
20 staff were there, then into their computer would come
21 our underwriting. Okay. If they agreed with our
22 underwriting -- and we also verify at the same time that
23 we're underwriting, they agreed with that, then we could
24 then send what you're doing to put into the program and
25 what the bank's going to put into the program together.

CalHFA Board of Directors Meeting – January 19, 2012

1 We would send your work as well as our
2 underwriting to the bank and say the State of California
3 is prepared to reduce the principal by 35 percent if
4 you'll reduce it by 65 percent -- I'm not sure which
5 side of that scenario goes. But we have been getting
6 reduction in principals, and we think we can get more if
7 the State were participating, particularly -- we're only
8 talking about California.

9 Now, we know that there are other hardship
10 states, and we're working with them. But we haven't
11 been able to work successfully with California. Now,
12 NACA in the past has worked very closely on other
13 programs that you've had in our purchase side and for a
14 number of years. And then on the purchase side we kind
15 of ran out of money for a little while so we -- we kind
16 of stopped there. We do have a relationship with you.

17 I looked through your Web site. I saw nothing
18 on us in your -- in any of your materials, but we're
19 located in L.A. We're located in Oakland, California.
20 And we have offices there that operate six days a week.
21 We give workshops four times a month, just general
22 workshops on, on -- on purchasing and on home -- what we
23 call our home save program, saving their homes.

24 So I've been asked to ask you to direct your
25 staff to sit down and work with us so that we can get

CalHFA Board of Directors Meeting – January 19, 2012

1 them in these next four ventures that we have in
2 California so that we can bring this program to the
3 attention of the California person who most needs it,
4 okay, so that we can provide the expertise that we have
5 to supplement the staff that you do not have to get it
6 through. Because I calculated that in one of the
7 programs at your current rate, quarterly rate, it would
8 take you 35 years to spend that 700-and-some million
9 dollars. Okay. You're supposed to handle a hundred
10 thousand people through this program.

11 If we did this program for five years, NACA
12 could help you with your 20,000 people a year or 30,000
13 people a year. We have -- we have that capacity. Okay.
14 We work with every major bank. You can call any of the
15 banks, Fannie Mae, Freddie Mac, those -- some of those
16 banks are now out of business but still servicing the
17 major servicing companies. We're there. Okay.

18 And I'm open for any questions that you might
19 have.

20 ACTING CHAIRPERSON CAREY: Questions?

21 Ms. Peters.

22 MS. PETERS: Thank you all for coming. I
23 appreciate you taking the time and collecting so many
24 people to talk to us.

25 I've been to a lot of these events -- not

CalHFA Board of Directors Meeting – January 19, 2012

1 yours in particular personally -- but I live in Los
2 Angeles and have participated in a lot of the events
3 down there. And it is a massive undertaking, so I
4 really appreciate you taking the time to put on those
5 events.

6 Could you tell us more about -- you were
7 talking about how many people you see that would fit our
8 programs, that our programs would be designed for. Can
9 you tell us a little bit about your existing system and
10 if there's any way to cull people who have been through
11 your program before and give us a heads-up on those
12 folks?

13 MR. WHITE: So some of those people who have
14 missed the -- yeah, we could. We can, okay. And
15 that's -- that's -- we could go through our database of
16 the people who we've interviewed in California who have
17 not been able to get into -- go through the normal
18 modification program because they had one of those
19 issues that there is in your program and bring them back
20 to the table, yes, we can.

21 We have an extensive underwriting system
22 that's able to link directly. We link directly into HUD
23 for all our HUD reportings. We link directly into the
24 Neighborhood -- Neighborworks. We link directly into
25 each of the banks. The banks are sitting there. When

CalHFA Board of Directors Meeting – January 19, 2012

1 we finish with our underwriting, we press a button, it
2 goes to the bank. The people then are sent to the other
3 side. Then the bank calls them up and then discusses
4 their problem and takes our analysis and makes a
5 decision at that time. Okay. So, yes.

6 MS. DAVIS: In addition to that, ma'am, we
7 have at each of our major events that host -- and we
8 just left Atlanta. We saw 3,000 people on one Saturday.
9 We have taped testimonials of each event, so there are
10 thousands upon thousands of testimonials.

11 MS. PETERS: Yeah, we're very, very well
12 aware --

13 MR. WHITE: Okay, yes. And of course --

14 MS. PETERS: -- of the events. I'm getting
15 down to the --

16 MR. WHITE: Yeah.

17 MS. PETERS: -- weeds. If we wanted to do
18 something --

19 MR. WHITE: Can I get back to those people --

20 MS. PETERS: -- how do you punch that button
21 and get us those people who we -- you've already done
22 the leg work to --

23 MR. WHITE: Identified.

24 MS. PETERS: -- identify that we can help
25 right away?

CalHFA Board of Directors Meeting – January 19, 2012

1 MR. WHITE: Right. Well, the question is --
2 is are you geared up to handle the load that we might
3 send you? If I sent you 5,000 people, how would you
4 handle it?

5 MS. PETERS: That's a question for another
6 day, and that's not --

7 MR. WHITE: Okay, well --

8 MS. PETERS: -- on the agenda, but I'm very
9 happy to hear that you can press a button and --

10 MR. WHITE: Okay. But --

11 MS. PETERS: -- and start that conversation.

12 MR. WHITE: -- remember that this is only a
13 part of the process. They still need to go back to
14 their bank.

15 MS. PETERS: Oh, of course.

16 MR. WHITE: Okay. And -- so --

17 MS. PETERS: I understand all of that.

18 MR. WHITE: And so what we would -- what we're
19 suggesting is that we weave you into our actual fabric
20 so that we -- so that it comes from the underwriting
21 table there, okay, has your approval, goes to the bank,
22 allows the bank to agree to all the components of the
23 project, and then --

24 MS. PETERS: We understand the program --

25 MR. WHITE: Okay.

CalHFA Board of Directors Meeting – January 19, 2012

1 MS. PETERS: -- very well.

2 MR. WHITE: Okay.

3 MS. PETERS: So I'm just trying to identify
4 how can we catch all those people that were missed in
5 the past. And you've told me --

6 MR. WHITE: Yes.

7 MS. PETERS: -- and we can work on that.

8 MR. WHITE: Okay.

9 MS. PETERS: So that's -- that's great. And
10 those people in the past that have been at events that
11 you identified as, you know, having that -- needing the
12 catch-up payment or needing, you know --

13 MR. WHITE: Right.

14 MS. PETERS: -- something that we provide,
15 what have you told them about our programs in the past?

16 MR. WHITE: Let me tell you --

17 MS. PETERS: Where do they go?

18 MR. WHITE: Let me --

19 MS. PETERS: Do you just --

20 MR. WHITE: Let me --

21 MS. PETERS: -- go "good luck," or do you --

22 MR. WHITE: No, no. Let me tell you --

23 MS. PETERS: -- give them our phone number, or
24 how does that work?

25 MR. WHITE: Let me tell you that your program

CalHFA Board of Directors Meeting – January 19, 2012

1 is the least advertised program in the country. I mean,
2 I'm a housing professional. I've done consulting work
3 for -- for you guys, for the State of California. I
4 didn't know about this program until just the other day,
5 until I was told that we were going to have to come
6 and -- and -- and get involved. But -- our national
7 office knew, but I didn't know. But I'm a housing
8 professional out there working every day with people,
9 and I didn't have anything to tell them. Okay.

10 We've talked about the short refi programs of
11 the federal government, the new -- the programs that the
12 federal government is doing right now. In fact, I went
13 on your e -- on your Web site, and I could not see how I
14 would apply. There was no application form. How do I
15 apply? How do I get into your program? I looked and
16 looked to see how do I get into this program? Okay.
17 There was no referral thing. Even if you took my name
18 and it referred out, there is no place there for that.
19 Okay.

20 So -- so -- so I did not know. We have not
21 been telling them anything because we have not really
22 known at the local level.

23 MS. CARROLL: Well, we would love to change
24 that immediately.

25 MR. WHITE: Okay. If we had known that, we

CalHFA Board of Directors Meeting – January 19, 2012

1 would have changed it.

2 MS. PETERS: Great. Thank you very much for
3 your time.

4 MR. WHITE: Yes.

5 MR. CABEZAS: Thank you.

6 MR. WHITE: Are there any other --

7 ACTING CHAIRPERSON CAREY: Yes.

8 MR. GUNNING: I'd like to echo Ms. Peters'
9 comments. Thank you for coming. Certainly as a Board
10 member it's good to hear the voices from folks who are
11 working in this troubled economy and trying to make a
12 difference.

13 My question would be have you formally applied
14 to us at any point to work within our program? I know
15 you just said you were aware of the program, but there
16 was a process to get people and organizations involved.
17 Is this --

18 MR. WHITE: Yes. We've -- I think I told you
19 the two people that we went to to come into the program,
20 that we invited, so that we could -- so that we would
21 formally become a partner of the program.

22 MR. GUNNING: What was the outcome of that?

23 MR. WHITE: And we were denied. That's why
24 we're here. That's why we're here.

25 MR. GUNNING: Thank you.

CalHFA Board of Directors Meeting – January 19, 2012

1 MR. WHITE: Okay. Yeah, and -- my boss just
2 told me to do one thing. She said we would really
3 appreciate the Board to make a resolution to staff to
4 work with us. And we really would like to get a --
5 because of our previous -- and as Claudia has said, she
6 had not been in contact with us. Her staff had been in
7 contact with us, and it had not risen to her level as
8 of -- as of yet. So we like to see you direct Claudia
9 to work with us. She has already said she would, but --

10 ACTING CHAIRPERSON CAREY: Thank you very
11 much. Before I ask Ms. Cappio to provide some comments,
12 just let me mention procedurally, we are constrained
13 under the laws of the state as a -- as a public board
14 and cannot take action on anything that's not noticed
15 ahead of time on the agenda.

16 MR. WHITE: Yeah, okay. Yeah.

17 ACTING CHAIRPERSON CAREY: So we -- there's no
18 possibility for a resolution or formal action of any
19 kind simply because of the constraints of state law.

20 That said, I will assure you that this Board
21 has a strong interest in the effective and -- and early
22 use of the Keep Your Home California, the Hardest Hit
23 funds, and will encourage the entire Agency to look for
24 opportunities to -- to get that money out there.

25 Ms. Cappio.

CalHFA Board of Directors Meeting – January 19, 2012

1 MS. CAPPIO: Yeah. I want to echo, thank you
2 for being here and letting us know how you work and how
3 many people you've helped.

4 To me, it was very obvious that we're all
5 doing the same work and that we should find
6 opportunities to connect and -- and help each other out
7 as much as I -- as we can. Obviously you know we are
8 trying with everything we have to make sure that that
9 money gets distributed. The wonderful thing is we have
10 the time, albeit it's really important to do
11 immediately.

12 I look forward to meeting with you and looking
13 at the opportunities to connect. And, again, I
14 appreciate your being here and presenting before us
15 today. Thank you.

16 MR. WHITE: Thank you very much.

17 MS. DAVIS: Thank you for your time.

18 ACTING CHAIRPERSON CAREY: Yeah, thank you
19 all.

20 MR. WHITE: And, Claudia, you're going to make
21 an appointment with us tomorrow?

22 MS. CAPPIO: Today.

23 MR. WHITE: Today. We will be in -- we will
24 be in town today.

25 MS. CAPPIO: The Board is my witness.

CalHFA Board of Directors Meeting – January 19, 2012

1 (Laughter.)

2 MR. WHITE: Okay. We -- you will be available
3 2:00 o'clock, 3:00 o'clock?

4 MS. CAPPIO: I will not be available today,
5 but I certainly can connect with you today, but with my
6 assistant, and we can put something on the calendar.
7 How's that? I mean, within a couple of days.

8 MS. DAVIS: Thank you.

9 MR. WHITE: Okay.

10 (Applause.)

11 MS. CAPPIO: Thank you.

12 Yeah, we're going on to item 4. Prior to the
13 announcement of item 4, I wish to make clear to the
14 Board and to the audience that during the last --
15 between the time from the last Board meeting to this
16 Board meeting, our beloved finance director, Bruce
17 Gilbertson, retired at the end of the year, and the very
18 able Tim Hsu has taken over as interim and wanted to
19 make sure that that transition was clear to you all
20 prior to the next item because Tim will be presenting.

21 ACTING CHAIRPERSON CAREY: Actually, one of
22 the disappointments of canceling the November meeting
23 was we didn't really have a chance to officially express
24 our appreciation to Bruce and also our appreciation to
25 Tim for stepping in.

CalHFA Board of Directors Meeting – January 19, 2012

1 most of our financing activities center around these
2 federal programs that we have in TCLP and NIBP. As
3 such, before I launch into what the actual resolutions
4 are, I thought it might be a good idea that we talk
5 about what's happening in the TCLP and NIBP space.

6 So the TCLP and NIBP program was officially
7 extended on November 23rd of last year. NIBP was
8 extended until the end of this year. TCLP has a
9 three-year extension, until December 2015.

10 There are a lot of terms in the new term sheet
11 for the extension, but I'm here -- over here I'm
12 highlighting some of the ones that are particularly
13 relevant to us. So there's no market -- there's no
14 market bond requirement for single-family issues, and
15 this is an extremely relevant change for us because, as
16 you might know, our single-family HMRB indenture is now
17 rated BBB. So issuing market bonds has always been a
18 concern for us.

19 Another one is single-family NIBP allocation
20 can be used for multifamily, and that's also very
21 relevant for us because, as you might know, our
22 single-family program right now is on pause.

23 And they increased the refunding allocation
24 from 40 percent to 30 percent. So this is also really
25 good for us because refunding some of our variable-rate

CalHFA Board of Directors Meeting – January 19, 2012

1 bonds to take them to the fixed world would mitigate our
2 interest rate risk going forward. And there is a --
3 this -- this particular requirement is going to be
4 extremely relevant as the presentation continues.

5 They also require that NIBP be used to refund
6 TCLP variable-rate bonds if possible. And unlike the
7 previous extensions, they want to see a preliminary debt
8 restructuring plan before the extension is actually
9 approved. And that plan is actually due at the end of
10 this month. At the moment, the official approval of the
11 debt restructuring plan is at the end of April, but I
12 think all indication says that they're going to approve
13 our plan way before that time frame, and that's simply
14 the official deadline.

15 MR. SPEARS: We do have a meeting scheduled
16 with them to discuss the plan after it's submitted.
17 That meeting is scheduled for February 9.

18 And the only other thing I would add is that
19 you see the parameters that were described on that
20 slide. We actually asked for a little more leeway and
21 tried to push the box out as far as we could, and we
22 were given some leeway, but at some point they said
23 that's as far as you can go. This is in stone. This is
24 legislation. So at least we asked.

25 MR. HSU: To err on the side of caution and

CalHFA Board of Directors Meeting – January 19, 2012

1 also to -- in the spirit of transparency and -- we are
2 doing something that's -- I guess it's a bit unusual.
3 We're going to present to the Board here our preliminary
4 debt restructuring plan.

5 And the reason for that is that, for one
6 thing, the resolutions themselves are very much part of
7 the thinkings that we have for our plan. And we have
8 received preliminary indication that U.S. Treasury
9 actually likes our preliminary debt restructuring plan,
10 so we think that this could be the way forward for the
11 rest of the year. That's why we thought that it might
12 be a good idea to present these ideas early. And if
13 somehow there is resistance to some of these ideas,
14 hearing them earlier would be a good thing from the
15 Board.

16 So the remaining single-family allocation is
17 \$871 million. We have used most of our multifamily
18 allocation. I think we have less than a million dollars
19 left, so for convenience I left it out of the
20 presentation.

21 Out of that \$871 million, \$465 million is the
22 refunding allocation. And if you -- if you -- if you
23 have the inclination to do a quick math, you'll see that
24 465 is more than 40 percent of 871 because the way that
25 it did the 40-percent calculation, it's 40 percent of

CalHFA Board of Directors Meeting – January 19, 2012

1 the original allocation, which was one-point-some
2 billion dollars. And plus we used about \$93 million of
3 refunding in December of last year. So anyway, that
4 number is -- is right.

5 And then the rest of that would be -- \$406
6 million would be for the new money allocation. And
7 either of these money -- either of these amounts can be
8 used for single-family or multifamily.

9 At the moment, our plan is to use that
10 refunding allocation of \$465 million to refund single
11 family and then to use the \$406 million of new money
12 allocation to do multifamily portfolio preservation and
13 to do multifamily conduit transactions, which, as you
14 know, the conduit transactions is all we've done last
15 year.

16 The target is to present the approved debt
17 restructuring plan to the Board and the multifamily
18 preservation program to the Board in March because we
19 actually think that the plan will actually get approved
20 way before the end of April. That's the target. But
21 we're not sure if the feds can move that fast with us.

22 We also thought that it might be a good idea
23 to talk a little bit about what -- why we want to do
24 refunding in the single-family world versus multifamily
25 world or why we're doing refundings at all. So this --

CalHFA Board of Directors Meeting – January 19, 2012

1 this is almost an FAQ of -- of the rationale for doing
2 single-family refunding.

3 Well, why do refunding at all? The extension
4 is predicated on a debt restructuring plan being
5 approved by U.S. Treasury. And U.S. Treasury had said
6 very -- in -- I mean in black and white in their term
7 sheet that you must use some of this NIBP allocation,
8 this 40 percent of NIBP allocation, to refund TCLP
9 because, I guess much like the rest of the world, they
10 want to get out of the funding risk that's related to
11 supporting a liquidity facility like TCLP. So that is a
12 TCLP/NIBP extension requirement, so that's why we want
13 to do a refunding.

14 And the second question might be that, well,
15 why are you doing this in the single-family world and
16 not the multifamily world? The multifamily world, we
17 tend to have other options in terms of monetizing our
18 assets through either securitization or sale of whole
19 loan.

20 For example, last year we did a securitization
21 of our multifamily loans of \$119 million that closed in
22 December, and that helped us to do a refunding using
23 NIBP money of \$93 million. And two years ago, we did a
24 sale with Citibank in which we sold them some whole
25 loans, and that dollar amount was \$95 million. That was

1 in March of 2010.

2 So the point being that in the multifamily
3 world, we tend to have other strategies that we can sort
4 of execute, which effectively does mean that we redeem
5 VRDOs anyway. So having other strategies in multifamily
6 is very valuable. And given that this 40-percent
7 allocation for refunding is a scarce and limited
8 resource, the question is that, well, where should we
9 put it? And we chose single family because single
10 family, unlike multifamily, we don't really have that
11 many options to monetize these assets.

12 These -- and keep in mind these are the very
13 assets that we keep seeing the delinquency ratios going
14 up, and recently it's stabilizing a little bit, but to
15 the degree that we're worried about these assets, it
16 generally means that other people are worried about
17 these assets. It generally means that other people
18 won't pay a lot of money for them.

19 And then the other constraint that we have is
20 that the indenture does require when we do sell loans,
21 we sell them at no less than par. So in other words, we
22 can't sell them for less than a hundred cents on a
23 dollar. So, again, that's troubling because if we don't
24 like the assets, other people probably won't like the
25 assets, and they're unlikely to pay us par for it.

CalHFA Board of Directors Meeting – January 19, 2012

1 So those are a lot of sort of some of the
2 constraints on the single-family side. And you might
3 also ask, well, why didn't we do this last year? And I
4 think that we mentioned that last year there was a
5 requirement to do a 40-percent market bond to match the
6 NIBP release. And we have talked to bankers about doing
7 market bonds on a BBB indenture, and we really didn't
8 get any fuzzy feelings from that, so that's why we
9 didn't do it last year. So that's why we're thinking
10 about it this year, because there's no market bond
11 requirements, so we can just simply give all this to the
12 feds or U.S. Treasury.

13 And is this going to be good for HMRB? Yes,
14 because HMRB actually has \$1.1 billion of unhedged
15 variable-rate bonds as of 1/1 of this year. And after
16 February 1st of this year, it's going to have \$1.4
17 billion of unhedged variable debt. And this refunding
18 is going to target some of these unhedged variable-rate
19 debt to get rid of rising interest risk.

20 And as an aside, you might ask, well, why do
21 we have so much unhedged variable-rate debt? We have so
22 much unhedged variable-rate debt because we've been
23 getting rid of our swaps so that we are trying to get
24 out of the collateral posting risk.

25 I'll pause for questions after this slide.

CalHFA Board of Directors Meeting -- January 19, 2012

1 So since I gave you all the good stuff, what
2 are some of the bad things that could come out of the
3 refunding? What are some of the negatives of the
4 refunding? Well, as I mentioned, these -- these assets
5 are -- we don't like them. Other people don't seem to
6 like them very much either, and we can't really fetch a
7 hundred cents on a dollar for them. So when we do a
8 refunding, this refunding is really not going to achieve
9 investment grade because for tax purposes when you do a
10 refunding, you -- suppose you do a one-hundred-dollar
11 refunding. You're going to take a hundred dollars of
12 assets. Well, we know that about 70 percent of these
13 assets are conventionally-insured mortgages, which,
14 again, is causing a hot of heartburns throughout the
15 state.

16 So there needs to be some
17 overcollateralization, meaning that we do a hundred
18 dollars of refunding, there's some -- there needs to be
19 some external source of money that comes in to make sure
20 that that refunding deal could achieve at least
21 investment grade.

22 So I mentioned here that that
23 overcollateralization obviously is to cover the expected
24 loan losses, for example, or in this case since the deal
25 is rated, we need to cover the loan losses that the

1 rating agencies' black box -- you know, black box
2 produces.

3 And there could be also other rating stresses
4 on the refunding deal that would make us have to fund
5 overcollateralizations, for example, reinvestment. At
6 the moment, for example, when we do a deal like this,
7 they make us assume that reinvestment rate is zero going
8 forward. It's close to zero, but it's not zero, as you
9 know, in real life. And there's also payment lags and
10 things like that.

11 What are some of the potential sources for
12 funding overcollateralization? The -- the -- the only
13 place that we can think of is the unencumbered
14 single-family whole loans that we hold on the GO side of
15 the ledger. And after that, it could be the Agency's GO
16 cash. Again, this is away from the single-family
17 indenture.

18 And the -- since I'm saying that we need to
19 take assets and cash from the GO side of the ledger, the
20 obvious question is that is this going to hurt the GO
21 rating? I should emphasize that in the NIBP and TCLP
22 term sheet, the U.S. Treasury does emphasize that the
23 refunding cannot hurt our credit rating on either side.
24 So we're not the only ones who are sort of in this
25 trying to protect both the single-family credit and the

CalHFA Board of Directors Meeting – January 19, 2012

1 GO credit. That's one of their requirements. One of
2 the requirements is that the refunding, if it were to
3 hurt either side, they don't want to see that happening
4 either.

5 So -- so I just want to make sure that people
6 sort of recognize that we're not -- we're not the only
7 one who are going to end up having to assert that this
8 is not going to hurt our GO, although, I'm going to
9 assert it now, there are going to be -- there's going to
10 be, you know, Freddie Mac, Fannie Mae, U.S. Treasury,
11 U.S. Treasury's financial adviser, you know, State
12 Street Global Advisers. And I believe that State Street
13 Global Advisers is going on as a higher quantitative
14 consultant. There are a lot of people who are all over
15 this, and they're going to have to make the same
16 assertion that I'm making today, that this is not going
17 to hurt the GO.

18 And the reason why I think this is not going
19 to hurt our GO is that the rating agencies are on
20 balance much more concerned about liquidity for the GO,
21 because we are taking liquidity from the GO side to
22 post -- as post -- to swap collateral, than they are
23 worried about capital adequacy. And that's why you see
24 what we're recommending here is that we're going to take
25 first some of the illiquid assets we have under the GO

CalHFA Board of Directors Meeting – January 19, 2012

1 to help with the refunding transaction before we take
2 cash. We're going to try to minimize the amount of cash
3 we take out of GO to the degree that we can, and we're
4 going to take some of the illiquid assets first.

5 MR. SPEARS: You said you'd stop for
6 questions.

7 MR. HSU: Yes, I promised, and I'll live up to
8 it. So I'll pause for questions before I launch into
9 the resolution. I know this is unusual for the
10 presentation of a resolution, but it's -- it's just that
11 so much of this plan basically is what the resolution is
12 all about so that the staff can actually go out and
13 basically execute the plan.

14 ACTING CHAIRPERSON CAREY: Questions?

15 MS. CARROLL: So, Tim, just so I understand,
16 so the federal -- at the federal level, they're
17 dictating the split -- what was it, 45/65 -- 35/65 or
18 40/60 -- in terms of new money -- being able to use this
19 for new money versus refunding?

20 MR. SPEARS: The 40 percent.

21 MR. HSU: Yeah.

22 MS. CARROLL: So is there any flexibility in
23 that, or is that just sort of a hard, fast --

24 MR. SPEARS: That was one of the things that
25 we asked if we could do more.

CalHFA Board of Directors Meeting – January 19, 2012

1 MR. HSU: And they said no.

2 MR. SPEARS: That's a hard stop.

3 MS. CARROLL: That's a hard rule. There's
4 no --

5 MR. HSU: It has --

6 MS. CARROLL: -- flexibility there.

7 MR. HSU: Yeah, I think it has to do --
8 sometimes we get -- we ask questions that we don't
9 always get very clear answers, but I think it has to do
10 with their internal legal approval of the -- some of the
11 original intents of the program. So NIBP stands for New
12 Issue Bond Program. So the original intent was that it
13 was supposed to generate new mortgages. And here you
14 are doing refunding, so it sort of flies in the face of
15 the original intent. I can't tell you how they resolve
16 all that stuff because I don't know, but it has to do
17 with things like that.

18 So then that was the first thing we asked. We
19 said, "Can we do a hundred-percent refunding? Because
20 we've got a lot of variable-rate bonds we want to get
21 rid of."

22 And they said, "No, this is the best we can
23 do."

24 MS. CARROLL: Okay, thank you.

25 ACTING CHAIRPERSON CAREY: Other questions?

CalHFA Board of Directors Meeting – January 19, 2012

1 MR. GUNNING: Tim, what's your sense of timing
2 for doing all this? First part of the year or what? I
3 know we have the deadlines.

4 MR. HSU: That's a really good question. So
5 what happened -- let me stop on a slide that has all the
6 positives.

7 Last Wednesday -- as I mentioned, they -- they
8 have a requirement that we go -- they have a requirement
9 that we submit a preliminary debt restructuring plan by
10 the end of this month. And last Wednesday, like a good
11 teacher, they wanted to have a call to check in on how
12 you're doing. So they -- because they wanted to do
13 that, I wrote a rough outline, which is -- which is
14 basically what I'm presenting here except there's a lot
15 more words, and I think you appreciate that.

16 And -- and -- and apparently they really liked
17 the plan. They really liked the idea that we are going
18 to use as much of the refunding as we can, and we are
19 trying to sort of support the same theme that they are,
20 that the refunding is -- can't be negative on either
21 side, and it could actually have a fighting chance of
22 being positive for both sides too.

23 And I also asked the question from this
24 call -- because I wrote them an outline. They liked the
25 outline. They liked it. As a follow-up, I asked the

CalHFA Board of Directors Meeting – January 19, 2012

1 question, I said, "Look, if we all believe that this
2 plan is really good for the Agency, why wait until March
3 to approve the plan or wait until April to approve the
4 plan and have the refunding happen in summer or fall?
5 Why not let us do this sooner rather than later so we
6 can catch the benefits of this refunding for our
7 upcoming annual credit reviews with the rating
8 agencies?"

9 So -- so we just got word a couple days ago
10 that they would do that. They would expedite the
11 approval of our plan, and they would accommodate us
12 trying to do the refundings in the March to April time
13 frame, catch the benefits of going into the annual
14 review for S&P, which I expect to be about April or May
15 time frame. And the Moody's review probably will be
16 late summer to summer time frame. So the idea is if we
17 get this done and we think -- and if you're right that
18 this is actually good for the Agency, both credits, why
19 not get a head start on reaping the benefits of these
20 refundings?

21 So we think that if all goes well today and
22 getting our plan approved, I'm hoping that we get this
23 done the end of March, April.

24 ACTING CHAIRPERSON CAREY: Other questions?

25 MS. CARROLL: Yeah. Just so I understand the

CalHFA Board of Directors Meeting – January 19, 2012

1 structure, so -- so when you refund bonds, will you
2 actually be refunding them out of the original
3 single-family indenture into the new indenture, and so
4 then they will become -- they will no longer be held by
5 the Agency? Or they will still be held? Are we
6 amending the indenture so you hold mortgages, those
7 mortgages? Or is it going to be the same structure of
8 the New Issue Bond Program where we're not -- the Agency
9 isn't holding those mortgages anymore -- that are
10 associated with the bonds, I guess.

11 MR. HSU: Okay. That's in the resolution.

12 MS. CARROLL: Okay.

13 MR. HSU: Okay. So what we're doing is that
14 the -- the single-family indenture HMRB is holding all
15 these whole loans that we're trying to refund. We're
16 going to take mortgages out of HMRB, and we're going to
17 put it under an indenture where the NIBP escrow is
18 sitting at, and that indenture is called RMRB. Except
19 that indenture, we stipulated with the Board's input,
20 that we couldn't do whole loans in that indenture. We
21 could only do MBSes.

22 So what we did was we went into that RMRB
23 indenture, which, again, only stipulates that -- at the
24 moment which stipulates that only MBSes are allowed --
25 and we sort of put in walls to make them into duplexes

CalHFA Board of Directors Meeting – January 19, 2012

1 and triplexes so that -- so that -- so that, you know,
2 there are three -- instead of a one-family home, now all
3 of a sudden it's a three-family home.

4 And under one of the triplex is going to be
5 the loans that were transferred from HMRB and into this
6 triplex. And that triplex, though, will be a special
7 obligation, much like the HMRB is and much like the
8 original RMRB is. So to the degree that we take loans
9 from there and then put it into that triplex and the
10 deal closes, there should be no recourse in terms of
11 credit risk back to the Agency.

12 MS. CARROLL: Okay. Because they're then
13 guaranteed by the federal government in essence? No.

14 MR. HSU: I don't think they're guaranteed.
15 It's simply that the federal government is the purchaser
16 of special obligation bonds that --

17 MS. CARROLL: Okay.

18 MR. HSU: -- have no recourse back to the
19 Agency.

20 MS. CARROLL: Right.

21 MR. HSU: So to the degree that we've
22 overcollaterized it enough, they will probably -- you
23 know, they will get paid all their principal back and
24 interest over time. And to the degree that somehow it
25 wasn't enough, then they are bearing the credit risk.

CalHFA Board of Directors Meeting – January 19, 2012

1 MS. CARROLL: Okay. Okay, I see what you're
2 saying.

3 And then what does that do to future sales?
4 Like if you go ahead and do some new money, additional
5 new money, how does that impact the credit there? Is
6 there any impact to the credit when you put money into
7 that indenture?

8 MR. HSU: So then the other triplex --

9 MS. CARROLL: Okay.

10 MR. HSU: -- is the new money for multifamily
11 that we might do. So we haven't said a lot about what
12 we would do with the multifamily because at the moment
13 we're trying to focus on doing preservation, which just
14 means that we're helping the existing portfolio
15 refinance with us. So that triplex would be isolated
16 for multifamily, and it will look a little bit odd
17 because the indenture ostensibly will have sort of a
18 name that sounds like a single-family homeownership
19 indenture, but we will create a triplex that will be
20 exclusively used for multifamily. And that indenture
21 could take, say, GSE-guaranteed loans, or it could also
22 take risk-share loans.

23 MS. CARROLL: Okay. And will -- so then the
24 credit markets -- assuming we eventually sell some of
25 that, I guess that's another question -- so that the

CalHFA Board of Directors Meeting – January 19, 2012

1 amount that's reserved for new money that the federal
2 government has said reserve that for new money, does
3 that still have the 40-percent market on it? No.

4 MR. HSU: No.

5 MS. CARROLL: That's taken off.

6 MR. HSU: It's all gone now.

7 MS. CARROLL: Okay.

8 MR. HSU: With that requirement being
9 eliminated, it opens up for us all these refunding
10 options which have been very frustrating for the last
11 couple years. And -- and as much you may want to say
12 about the federal government being hard to work with,
13 these are some of the things that we asked for for the
14 last two years. It's better to be late than never. And
15 they -- they finally came around to realize that having
16 the market component really was -- was really a
17 hindrance to our ability to use the tools that we have
18 to do with, best we can.

19 MR. SPEARS: A couple of thoughts. Originally
20 when NIBP was approved a few years ago and we had this
21 discussion with the Board, the idea was we would have
22 new money for single family and a new indenture. And I
23 think we all felt very strongly that if we're going to
24 do new loans, that we wanted not to have anything to do
25 with whole loans and new loans would be MBS.

CalHFA Board of Directors Meeting – January 19, 2012

1 This is a little, you know, something that we
2 didn't really anticipate because we've been told, no,
3 you can't refund. Now they're saying yes, which is a
4 good thing. So we're amending the previous amendment to
5 make the triplex, to make a small home for these whole
6 loans that we have that we'll overcollateralize.

7 The other thing that's unusual is these bonds
8 are already sold. The United States Treasury has bought
9 these bonds already. The money is sitting in escrow,
10 and what we're trying to do is get the approval process
11 with Treasury for the use of the money.

12 MR. HSU: It's sort of like we're converting a
13 short-term financing that's already funded into a
14 long-term financing. It's my expectation that both of
15 these additional units in the triplex will have no bonds
16 in them that come from capital markets. They would only
17 be NIBP-exclusive homes. The original unit does have
18 market bonds in them, and they will stay there, but the
19 additional, the additional, units in the triplex would
20 only have NIBP. That's right.

21 ACTING CHAIRPERSON CAREY: Other questions or
22 comments?

23 MS. PETERS: Clear as a bell as usual.
24 Really, thank you, Tim. We look forward to working with
25 you. You always explain everything so we can understand

CalHFA Board of Directors Meeting – January 19, 2012

1 it, and we appreciate that.

2 MS. CARROLL: Thank you.

3 ACTING CHAIRPERSON CAREY: And I've come to
4 associate the full-color charts with bad news, so.

5 MR. HSU: I'll have to add some next time.
6 It's probably because we're dealing with resolutions and
7 it's -- it's -- we should put charts in resolutions,
8 Victor.

9 (Laughter.)

10 MR. JAMES: We know that.

11 MS. CARROLL: This is very good. I do have a
12 general question just about approving -- the Board
13 approving sale resolutions. So I don't know if this is
14 a good time for some general questions?

15 ACTING CHAIRPERSON CAREY: Sure. Go ahead.

16 MS. CARROLL: As those of us in the municipal
17 bond world know, there's been great emphasis on
18 disclosure. The SEC has been really looking at issuer
19 disclosure and have focused on it, shall we say, over
20 the last year. And there have been some actions taken,
21 pretty isolated cases, but it has really raised all of
22 our awareness about disclosure.

23 So in this particular case, we as a board
24 approve you to go forward as staff, and, we, you know,
25 put parameters around sales, but then you prepare all

CalHFA Board of Directors Meeting – January 19, 2012

1 the documents and the Board really doesn't see -- other
2 than the resolutions, doesn't see those documents and in
3 particular the disclosure documents. I know in at least
4 one of the cases there was a public board that sort
5 of -- there was discussion about what their
6 responsibility in disclosure might be. So I'd like to
7 maybe hear one of your counsel's comment on what the
8 CalHFA's Board's responsibilities would be with respect
9 to your disclosure documents.

10 MR. SPEARS: And you're talking about
11 specifically the offering documents, the official --

12 MS. CARROLL: Yeah.

13 MR. SPEARS: -- statement that goes out that
14 bondholders see and the public sees.

15 MS. CARROLL: Right.

16 MR. SPEARS: We have both Stan Dirks and
17 Howard Zucker here from our bond counsel.

18 MR. ZUCKER: Who's first? I'll start.

19 Katie, if you'd just give me 30 seconds. I
20 just wanted to add one thing to the prior discussion as
21 to why we needed a triplex, okay, because it's highly
22 unusual.

23 Basically, the lawyers at the Treasury
24 Department have taken the position -- which can be
25 debated, but they're the final arbiter of this

1 question -- that basically any bonds under NIBP had to
2 be issued before the end of '09, and they cannot be
3 refunded in basically a different resolution or
4 indenture.

5 And so the Waldorf concept basically is a
6 glorified version of having three resolutions under one
7 umbrella resolution where the bonds were originally
8 issued, and then there'll be -- the new bonds will be --
9 the old document will be amended to provide all these
10 additional facilities to amend the existing indentures,
11 existing bonds, that are in escrow to do some
12 multifamily deals and to do single-family refundings,
13 but that is the only way it could be done. And a couple
14 issuers last year in the state of New York did this
15 Waldorf concept -- walled off, but said fast it became
16 known in New York as the Waldorf, and it sounded very,
17 very glorified.

18 So it's been done, and it's -- it sounds much
19 more complicated than it should be, but that -- it all
20 derives from the Treasury's position that it has to --
21 the new bonds, what are functionally new bonds, have to
22 stay in the original indenture.

23 With respect to your question on disclosure,
24 the situations the SEC has looked at over the last ten
25 years, including Orange County and including City of San

CalHFA Board of Directors Meeting – January 19, 2012

1 Diego, both obviously in California, were situations --
2 were somewhat unusual situations. And certainly in San
3 Diego, going back about ten years, it led to a number of
4 even criminal indictments. So there was a lot of actual
5 bad knowledge, actual bad actors, and that's not the
6 typical event.

7 So the question you're asking, basically, as a
8 Board member, you're delegating to the staff and its
9 outside consultants the preparation of an official
10 statement, and what is your responsibility as a Board
11 member?

12 You know, basically the Orange County report,
13 so-called 21(a) report that came out about ten years
14 ago, basically said that if board members, in that case
15 city council members, were -- had actual knowledge or
16 were reckless, they could be liable.

17 But I think the general concept is absent
18 actual knowledge of a problem and absent closing your
19 eyes, that assuming there is an ability to say the Board
20 members reasonably relied on professional staff and the
21 outside consultants, including law firms, in this case
22 Orrick and Hawkins and -- and others, that -- and
23 there's processes in place at the staff level to review
24 things, the Board members, you know, are okay, I mean if
25 you have reasonable reliance.

CalHFA Board of Directors Meeting – January 19, 2012

1 And it's logistically impossible in most cases
2 where issuers are active issuers for the Board from a
3 timing perspective, since you only meet every two months
4 and disclosure is a dynamic process and things are
5 constantly changing, to have, you know, day-to-day
6 intimate involvement typically.

7 And certainly speaking for state housing
8 finance agencies, the way you all have been doing it is
9 consistent with the market standard for HFAs and I think
10 generally consistent with issuers in general, but it
11 really comes down to what's referred to by the SEC in
12 the market as reasonable reliance, do you have a basis
13 to reasonably rely on the people who are performing the
14 task of putting together the offering document.

15 MS. CARROLL: On some of the other boards that
16 I sit on or that I have some responsibility for, you
17 know, it's been interpreted that the board has to
18 approve more bond documents, but in this particular
19 case, can you comment on what the Board's responsibility
20 would be in terms of reviewing an official statement? I
21 mean, are -- is that something if -- has the SEC made
22 any comments about whether the Board needs to have
23 actually reviewed an offering document?

24 MR. ZUCKER: Well, the last statement that
25 they really made was back in the Orange County report,

1 but they made very clear that if a board member, their,
2 you know, governing body member because it was the
3 county supervisors, if they had actual knowledge of a
4 problem, they had a duty to inquire that it was
5 addressed. Okay. But if they had no reason to think
6 there was a problem, okay, they did not have an
7 affirmative duty.

8 In the for what it's worth department, the SEC
9 is likely to issue a new interpretive release by the end
10 of September that would update a 1994 release dealing
11 with disclosure generally and in part specifically
12 underwriting responsibilities, but it addressed other
13 things.

14 MS. CARROLL: Right.

15 MR. ZUCKER: And one of the issues that the
16 National Association of Bond Lawyers and other
17 organizations have asked the SEC to expressly address in
18 this interpretative release is the issue that you raise.

19 So prior to getting to that release, so
20 whenever it comes out, I think more or less the
21 interpretation by most of the major law firms who
22 practice in this area, and Orrick and Hawkins are
23 certainly two of those firms, has been that if there's a
24 reasonable basis for the members to rely on the staff,
25 the outside consultants, absent actual knowledge of an

CalHFA Board of Directors Meeting – January 19, 2012

1 actual problem, that Board members are entitled to rely
2 on their staff and consultants.

3 MS. CARROLL: And then the other question,
4 just to clarify roles, a lot of issuers are like --
5 there have been several issuers that have gone out and
6 engaged disclosure counsel. Some already had disclosure
7 counsel onboard, but with some of the discussion and
8 actions taken over the last year, I think there's a
9 heightened awareness of disclosure counsel.

10 The Agency doesn't employ disclosure counsel,
11 but I don't know that that means there isn't a counsel
12 that's overseeing disclosure. Am I correct? As bond
13 counsel is that one of your duties?

14 MR. ZUCKER: Well, I would just say -- and
15 then I'll certainly allow Stan to make his comments --
16 although there is not generally in your deals, and
17 certainly not in your program bonds and entity law, a
18 firm with that title.

19 MS. CARROLL: Right.

20 MR. ZUCKER: Between the law firms, we, I
21 think -- it's fair to say we perform that function. And
22 each firm certainly has a lot of experience being
23 disclosure counsel. So it's really more the function
24 than the title. And, you know, I speak for myself, but
25 also I can tell you observing Orrick in practice, both

1 firms take that role, that function, extremely
2 seriously. There's a lot of debate and -- especially
3 the last few years a heightened debate and review, and
4 so the function of disclosure without necessarily the
5 title of disclosure counsel has been performed by our
6 two firms.

7 MS. CARROLL: Thank you.

8 And then one last question. The other thing
9 that's come up is the existence of procedures. Do -- do
10 issuers have a process and procedures in place? And so
11 I would ask the Agency staff do we have procedures in
12 place for how we approach disclosure and the review
13 levels? There is actually -- I think NABL has been
14 participating in this, and there's actually -- with New
15 Jersey and so on, there are actually sample plans out
16 there --

17 MR. ZUCKER: Yeah. That's something --

18 MS. CARROLL: -- floating in the community.

19 MR. ZUCKER: -- Tim and I are involved in.

20 I'll take the first crack at that.

21 A lot of this derives from the remedies for
22 San Diego, which is part of the settlement with the SEC.
23 And we came in as -- after the start of the
24 investigation in San Diego as general disclosure counsel
25 to the City of San Diego, but part of the remedy with

CalHFA Board of Directors Meeting – January 19, 2012

1 the SEC was that the City had to adopt formalized
2 procedures on how to -- and training on how to address
3 disclosure and, you know, very formalized procedures.

4 Now, there again, there was some very bad
5 things that happened.

6 MS. CARROLL: Sure.

7 MR. ZUCKER: So based largely on some
8 procedures in Sarbanes-Oxley, a very detailed, very
9 formalized process.

10 Other issuers have adopted -- Rhode Island
11 after the SEC's investigation of its pension fund
12 disclosure problems just instituted formalized
13 procedures, formalized training. The City of San
14 Francisco, although it had no such problems, has
15 instituted a lot of those things.

16 And when the New Jersey -- State of New
17 Jersey, which became the first state to be accused of,
18 let's say, disclosure problems relating to its pension
19 fund, but generally for a state to be accused by the SEC
20 of having a problem. Whereas in San Diego the SEC took
21 the position that the remedy was this enhanced,
22 formalized procedures, enhanced training, in New Jersey,
23 actually the SEC expressed it as the cause of the
24 problem was not having these things in place and things
25 were falling through the cracks. Now, that's a very

CalHFA Board of Directors Meeting – January 19, 2012

1 benign reading of the facts in New Jersey, but that is
2 what was said in the final order.

3 So certainly many big issuers have begun
4 adopting things patterned after San Diego and other
5 places, and it's -- what they call best practices or
6 something else is probably a very good practice.

7 MS. CARROLL: So, you know, I think that would
8 be my question of the Agency staff, is whether you've
9 considered adopting some sort of policy or more
10 formalized procedure, just to address some of the big
11 issues that have been raised this year. And I think if
12 you don't have a process, it just seems like it's always
13 good to step back and look at these things and decide
14 whether it might be a good idea to adopt something
15 along --

16 MR. ZUCKER: With Tim's indulgence, one
17 just -- I would say that the processes that would be
18 formalized, if the Agency were to do that, more or less
19 would codify what is happening without the formalization
20 because I do think that, as I said, especially the last
21 few years more than ever, there's been a very heightened
22 review of things.

23 But basically the practices -- formalized
24 practices require certain people in certain departments
25 review regularly certain sections of official

CalHFA Board of Directors Meeting – January 19, 2012

1 statements. There's a record of their sign-off, who
2 reviewed it, and it's not just looking at, you know,
3 looking at black line or changed provisions, it's
4 reading it from scratch to see if things might not be
5 said that should be said or things that didn't change
6 perhaps no longer should be said. So it more or less
7 formalized what I think functionally the Agency has in
8 fact been doing.

9 MS. CARROLL: Right.

10 MR. ZUCKER: And, you know, I leave it to the
11 Agency to address that, but they have been doing what
12 the other issuers, you know, put down in writing should
13 be done.

14 MR. DIRKS: Yeah, I'd certainly echo all of
15 Howard's statements as to what the law is and as to what
16 the practice of the Agency has been.

17 I'd offer one example from mid last decade as
18 the housing bubble appeared to grow and people began to
19 be concerned about what might happen and what might
20 happen even within the Agency's programs generally,
21 within the Agency's single-family program in particular
22 and then in the housing market generally, we developed
23 for the Agency's official statement a very, very
24 comprehensive risk factors section, added it to the
25 official statement. Actually in some ways it forecast

CalHFA Board of Directors Meeting – January 19, 2012

1 what eventually did happen, but it was great to have had
2 it in there.

3 And that's the kind of attention to disclosure
4 that the Agency's team has had over the period that I've
5 worked with them, which is, as you know, many years.
6 And there's been a designated person in the legal staff,
7 several designated people on the financial staff, people
8 within the mortgage insurance group review the mortgage
9 insurance procedures, and it has all been put together
10 on that basis.

11 MS. CARROLL: Right. Right. I do appreciate
12 that, and I'm sure that you guys have all been doing a
13 fine job. It's just -- it would probably be nice to see
14 something a little more formalized given sort of the
15 guidance that's out there right now. I'm not -- and
16 again, I believe it probably would be more formalizing
17 what you're doing already, but it just seems that if
18 that's sort of the standard that's being touted as being
19 something that's a good thing to have, that might be --

20 MR. HSU: I think we could consider that.
21 I -- as Howard and Stan are saying, I think that it
22 would simply codify some of the things they're doing.
23 And I think I'm entirely open to that.

24 ACTING CHAIRPERSON CAREY: Okay.

25 MR. HSU: And it's something that we can bring

CalHFA Board of Directors Meeting – January 19, 2012

1 back to the Board if you want to make sure that we do
2 adopt best practices. We could bring it back to the
3 Board.

4 ACTING CHAIRPERSON CAREY: Seems reasonable to
5 hear back.

6 MS. CAPPPIO: I do too. I guess I want to
7 clarify that it seems to me, being a good bureaucrat,
8 that this is something developed internally, that is
9 subject to change internally.

10 MS. CARROLL: Yes.

11 MS. CAPPPIO: But if we -- I would be glad to
12 develop something. I guess I think it's just
13 delineating the obvious at this point, given that there
14 are procedures in place, and I would be glad to do that.

15 MS. CARROLL: Thank you.

16 ACTING CHAIRPERSON CAREY: Okay. Should we
17 move on to the resolutions?

18 Thank you, Stan and Howard.

19 MR. HSU: So the -- I believe late yesterday
20 we sent out an e- -- late yesterday we sent out an
21 e-mail of the -- of the revised 12-01, and the addition
22 is what's on the bottom of this page. As I've been
23 saying, that the refunding, since it needs
24 overcollateralization, it needs contribution from the
25 GO. So Resolution 12-01 states that the executive

CalHFA Board of Directors Meeting – January 19, 2012

1 director has the authority to contribute up to \$50
2 million of assets, and that could be, as I mentioned
3 earlier, unencumbered whole loans or cash, to facilitate
4 the refunding to the degree she can conclude it would
5 result in a net economic benefit to the Agency at large,
6 and Agency at large being the HMRB credit and the GO
7 credit. So that's the significant addition from the
8 revision that we sent out yesterday.

9 And the rest of the articles are essentially
10 the same. I would simply highlight the changes. Last
11 year we asked for \$200 million of taxable issuance. We
12 brought that down to a hundred million dollars. I think
13 that we don't really expect to issue taxable bonds.

14 And then last year where a credit facility to
15 be shared between single and multi, we asked that credit
16 facility -- short-term credit facilities to be \$400
17 million, and this year we brought that down to \$200
18 million.

19 And with that, those are my comments on
20 Resolution 12-01.

21 ACTING CHAIRPERSON CAREY: Are there -- are
22 there questions relative on that resolution?

23 We're going to -- I'm going to try to learn --
24 to run this process just slightly differently. Before
25 we have a motion actually on the table, we will ask for

CalHFA Board of Directors Meeting – January 19, 2012

1 public comment on each action for this item.

2 So at this point I would ask if there's anyone
3 in the audience who wishes to comment on the proposed
4 action relative to Resolution 12-01.

5 Seeing none, would entertain a motion.

6 MR. HUNTER: I'll so move adoption of
7 Resolution 12-01.

8 MS. PETERS: I'll second it.

9 ACTING CHAIRPERSON CAREY: It's been moved and
10 seconded. Any further discussion?

11 Roll call, please.

12 MS. OJIMA: Thank you.

13 Ms. Creswell.

14 MS. CRESWELL: Yes.

15 MS. OJIMA: Mr. Gunning.

16 (No audible response.)

17 MS. OJIMA: Mr. Hunter.

18 MR. HUNTER: Yes.

19 MS. OJIMA: Ms. Carroll.

20 MS. CARROLL: Yes.

21 MS. OJIMA: Mr. Shine.

22 MR. SHINE: Yes.

23 MS. OJIMA: Mr. Smith.

24 MR. SMITH: Yes.

25 MS. OJIMA: Ms. Peters.

CalHFA Board of Directors Meeting – January 19, 2012

1 MS. PETERS: Yes.

2 MS. OJIMA: Mr. Carey.

3 ACTING CHAIRPERSON CAREY: Yes.

4 MS. OJIMA: Resolution 12-01 has been
5 approved.

6 --oOo--

7 Item 5. Discussion, recommendation and possible action
8 regarding the adoption of a resolution authorizing the
9 Agency's multifamily bond indentures, the issuance of
10 multifamily bonds, short term credit facilities for
11 multifamily purposes, and related financial agreements
12 and contracts for services.

13 ACTING CHAIRPERSON CAREY: Move to Resolution
14 12-02.

15 MR. HSU: I promise this one will go so much
16 faster.

17 ACTING CHAIRPERSON CAREY: Good thing.

18 MR. HSU: Really the only change in this
19 resolution from last year is to say that the new -- the
20 new money and the refunding in the multifamily space
21 would go under one of the triplexes that we talked
22 about. And the name of the triplex is very enticing.
23 It's called Article XIII of RMRB. So this resolution is
24 identical to last year's, simply with this -- this is
25 the most significant change, to say that new issue or

CalHFA Board of Directors Meeting – January 19, 2012

1 refundings will go into this Article XIII of RMRB.

2 And then, just like on the single-family side,
3 instead of a \$400-million credit -- short-term credit
4 facility to be shared by single and multi, we brought
5 that down to \$200 million.

6 And those are the changes, and those are my
7 comments on this resolution.

8 ACTING CHAIRPERSON CAREY: Are there
9 questions?

10 Is there anyone in the audience who'd wish to
11 address the Board on the matter of Resolution 12-02?

12 Seeing none, we are ready for action.

13 MS. CRESWELL: Move to approve.

14 ACTING CHAIRPERSON CAREY: Motion.

15 MR. SHINE: Second.

16 ACTING CHAIRPERSON CAREY: And a second.

17 Roll call, please.

18 MS. OJIMA: Thank you.

19 Ms. Creswell.

20 MS. CRESWELL: Yes.

21 MS. OJIMA: Mr. Hunter.

22 MR. HUNTER: Yes.

23 MS. OJIMA: Ms. Carroll.

24 MS. CARROLL: Yes.

25 MS. OJIMA: Mr. Shine.

CalHFA Board of Directors Meeting – January 19, 2012

1 MR. SHINE: Yes.

2 MS. OJIMA: Mr. Smith.

3 MR. SMITH: Yes.

4 MS. OJIMA: Ms. Peters.

5 MS. PETERS: Yes.

6 MS. OJIMA: Mr. Carey.

7 ACTING CHAIRPERSON CAREY: Yes.

8 MS. OJIMA: Resolution 12-02 has been
9 approved.

10 --o0o--

11 Item 6. Discussion, recommendation and possible action
12 regarding the adoption of a resolution authorizing
13 applications to the California Debt Limit Allocation
14 Committee for private activity bond allocations for the
15 Agency's homeownership and multifamily programs.

16 ACTING CHAIRPERSON CAREY: Six is a fairly
17 straightforward item also?

18 MR. HSU: Yes.

19 ACTING CHAIRPERSON CAREY: Okay. Item 6.

20 MR. HSU: Item 6 is the Board's -- the Board
21 authorizes the staff to apply to CDLAC for a certain
22 dollar amount of private activity bonds. So on single
23 family, single family, which is the homeownership
24 program, this year we're asking the Board to authorize
25 \$200 million. Just in way of context, last year we

CalHFA Board of Directors Meeting – January 19, 2012

1 asked for \$900 million, and we think that's -- given
2 that our single-family program is on pause and the fact
3 that we actually have \$970 million in carryover, to
4 reflect a bit of a -- closer to reality what we might
5 request is what we decided to do. Instead of asking for
6 a very large number and not come anywhere close, we
7 brought that down to 200.

8 And the multifamily, the request from last
9 year was -- the authority from last year was \$400
10 million, and we stuck with the \$400 million this year.
11 And the amount of carryover we have in multifamily is
12 also quite large at \$1.3 billion.

13 And those are my comments on the resolution.

14 ACTING CHAIRPERSON CAREY: Questions?

15 This is an opportunity -- if there's anyone in
16 the audience who would like to address the Board
17 relative to Resolution 12-03, please indicate.

18 Seeing none, what's the Board's pleasure?

19 MR. HUNTER: I'll move adoption of Resolution
20 12-03.

21 MS. CRESWELL: Second.

22 ACTING CHAIRPERSON CAREY: We have a motion
23 and a second. And further discussion?

24 Roll call, please.

25 MS. OJIMA: Thank you.

CalHFA Board of Directors Meeting – January 19, 2012

1 Ms. Creswell.

2 MS. CRESWELL: Yes.

3 MS. OJIMA: Mr. Hunter.

4 MR. HUNTER: Yes.

5 MS. OJIMA: Ms. Carroll.

6 MS. CARROLL: Yes.

7 MS. OJIMA: Mr. Shine.

8 MR. SHINE: Yes.

9 MS. OJIMA: Mr. Smith.

10 MR. SMITH: Yes.

11 MS. OJIMA: Ms. Peters.

12 MS. PETERS: Yes.

13 MS. OJIMA: Mr. Carey.

14 ACTING CHAIRPERSON CAREY: Yes.

15 MS. OJIMA: Resolution 12-03 has been

16 approved.

17 ACTING CHAIRPERSON CAREY: Recognizing your

18 situation --

19 MR. HSU: Mr. Chairman?

20 ACTING CHAIRPERSON CAREY: Yes.

21 MR. HSU: I just have one quick thing to add.

22 There are various financial reports as part of this

23 package, and one thing I wanted to highlight, though,

24 given the recent European sovereign debt downgrades, we

25 actually have a requirement, an investment policy, that

CalHFA Board of Directors Meeting – January 19, 2012

1 the sovereign rating needs to have at least one AAA
2 rating. And that's of interest because normally we look
3 at the credit rating of the provider and not the
4 sovereign rating. So we think that we'll probably bring
5 the investment policy -- which is very old. I think the
6 last time we updated it was in 1991 or so. We'll
7 probably bring that to the Board at the next, March,
8 Board meeting.

9 ACTING CHAIRPERSON CAREY: Okay.

10 Recognizing the patience of those who have
11 been waiting to speak, we will nonetheless take a
12 ten-minute break, in part to give our stenographer a
13 break, and be back in ten minutes.

14 (Recess taken.)

15 --oOo--

16 **Item 7. Review and discuss the Agency's policy of**
17 **allowing homeowners with Agency first mortgages to rent**
18 **their home**

19 ACTING CHAIRPERSON CAREY: We are back in
20 session, and we will now take up item 7 regarding the
21 policy allowing homeowners to rent homes. And that will
22 be Ms. Cappio.

23 MS. CAPPPIO: Yes. I've taken off my ex
24 officio Board member hat and put on my executive
25 director hat for this presentation.

CalHFA Board of Directors Meeting – January 19, 2012

1 Historically CalHFA has prohibited homeowners
2 from renting their houses financed by CalHFA tax-exempt
3 bonds, except in cases of certified financial hardship.
4 This practice was based on both legal and policy
5 grounds. The IRS Code requires that borrowers, after
6 receiving loan proceeds from the tax-exempt bonds, must
7 intend to live in the property as an owner occupant.
8 This requirement is also consistent with CalHFA's
9 objective of financing first-time homebuyers who live in
10 their home rather than become landlords.

11 Throughout most of CalHFA's history, the
12 rental hardship policy was put into practice only a few
13 times a year. In a healthy housing market, if the
14 householder experienced a change in circumstances, they
15 would either refinance or sell their home without a
16 problem.

17 The double nightmare of the drop in home
18 prices coupled with the downturn in the economy during
19 the last four years has left borrowers in a tighter
20 spot, and many more rental exception requests were
21 processed as borrowers with changed circumstances were
22 not able to sell their homes or refinance.

23 If CalHFA became aware of a home being rented
24 out without permission, the borrower would be notified
25 and given an opportunity to cure by moving back in or

CalHFA Board of Directors Meeting – January 19, 2012

1 applying for the hardship exception. If these options
2 were not successful, borrowers would be brought through
3 a nonmonetary foreclosure process.

4 Since October of 2011, CalHFA has not
5 foreclosed against any borrowers based solely on
6 nonmonetary default of the renting out of the residence
7 without a hardship exception. We have taken the past
8 few months to thoroughly review the hardship exception
9 and now have before you a new proposed policy for review
10 and consideration.

11 As presented in the draft before you, we have
12 chosen to simplify the process based on three basic
13 criteria: First, that the borrower has met the IRS
14 requirement that they intended to occupy the home as
15 their principal residence at the time they received the
16 CalHFA loan; second, that their home value is now worth
17 less than their loan; and, third, that they can
18 demonstrate the ability to continue their mortgage
19 payments.

20 If this -- in this continued dysfunctional
21 housing market and current economy, our key objective is
22 to help borrowers preserve their home and their asset
23 with a check on their ability to meet their financial
24 obligations. We are simplifying the process, again, as
25 I noted, accounting for the pre-extraordinary economic

CalHFA Board of Directors Meeting – January 19, 2012

1 circumstances of many California households at this
2 time.

3 This concludes my presentation, and I'm happy
4 to address any issues or questions that you've got.

5 ACTING CHAIRPERSON CAREY: Questions?

6 Item 2, what's the basis for choosing 12
7 months? I guess my only thought is that 12 months seems
8 to come up pretty fast.

9 MS. CAPPPIO: We believed that there was a
10 purpose in monitoring the amount of rental circumstances
11 that we have, and we need to be consistent with our
12 indenture obligations, that there's a fairly flexible
13 percentage of mortgages that can be -- that -- where
14 there can be rentals, and we want to make sure that
15 we're accounting for that accurately and making sure
16 that there are not changed circumstances where they can
17 move back in their home, but basically making sure that
18 in any given year we can account for the percentage of
19 mortgages that are actually being -- or homes that are
20 being rented out. That's for IRS purposes and audit
21 purposes.

22 MR. SMITH: I understand that if there is a --
23 if the home is worth more than the loan, then they don't
24 qualify for the rental program; right?

25 MS. CAPPPIO: At this point, that's what we're

CalHFA Board of Directors Meeting – January 19, 2012

1 proposing.

2 MR. SMITH: I can certainly see the rationale.

3 What percentage of our loans are under -- are
4 worth less than the loans, where the properties --

5 MS. CAPPPIO: I don't think we have --

6 MR. SPEARS: That, of course, would take a --
7 you know, an appraisal. I don't have any reason to
8 believe that it's less than the state average, which is
9 about a third.

10 MR. SMITH: Okay.

11 ACTING CHAIRPERSON CAREY: Mr. Shine.

12 MR. SHINE: Am I reading this correctly, that
13 the purpose of the 12-month inspection is to verify that
14 they're still in the same situation? Or is it to
15 reevaluate their credit and finances and appraisal of
16 the house and all that kind the stuff?

17 MS. CAPPPIO: I believe we want to keep it
18 simple, and it's to assure that they're still renting
19 and that their circumstances are the same, generally.
20 We -- we have -- it's optional whether we would give
21 them another year. We want to leave that to CalHFA's
22 discretion.

23 MR. SPEARS: That line of demarcation,
24 Mr. Shine, is based on federal tax law, that if you rent
25 for more than one year, you're not allowed to take the

CalHFA Board of Directors Meeting – January 19, 2012

1 interest deduction, you know, on your -- as an itemized
2 deduction on your tax return.

3 So it originally was the line of demarcation.
4 We wanted to make sure that the borrower knew that.
5 We've got -- you know, they're informed of that. But
6 you're right. I mean, we periodically want to go back
7 and check and still make sure that --

8 MR. SHINE: If you try to go back and
9 reunderwrite every year, in effect, I would -- I would
10 request that we try to bring that into a little more
11 focus as to exactly what happens at the 12th month, just
12 to make sure that there's no lack of clarity, period.

13 With respect to the value of the home being
14 less than the mortgage, I could envision a situation
15 where even if it's the same or worth 10 percent more
16 than the mortgage, they're still in the same boat in
17 trying to get us refinanced out because nobody's going
18 to make a 90- or a hundred-percent loan under that
19 circumstance. So I think we should take a look at that
20 also and -- and focus on what does it mean that the
21 value of the home is now even a dollar more than the
22 loan against it? They've got to -- in order to get us
23 out, the borrower would have to be able to refinance and
24 under what terms and under what kind of financing he
25 could get, if any. It would be questionable when he'd

CalHFA Board of Directors Meeting – January 19, 2012

1 be capable of giving us our money back and moving on in
2 life.

3 MS. CAPPPIO: Thank you.

4 ACTING CHAIRPERSON CAREY: Yeah, likewise, I'm
5 just concerned about what could become, it seems to me,
6 a pretty significant annual process for staff, when
7 there are far more significant things to be done, and I
8 just would encourage to keep it as targeted as possible.

9 MS. CAPPPIO: I am envisioning a checklist
10 process for recertification, but we will work those
11 details through, and I -- I'm -- I realize the concerns
12 of the Board.

13 MR. SMITH: The other thing, I think you made
14 a good point. If somebody is 5 percent over the
15 threshold in terms of the value of the home, they still
16 have the same problem. We should try to have some
17 flexibility to allow a greater number of people to take
18 advantage of this and not have a strict rule that says
19 it's got to be one dollar under or one dollar over or
20 whatever.

21 ACTING CHAIRPERSON CAREY: I would love to
22 think that values were going to go up quickly enough
23 that this would be a problem.

24 MR. SMITH: I am just saying where you are
25 today, whether it goes up or down.

CalHFA Board of Directors Meeting -- January 19, 2012

1 ACTING CHAIRPERSON CAREY: Okay. We -- are
2 there any other questions or concerns?

3 With that, then, we'll open up public comment.
4 We have four -- four speakers who've indicated an
5 interest in speaking, and I'll just -- I see two sets of
6 speakers, and so let me just take them by group: Marcia
7 Wold and Laura Blakely, I believe, are sort of jointing
8 presenting. Is that right? Great. And you can share
9 the table over here. And again, we'd ask that you be
10 concise and to the point while getting your point
11 across.

12 MS. WOLD: I just made some notes on my phone,
13 that's why I'm -- my name is Marcia Wold, and thank you
14 for taking the time to listen.

15 I got married, and my condo was foreclosed.
16 So I had no missed payments. As a matter of fact, I --
17 oh, is it on?

18 MS. CARROLL: Yes.

19 MS. WOLD: Sorry.

20 I had no missed payments. As a matter of
21 fact, I had paid an extra \$10,000 to my mortgage. My
22 grandmother gave me some money, and everybody said, "Pay
23 down your mortgage, pay down your mortgage, pay down
24 your mortgage." So I did. That's -- I paid an extra
25 \$10,000.

CalHFA Board of Directors Meeting – January 19, 2012

1 I tried everything I could when I got the
2 letter that said, you know, you're -- we're going to
3 foreclose. You need to move back or you need to pay off
4 the loan in full. And I called, and a woman at
5 CalHFA -- it was April of 2009. She said you can apply
6 for approval to rent. She said, "It won't be a problem.
7 It happens all the time."

8 And I didn't hear, I didn't hear, I didn't
9 hear. I called again. She said, "Oh, you should be
10 getting a letter soon."

11 July came, and the letter said, nope, you've
12 been denied. I tried to refinance. My home was \$80,000
13 under. And I called the bank, and they laughed, said
14 you can't refinance. My credit score was over 800.
15 Couldn't refinance. I tried to just get a straight-out
16 loan. Obviously I couldn't just get a straight-out
17 loan.

18 And -- okay. So that was that. So got
19 married and my husband and I decided, okay, we'll rent
20 it out. And I was losing -- losing -- a thousand
21 dollars a month by renting it out. It caused me
22 significant economic detriment to rent out my home. We
23 thought as soon as the market recovers, we will -- you
24 know, as soon as the market recovers, we're going to,
25 you know, sell it.

CalHFA Board of Directors Meeting – January 19, 2012

1 So we couldn't sell it. And lucky for me, my
2 attorney, Laura Blakely, she fell into my lap, and she
3 knew John Hill, who works at the Senate oversight
4 committee. And the report came out. And now it has
5 come to light, which is why I believe the amendment
6 has -- the proposal, resolution, has come out. And
7 there are so many people in my situation. And as a
8 public service agency, it is your job to help people in
9 our situation, not take it away.

10 I'm a teacher. And when a student is failing,
11 it is my job to help them, not say, "Oh, too bad.
12 You're on your own." And as far as I know, you guys
13 didn't investigate to find out what are other states
14 doing. John Hill did that. He's the one who
15 investigated.

16 And, you know, when you foreclosed, my credit
17 score took a 120-point hit. So now my husband and I, we
18 can't finance our home because my credit score is now
19 under 700 points. It's 600-something. I never missed a
20 payment. Never. I paid an extra \$10,000, and my credit
21 score went down by 120 points.

22 I really hope that you're going to pass this
23 resolution, and that's that.

24 MS. BLAKELY: Thank you. Well, so for Marcia
25 and other people in her situation, I understand there

CalHFA Board of Directors Meeting – January 19, 2012

1 have been a number of foreclosures already. There's
2 other people that were in process and others to come,
3 but for the ones that have already been foreclosed, I
4 would hope that the Agency would take some steps to help
5 repair their credit rating since you're now realizing
6 that maybe this was too strict of an interpretation of
7 the Revenue Code and too narrowly applied -- looked at
8 the requirement to foreclosure without taking this kind
9 of hardship into consideration.

10 We did -- she did receive some letters from
11 the Agency that she can then in turn submit to the
12 credit ratings bureau that could help. It would be
13 really nice -- and I would hope that the Agency staff
14 would perhaps undertake a little bit more initiative, a
15 little more affirmative assistance to people in this
16 situation, especially given the state of the economy and
17 the function of the Agency to help -- to help homeowners
18 out.

19 The other things I believe were touched on
20 earlier that I wanted to mention. No. 8 on the proposed
21 policy says that the borrower has to execute an
22 affidavit that -- will reoccupy the CalHFA-financed
23 property as a primary residence. In particular we're
24 looking at the types of borrowers whose family situation
25 have changed. They've gotten married. They've had

1 children.

2 You know, Marcia was living in a
3 700-square-foot condo with her husband and his child.
4 It just -- it didn't fit. And those people whose family
5 situations have changed are not going to fit back in
6 their smaller homes, because this is typically -- people
7 move out because they outgrow their homes, and in an
8 ordinary economy, you could sell or refinance, but
9 that's not the case now. And so those people are not
10 going to somehow or another fit again and move back in.

11 So I would encourage a policy revision to be
12 considered that says will reoccupy or sell or refinance
13 with conventional financing to repay the CalHFA
14 financing on that number.

15 And then you already talked in item No. 2 the
16 12-month limitation. And I would just ask, it sounds
17 like maybe you're considering that -- having a checklist
18 process to extend that, but that there be some kind of
19 objective criteria like if you have your house listed
20 where you can show you have a current listing, you're
21 still trying to sell it but the market hasn't turned
22 around, or that you have a current application on file
23 for financing but that -- you know, some recent
24 rejections. There could be some supporting paperwork
25 that the borrowers could supply. It would be pretty

CalHFA Board of Directors Meeting – January 19, 2012

1 easy to say, yes, another year. And so I would just ask
2 that the application be practical.

3 Thank you.

4 ACTING CHAIRPERSON CAREY: Do you have any
5 suggestions about other things the Agency could do for
6 those like Ms. Wold in their -- with their credit issue?

7 MS. BLAKELY: Well, there's three main credit
8 bureaus and so the -- typically the way that it works,
9 like say you get dinged on your credit, like you're a
10 bank and your borrower misses payments for six months
11 and then it's later determined that that was an error,
12 that they actually had made the payments. The lender
13 can just correct that reporting. In this case, they did
14 foreclose. The Agency foreclosed, and the Agency did
15 have a legal right to foreclose. So they can't really
16 say, you know, we didn't foreclose, which would be the
17 typical action, because they did.

18 And they did provide a letter to Marcia that
19 she can submit to each agency, but I think it would be
20 very helpful if there were something that came directly
21 from the Agency to each of the three credit bureaus
22 saying that, you know, we foreclosed because our policy
23 was interpreted -- the law was interpreted very narrowly
24 and we've since changed the policy and if the new policy
25 were in effect, we would not have foreclosed and, you

CalHFA Board of Directors Meeting – January 19, 2012

1 know, her rating never would have been harmed.

2 I mean, she kept mailing in checks, and they
3 kept mailing them back. So she -- she just wants to do
4 the right thing. And it's just a shame that this
5 happened, the hardship. And also it costs the State
6 money. It costs the State thousands of dollars every
7 time there's a foreclosure. It just didn't make sense,
8 so.

9 ACTING CHAIRPERSON CAREY: Other questions?

10 MR. SMITH: Well, I would have a comment to
11 the proposed rental policy, item 3. I would suggest
12 that we add fair market value of the property plus 10
13 percent, only to give a little bit more flexibility, you
14 know, so it's not such a hard-and-fast rule. So if
15 somebody has the ability to not force us to foreclose,
16 but their value is within that 10-percent difference
17 rule, it puts a little more flexibility in. I don't
18 know if that's acceptable to staff or the Board.

19 MR. SHINE: I don't know what they can do if
20 it's 90 percent.

21 ACTING CHAIRPERSON CAREY: That's an
22 interesting point. If it's 90 percent, you can't
23 refinance it anyway.

24 MR. SHINE: Why don't we just --

25 MS. PETERS: I think he's saying 10 percent

CalHFA Board of Directors Meeting – January 19, 2012

1 over, so if you hit it, if fair market value is a
2 hundred thousand and your loan is a hundred thousand,
3 this would cause you to, you know, have to transition,
4 but you know you're going to have expenses and closing
5 costs, moving costs and all that. I think Mr. Smith is
6 suggesting we give them a 10-percent wiggle room on top
7 of the fair market value so that it has to reach -- am I
8 stating that correctly?

9 MR. SMITH: Well, that's what I was trying to
10 do, but your point is well-taken. I mean, 20 percent or
11 10 percent? I just want to make sure we're --

12 MS. PETERS: -- doing the right thing.

13 MR. SHINE: I don't think we can solve it
14 right sitting here, but as long as we say that that's
15 something that needs to really be evaluated, because
16 giving somebody what we're talking about here isn't
17 giving them really anything in the real world, at least
18 today. Even if we just say, that's okay, but we're not
19 going to -- we're going to do 12-month inspections for
20 two or four or five years and after that, you have to
21 comply. I mean, there's all kinds of things you could
22 do, and I think it's something that we should just put
23 on the table and, you know, everybody get their thoughts
24 down and try to come up with some consensus plan that is
25 supportable.

CalHFA Board of Directors Meeting – January 19, 2012

1 ACTING CHAIRPERSON CAREY: Let me suggest that
2 we allow our other two speakers to speak, and we can
3 discuss it more completely.

4 MS. BLAKELY: Thank you.

5 ACTING CHAIRPERSON CAREY: Thank you both --

6 MS. WOLD: Thank you for your time.

7 ACTING CHAIRPERSON CAREY: -- for being here.

8 The two speakers that I have are Anne Jordan
9 and Katharine Jordan.

10 MS. KATHARINE JORDAN: Good morning.

11 ACTING CHAIRPERSON CAREY: Good morning.

12 MS. KATHARINE JORDAN: My name is Katharine
13 Jordan. I am one of your mortgage holders. I live in
14 Sacramento, and I purchased my property for \$200,000
15 five years ago.

16 Since purchasing this property, I -- I -- it
17 was my dream place. I could -- I'm visually impaired.
18 I had public transportation to my office. I could walk
19 to a grocery store. I could walk to school. It was
20 perfect for me.

21 My life changed dramatically when my father
22 passed away and I had to take care of my family. When
23 that occurred, my mom moved in with me, and my condo
24 proved to be too dangerous to live in. The way the
25 stairwell is constructed, there's a place where you can

CalHFA Board of Directors Meeting – January 19, 2012

1 actually fall three stairs down. That happened three
2 days after my mom moved in with me, and she had a severe
3 concussion.

4 The place where I live is no longer safe for
5 me and my family. I want to do the right thing and
6 continue to pay for it, however, I know that I cannot
7 physically move back in, one of your requirements when
8 it is possible. It's never going to be possible.

9 I have gone through the paperwork for
10 consideration for hardship and found that the definition
11 of hardship is only financially related. It does not
12 take into consideration other life issues which make
13 moving back into a property still unfeasible.

14 As a consequence of this, I have, similar to
15 the previous speaker, had my checks returned time and
16 time again. That is heartbreaking when you know you're
17 trying to do the best thing possible.

18 I do understand, though, your position as a
19 state agency. You have regulations that are federally
20 imposed, as well as ones that are tied to financing. I
21 get that.

22 So what I hope you can do is think outside the
23 box for solutions. Part of this might be the expansion
24 of the definition of hardship. Another alternative
25 could be finding a lender who's willing to do a

CalHFA Board of Directors Meeting – January 19, 2012

1 public-private partnership to move people who are in my
2 kinds of situations, or situations where their life has
3 changed, off of your product into a similar product that
4 is able to proceed without those kinds of ties.

5 However, as previously noted, the market is a
6 horrible place right now. I -- and I'm going to
7 actually dispute the figure that was proposed of 30
8 percent of properties. I'm going to say for the
9 population of mortgage holders that you have, you're
10 going to have a higher level of difference in underwater
11 just because you are dealing with the shorter homes out
12 there. Those are the ones that are not bouncing back as
13 quickly.

14 My property that I paid \$200,000 for, the last
15 one in my complex to sell was \$65,000. I have tried
16 to -- I've approached several lenders on the situation
17 to see if I could refinance, and no one is even willing
18 to look my numbers just because of that major
19 difference.

20 However, as a state agency, you can create a
21 partnership to find a group who's willing -- most of us
22 are good, strong people who care about their credit
23 score, care about doing the right thing -- who would
24 take us on as just assuming our loans as they were so we
25 can continue to pay and not have to break your rules of

CalHFA Board of Directors Meeting – January 19, 2012

1 renting out.

2 I would also ask for consideration in this new
3 policy that when you do allow for rentals, that it be
4 longer than a 12-month period. When I received the
5 permission to rent out back in February or March of
6 2010, it took me six months to find a qualified renter,
7 which means six months in, I still had a lease going and
8 I wasn't able to get permission again to continue on the
9 lease. So it put me in a very tough spot. Since the
10 whole moratorium occurred, I was okay. However, this is
11 a situation that really creative thinking can work
12 around.

13 With me right now is my mother, Anne Jordan.
14 She is a recent retired policy analyst, and she took
15 some time to take a look at your proposed policy and has
16 found some comments that she'd like to share with you
17 right now.

18 MS. ANNE JORDAN: I've recovered from the
19 concussion, but I will tell you that the design feature
20 that was a problem was totally up to code. This is not
21 something that is even fixable. It's an old switchback
22 style of stairs that have a triangle at the turn. And
23 if you don't catch that triangle just right, you are not
24 only falling, you are propelled. And I was propelled
25 and hit my head down on the concrete. So it only took

CalHFA Board of Directors Meeting – January 19, 2012

1 me three days to figure that that triangle wasn't going
2 to work.

3 It became apparent that my daughter, who had
4 worked very hard to be independent and had a solution
5 that really worked -- she didn't tell you some of the
6 other issues that came with it. Some of the
7 accommodations you do when you are disabled have to be
8 how do you get to work? How do you do things in life
9 that other people do? It's not just the ability to use
10 your house. It's where your house is and how those
11 steps fit in.

12 It turned out that the connection of the bus
13 to the light rail, there was a real issue at the light
14 rail. It's important for you to know that these are
15 parts of it. It's uncomfortable to say, but when she
16 would get there in the morning, sometimes the condition
17 of the elevator at the Watt Avenue light rail was soiled
18 with human excrement or pee. And she couldn't take the
19 elevator one day and had to take the stairs. They
20 hadn't maintained the light bulb. She went down the
21 stairs, and there was more feces. She fell down, ended
22 in the hospital.

23 She has also had another instance where people
24 rushing to get on and off are very irreverent. They --
25 they have a focus, which is not necessarily your safety.

1 It turned out that this very good plan had to be
2 modified in many ways. And Katie is very good at it.
3 She is a manager with the State, and she's accomplished,
4 and she will go places, but one of those places will not
5 be her condo.

6 At her request last night, I took a look at
7 the supporting documents that were provided for today's
8 meeting, and I found some inconsistencies. I found some
9 opportunities. And I don't know how to best use your
10 time, but I will quickly tell you some things that I
11 have found, but I would like to offer my time to assist
12 in anything you would like to do in terms of developing
13 a policy. I am technically a retired annuitant working
14 policy for the Department of Financial Institutions, and
15 they would allow me to come over on my own time to
16 provide some assistance.

17 I will follow up with some written comments.
18 As in all policy, I can only suggest, I can recommend,
19 and I can give you my reasoning, but I respect that it's
20 your job to figure out what meets the laws, what meets
21 the intent.

22 So in beginning my comments, I had some
23 general ones. I commend the focus that says it looks at
24 the intention of the base laws, the rules that were
25 here, and did you intend to live in the home versus did

CalHFA Board of Directors Meeting – January 19, 2012

1 you intend it as a rental property. I can tell you in
2 my daughter's case, absolutely that was her home. It
3 was going to be almost her home for life, unless the
4 lottery came through.

5 House values, as you know -- as she stated,
6 she's not alone. This is a big issue for our community.
7 I've worked for Department of Financial Institutions.
8 From what I know, this is not a short-term fix-all. It
9 is going to be a prolonged recovery. I share Katie's
10 opinion that your organization would, if the data became
11 available, likely have a higher percentage than the
12 average in California who would fall into this shortfall
13 area strictly because they're the folks with lower
14 income going in. They are individuals who maybe don't
15 have as much career going for them yet. They just
16 haven't evolved.

17 I would say that a condo in particular will be
18 the very last thing in this environment to recover.
19 People will look at condos, because you have HOAs, and
20 those HOA folks are raising their HOAs to cover people
21 who've bailed.

22 I've found it heartbreaking that on one
23 occasion a person not to be named but with CalHFA said,
24 "Well, as long as you do it, it will be a short sale.
25 It will only take you a while to restore your credit,

CalHFA Board of Directors Meeting – January 19, 2012

1 and then we can make the house available to another low
2 income person," instead of what I think now in your
3 policy is the focus is what was the intention? And the
4 intention was to live there. It wasn't to be a -- if
5 anything, Katie was a reluctant landlord. She didn't
6 want to have to do that. And she actually did set up
7 the amount of rent based on trying to keep with the
8 intent, and she wanted to make sure people were
9 creditworthy but not necessarily stellar. She wanted to
10 make sure that it was still fair. She charged a little
11 bit less than other people, thinking that might attract.
12 It was her circumstance.

13 The ability to pay will be a very difficult
14 thing. This is a comment as a policy analyst. People
15 had a hardship. That hardship was probably related to
16 something financial in their life, a demotion, cut-back
17 at the office, a loss of a job, unable to make their
18 payments, so they move out of a house into another
19 family member's house, and the renter is helping,
20 combined, to break even on the house.

21 I think that their ability to pay should, as a
22 policy, look at their ability to pay personally as well
23 as with the rent that's coming in, because you're going
24 to have a lot of people in that gray area with a
25 shortfall. Choose what you need, but be aware that is

1 one of your target groups.

2 I, too, had a difficulty with the 12-month
3 issue for its practicality on workload and the kinds of
4 documentation that would be necessary to generate. It
5 was very difficult, even going back to the tenant at
6 Katie's house when they had to implement the new rider
7 that says that CalHFA has rights to the rents, and yet
8 they give you -- "you" meaning Katie -- the license to
9 keep those rents. And it's only to protect CalHFA at a
10 certain time should Katie no longer meet the overall
11 obligation. It takes time.

12 That 12 months, the kind of documentation that
13 you want, I would want to make it practical, streamlined
14 and something where you don't jeopardize the tenants
15 there. Some tenants -- now Katie's had to go to month
16 to month because she wasn't empowered to do a year
17 lease, and they wanted to do a year lease. And so
18 instead of having the financial stability, she faces --
19 even if they granted it -- having to go out and secure
20 another tenant when she had a tenant right in place.

21 In looking at the borrower's rental agreement,
22 I found it interesting and problematic in the No. 1(C)
23 it says -- I'll read it to you. It says: Borrower has
24 occupied the residence as borrower's principal place of
25 residence since the date of the loan. If Katie were to

CalHFA Board of Directors Meeting – January 19, 2012

1 apply using this now to see if, okay, under the new
2 guidelines will they let her have it, she can't answer
3 yes because under a previous agreement, she had a
4 renter. She currently has a month-to-month person.

5 I would think that it would be more
6 representative of your intention here to have language
7 that went -- you initially had it X number of years and
8 since the rental period, you haven't lived there but you
9 have maintained compliance with CalHFA rules, just
10 something that recognizes that you're going to come
11 back. People will come back much sooner than you will
12 see a house value get up to the price that you need,
13 regardless of what number you determined, 10, 20, 30
14 percent. Banks are far more conservative in what they
15 will make available.

16 I thought that the rider was very good at
17 protecting it, your interests. I thought that making
18 sure that the renter knows that this is in place was
19 good.

20 I thought that the copy of the CalHFA
21 agreement with Katie had to be shared. It seems kind of
22 embarrassing that you have to other parties know this
23 condition, but I can see how it protects your interests,
24 but this licensing structure is really a little
25 difficult for me to take.

CalHFA Board of Directors Meeting – January 19, 2012

1 In state business, a license is really
2 something. Are you going to issue a document to Katie
3 that you consider this is a license and this license is
4 available for renewal? I think having a confirmation
5 letter --

6 MS. PETERS: I'm sorry, what are you talking
7 about?

8 MS. ANNE JORDAN: Okay.

9 MS. CAPPPIO: In the rental agreement.

10 MS. ANNE JORDAN: It would be in the
11 termination of consent, A.

12 MS. PETERS: A? I'm looking at a different
13 document. Is it titled "Borrower's Rental Agreement"?

14 MS. CAPPPIO: It's --

15 ACTING CHAIRPERSON CAREY: Yes.

16 MS. CAPPPIO: -- page 119.

17 MR. SMITH: The assignment of rents?

18 MS. ANNE JORDAN: You know, I have to back up
19 on what I'm referring to.

20 MS. CAPPPIO: Section 4.

21 MS. PETERS: Oh, okay.

22 MS. ANNE JORDAN: It would not be the section
23 I referred to because it would have been the earlier
24 document.

25 MS. PETERS: 4, assignment of rents?

CalHFA Board of Directors Meeting – January 19, 2012

1 MS. CAPPIO: Yeah, it's 4. It's CalHFA
2 confers borrower license to collect --

3 MS. ANNE JORDAN: The license came in, a
4 license to collect.

5 MS. PETERS: Right. Now I'm with you.

6 MS. ANNE JORDAN: That's the borrower's
7 agreement there. I apologize.

8 MS. PETERS: That's all right.

9 MS. ANNE JORDAN: I did refer to the wrong
10 document.

11 ACTING CHAIRPERSON CAREY: Got you.

12 MS. ANNE JORDAN: It would be nice to have
13 something a little nicer that says this is a license for
14 you to do it subject to the terms. It's prettier when
15 you give it to a renter, but they were afraid they were
16 going to get kicked out. Rather than feeling assured by
17 the document, it made them uncertain.

18 Looking at the rider document that was part of
19 the package, I believe there lacks clarity and an
20 opportunity for CalHFA to make a very affirmative
21 statement. In protecting tenants at a foreclosure act,
22 which is No. 3, there are certain acknowledgments that
23 the tenant is making. And it says in 4, which is a sub
24 of B -- I'm sorry for the reference, so 3B Roman numeral
25 IV, which are -- excuse me subsidized due to a state,

CalHFA Board of Directors Meeting -- January 19, 2012

1 federal or local subsidy. Are you really expecting a
2 tenant to understand what that means? Does it mean, as
3 for Katie, can she no longer take somebody who is a
4 renter who gets some kind of subsidy themselves, or is
5 it we have to tell them the source of the funds for all
6 the different loans, the main loan and the little orphan
7 ones? I don't know the official name.

8 Katie's package has many different things in
9 it. It's not just a single CalHFA loan, and that
10 language tends to confuse. It might be helpful for
11 CalHFA to send a definition of what means state, federal
12 or local funded, especially in a particular case that
13 you're asking a tenant to sign a document.

14 And lastly, I'll take you to the comments on
15 the policy itself, although I have mentioned them along
16 the way with the other supporting documents. Going down
17 the page, you know in No. 2 the 12 month. I do you have
18 a recommendation. I think it is within the intent.
19 Make it an 18-month one. And also, at the 18-month
20 period, don't ask for a lot of documentation, but do
21 ask -- the underlying premise here is there will be a
22 hardship, not only to the person you've originally given
23 the loan to, but also to the borrower's -- to the
24 funders, should she have a short sale and not be able to
25 cover all that's there. The Agency stands to lose money.

CalHFA Board of Directors Meeting – January 19, 2012

1 So I think the real issue is have an updated
2 comps, what is selling in the area of a similar product
3 and what is the price, what are the things that are
4 really selling now. It could address how long this
5 situation might occur. You may see a little rebound.
6 One year it's -- the latest was 65,000. Maybe next year
7 it be will 90,000. Maybe it will be worse. But it
8 would give you a pulse test on the conditions for that
9 particular one. I think that's a critical piece that
10 would be helpful.

11 And the language in the third one, carrying it
12 further, that the loan balance relative to the market
13 value, I had also said or suggested a percent to be
14 determined. I honestly don't have data. I have no
15 point of reference. I just know that I hear complaints
16 through our consumer line of people who were denied
17 loans and they thought they were great. They could show
18 they could pay for it. But there is a reluctance to
19 take the risk, and there's more reluctance to take it at
20 your target group, which is a lower income, less
21 education, or maybe less experience in the workplace.
22 So banks and the averages really are not what your
23 target office has, so I would just say to be determined
24 and then do a good healthy research on it.

25 The next one was No. 6. You're walking into a

1 hornet's nest. It says through the -- the borrower
2 demonstrates through a standard set of income and
3 expense questions supported by the documentation. You
4 have now raised the fear of every person who was gone
5 through trying to get a loan for a mortgage. They had
6 to not only do 15 pieces of paper, they had to go back
7 and get it again. When I -- after my husband died and I
8 had a period of time I had to adjust, I realized I
9 wanted a home. And I can tell you I am well-qualified
10 for a home. And it took three months and 52 documents,
11 many of them two and three times, just because banks
12 were reluctant to do money.

13 If you start telling individuals ahead of
14 time, are you creating -- are you protecting your
15 interests at the expense of a lot of anxiety that is not
16 necessarily going to efficiently give you what you want?
17 So my recommendation is that tell people like Katie this
18 is the information we're going to be asking you for.
19 These are the points.

20 If you look to the cover letter that said you
21 have moved from hardship as a focus to those three very
22 important key points, did you intend to stay there, et
23 cetera, there is an inconsistency here. Hardship really
24 is a factor, and I think you need to add a number on
25 here that the hardship is evaluated at that time so it's

1 not just income and expense. It suggests that it's
2 income and expense.

3 If you asked Katie right now, she now has
4 resources that would be outside your eligibility
5 criteria if it was solely on that, but she got in the
6 door. You assume people will proceed and be better able
7 to manage their houses as they advance in their career,
8 but what happens when the circumstances change? So do
9 not eliminate hardship is my policy comment to you, that
10 it is important.

11 In No. 7, the borrower shall submit a list
12 with complete addresses of all real property that the
13 borrower owns. You're making a big assumption they have
14 got something. They may, in fact, have. Right now
15 Katie and I were actively concerned that you are going
16 to move to foreclose on her case because she doesn't
17 meet the financial hardship. She meets that safety
18 criteria that's missing here. It's not safe for her to
19 live in that home. And her vision isn't going to get
20 any better, so that the circumstances that she faces and
21 the family faces have to be part and parcel on how you
22 go forward or you're going to have totally unnecessary
23 foreclosures, people who can absolutely afford to do it,
24 who have the moral conviction not to walk away from
25 something that is \$120,000 under.

CalHFA Board of Directors Meeting -- January 19, 2012

1 In the eighth point, you use the word
2 "feasible." It's a wonderful bureaucratic phrase. I
3 use it myself, but it is problematic. It says the
4 borrower shall execute an affidavit stating that when
5 feasible a borrower will reoccupy the home. If you have
6 that as a criteria -- criterion, Katie can't sign that
7 in good faith. Or she could sign it, but it wouldn't be
8 in good faith.

9 The reality is there's something structurally
10 that cannot match a physical disability that she has.
11 It is difficult to say in front of my daughter, but it's
12 important for you to hear. Are you really going to want
13 her to sign a statement that when feasible, knowing that
14 it will never be feasible? I would wonder if you want
15 to add if it's for economic reasons, then sign that,
16 when it's feasible and have documentation, but have a
17 process where you accept that it will not be feasible
18 and that a person is granted permission to rent out the
19 property, not in perpetuity but until the house value
20 matches what they owe, where there's a break-even point
21 and not make a profit off it. Then they turn the deed
22 back over to you. I think that that would meet your
23 ongoing obligation without risking those things.

24 ACTING CHAIRPERSON CAREY: Could I -- could I
25 ask you --

CalHFA Board of Directors Meeting – January 19, 2012

1 MS. ANNE JORDAN: Yes.

2 ACTING CHAIRPERSON CAREY: -- for your
3 conclusion?

4 MS. ANNE JORDAN: You're right.

5 ACTING CHAIRPERSON CAREY: Thank you.

6 MS. ANNE JORDAN: The only thing I would say
7 is do not give CalHFA sole discretion of one person to
8 determine whether or not you can renew on an annual
9 basis. There should be a right of appeal for
10 reconsideration that goes outside the organization and
11 to this body.

12 I know my comments were long, but I do thank
13 you very much.

14 ACTING CHAIRPERSON CAREY: They're very
15 targeted and helpful, I think.

16 Are there any questions?

17 MS. PETERS: Comment, I guess.

18 Thank you to all the speakers. This was
19 incredibly informative because we don't get down into
20 the weeds when we're on the Board, and sometimes we need
21 to, so we appreciate you coming forward, and especially
22 DFI. I work with DFI, so I'm proud to have you onboard
23 with us there.

24 I think Mr. Shine is correct that this is
25 something that we're probably not going to sort out

CalHFA Board of Directors Meeting – January 19, 2012

1 sitting here today because there are a lot of details
2 that I think we need to address and digest. I think
3 we're on the right track. I think we have the
4 moratorium.

5 I commend staff for putting this together, and
6 I commend the attorneys. But for the points I
7 acknowledge that you've made, I was really happy to see
8 that it wasn't an 87-page document that they were going
9 to ask the tenants to sign, so I think we're well on the
10 right track here.

11 I'd love to see staff perhaps convene a
12 stakeholder meeting with other similarly situated folks
13 who can give us some, you know, insight into how a real
14 person is going to react to this when they get it and
15 how they're going to read it and what things they're
16 going to see that we don't see. You raised a lot of
17 good and interesting questions that need to be digested.

18 And I also want to thank all of the speakers,
19 particularly for understanding the very complex legal
20 environment in which we've been operating and dealing
21 with this heartbreaking issue for quite some time now.
22 And thank you for understanding that it wasn't just we
23 were, you know, sticking to our guns 'cause we thought
24 it was a good idea to take people who were paying their
25 mortgages and foreclose. We're really, really trying,

CalHFA Board of Directors Meeting – January 19, 2012

1 and I think we're on the right track, so thank you.

2 ACTING CHAIRPERSON CAREY: Any other comments
3 or questions?

4 You can return to your seats, if you'd like.

5 MS. ANNE JORDAN: Thank you.

6 ACTING CHAIRPERSON CAREY: Get off the hot
7 seat. Thank you very much.

8 MR. HUNTER: I just had a comment on the
9 12-month period. I spent a lot of years of my life
10 renting, and I could never find anybody who would sign a
11 lease for more than six months in the commercial market,
12 and then it always converted to a month-to-month lease
13 at the end of six months, and then there was a standard
14 time for termination.

15 So, you know, I don't -- I mean, we have some
16 advice to offer to the owners about tax implications if
17 they rent for more than a year. That's one thing. But
18 I -- you know, I just have got to say my own personal
19 experience in the private rental market was nobody would
20 rent me anything for a year, and I had very good credit
21 scores and income, so that wasn't the issue. It was
22 just the standard practice in the commercial rental
23 market. But it also, you know, at the end of six months
24 converted to a month-to-month lease.

25 And so I think that's one of the places where

CalHFA Board of Directors Meeting -- January 19, 2012

1 we need to rethink this and try to figure out what it is
2 we're trying to do and that maybe we need to be clear
3 with the borrower and whoever the renter might be that
4 on an annual basis we're going to reevaluate this. We
5 have to, given our obligations. That should not be
6 something -- that should be something we impose on us
7 rather than others.

8 And that's all I'll say. I think, you know,
9 that the -- yeah, I'll stop there.

10 ACTING CHAIRPERSON CAREY: Other thoughts?

11 Ms. Creswell.

12 MS. CRESWELL: I appreciate the effort and I
13 also -- and I do think it's -- it was a -- it's a very
14 reasonable approach to dealing with a very complex
15 issue.

16 But I do think it feels like it's -- it needs
17 more work or consideration in a number of policy areas.
18 So at least it seems to me it would be appropriate to
19 spend some more work on it before we vote, and I'm happy
20 to participate in that. But I also think your
21 suggestion of sort of reaching out to folks and getting
22 some public input would be helpful as well.

23 ACTING CHAIRPERSON CAREY: Other thoughts?

24 MR. SMITH: Yeah, I'd just say to staff I
25 think you've done a great job. It's not an easy thing

CalHFA Board of Directors Meeting – January 19, 2012

1 to do. And I do think, you know, it's great you didn't
2 put a 60-page attachment there. I think you covered the
3 essential items. And I think it just needs a little bit
4 more flexibility, from my point of view, so that we have
5 the discretion not to have to foreclose when it doesn't
6 make any sense. So I would -- I'm assuming there's a
7 moratorium so we don't have to --

8 MS. CAPPIO: We have placed a pause in
9 anticipation of revising the policy. At this point many
10 comments have been made that are worthy of more thought
11 and possible revision. I will note that this is not
12 before the Board for a vote. This was for your review
13 and consideration. But I certainly appreciate the
14 feedback, and I think we have a couple of tweaks we
15 could make. And I appreciate all the good comments. I
16 mean, as weedy as it was for a while, I think we got a
17 lot out of it, and we will now take that under
18 advisement and revise the policy.

19 And we want to get this out as soon as we can
20 because there's people obviously being affected by this.
21 So it's our intention to get it out as quickly as
22 possible.

23 ACTING CHAIRPERSON CAREY: From my point of
24 view, I think the starting point is the -- the
25 constraints of bond law. Obviously we have to meet

CalHFA Board of Directors Meeting – January 19, 2012

1 those --

2 MS. CAPPPIO: Be consistent.

3 ACTING CHAIRPERSON CAREY: -- those tests.

4 Beyond that, I think we ought to strive for the absolute
5 maximum flexibility that we can.

6 MS. CAPPPIO: We got it. Thank you.

7 ACTING CHAIRPERSON CAREY: Because every --
8 every policy affects people.

9 MR. SHINE: I take it that going to Treasury
10 for a little help is useless?

11 MS. CAPPPIO: You mean asking the IRS for like
12 a letter confirming that we're not able to --

13 MR. SHINE: -- had to say it.

14 MS. PETERS: We wouldn't do that as the first
15 five or six options.

16 ACTING CHAIRPERSON CAREY: And I would -- I
17 would echo the comments, in particularly appreciate
18 Ms. Wold and Ms. Jordan for personally bringing issues
19 up. I know it's not easy to come up here and present in
20 front of a group, so I appreciate that.

21 Okay. So --

22 MS. CAPPPIO: We got it.

23 ACTING CHAIRPERSON CAREY: You got it. All
24 right.

25 --o0o--

1 Item 8. Report of the Chairman of the Audit Committee

2 Item 9. Discussion, recommendation and possible action

3 to select an auditor to perform the yearly financial

4 audit of both the California Housing Finance Fund and

5 the California Housing Loan Insurance Fund

6 ACTING CHAIRPERSON CAREY: Moving on, we have
7 report of the chair of the Audit Committee, Mr. Smith.

8 MR. SMITH: Yes. I'd like to report back to
9 you that, as you know from the last meeting, we talked
10 about the RFP process, which we went through. We had a
11 number of questions that we reviewed in response to the
12 RFP. And through that process, we selected
13 ClifftonLarsonAllen as the new auditor, or recommend to
14 this Board that we take that action today, but the
15 committee is recommending that.

16 ClifftonLarsonAllen is the tenth largest firm
17 now. They have just recently had a merger. They scored
18 the highest in terms of the RFP, and they also came in
19 with the lowest price proposal. We think that the way
20 that they have proposed their arrangement to work with
21 us will be one where we would get a lot of hands-on
22 higher level of folks working with us and do it at a
23 price that's less.

24 Also, you should know that they currently
25 represent four housing agencies, some of which are very

CalHFA Board of Directors Meeting – January 19, 2012

1 similarly situated to ours in terms of issues that they
2 face, so we think that they, while they're not in the --
3 one of the top four in terms of the Big Four, they are
4 very qualified, and we think they'll do a good job for
5 us.

6 I do want to say that, you know, Deloitte has
7 been with us for 12 years, and I think the staff and
8 certainly the Board would say it's been great working
9 with them, and we want to thank them for all the work
10 that they have done. But as we talked at our last
11 meeting, we needed to open up the process, and we went
12 through the process, and CliftonLarsonAllen is the one
13 that came out on top in terms of the RFP and in terms of
14 the price proposal.

15 So with that, I would leave it with the Board
16 to make a decision on approving our recommendation or
17 asking any questions.

18 MR. SHINE: So moved.

19 ACTING CHAIRPERSON CAREY: Let me -- let me
20 ask for public comment before we proceed.

21 Is there anyone in the public who'd like to
22 comment on the item related to Resolution 12-04?

23 Seeing, none --

24 MR. SHINE: Moved.

25 ACTING CHAIRPERSON CAREY: Jack moved approval

CalHFA Board of Directors Meeting – January 19, 2012

1 of the resolution.

2 MR. HUNTER: Second.

3 ACTING CHAIRPERSON CAREY: Mr. Hunter seconds.

4 I was saying earlier this is the most exciting
5 agenda item I've ever seen because to open it up and
6 find some blanks left me with suspense.

7 (Laughter.)

8 ACTING CHAIRPERSON CAREY: With that, roll
9 call.

10 MS. OJIMA: Thank you.

11 Ms. Creswell.

12 MS. CRESWELL: Yes.

13 MS. OJIMA: Mr. Hunter.

14 MR. HUNTER: Yes.

15 MS. OJIMA: Ms. Carroll.

16 MS. CARROLL: Yes.

17 MS. OJIMA: Mr. Shine.

18 MR. SHINE: Yes.

19 MS. OJIMA: Mr. Smith.

20 MR. SMITH: Yes.

21 MS. OJIMA: Ms. Peters.

22 MS. PETERS: Yes.

23 MS. OJIMA: Mr. Carey.

24 ACTING CHAIRPERSON CAREY: Yes.

25 MS. OJIMA: Resolution 12-04 has been

1 approved.

2 ACTING CHAIRPERSON CAREY: Thank you very
3 much.

4 --oOo--

5 **Item 10. Update on the status of proposed new energy**
6 **efficiency lending program**

7 ACTING CHAIRPERSON CAREY: Next up, item 10,
8 update on status of new energy efficiency lending
9 program. Mr. Spears.

10 MR. SPEARS: Mr. Chairman, given the hour, I
11 will make this very brief.

12 Just to let the Board know that we're still
13 exploring the Agency's participation in an energy
14 efficiency financing proposal. I know the California
15 Public Utilities Commission is very, very involved in
16 this with the investor-owned utilities. They issued a
17 ruling last week that is specifically targeted at
18 getting ideas to the CPC on energy efficiency financing.
19 It's been identified as a very high state objective.

20 And they particularly mentioned that low- and
21 moderate-income homes have not been adequately served
22 and multifamily homes have been particularly served, so
23 they're very interested in ideas with regard to -- to
24 those two areas. And I think that's our sweet spot, so
25 we may be able to participate, at the very least a pilot

1 program for their own borrowers on the single-family and
2 multifamily side.

3 I think, frankly, given everything else that's
4 going on, I think we're going to have to choose.
5 Because I think if we try to do something in both single
6 family and the multifamily area on a statewide basis,
7 it's a lot. So what seems most likely now is to work
8 with our multifamily borrowers and try something in that
9 area.

10 And the only problem there is -- here's a new
11 buzzword for you -- split incentive. In the multifamily
12 area, you have the owners of the building owning the
13 energy equipment, and they're the ones who make the
14 investment, but the tenants, who receive the benefits of
15 the reduced, you know, energy consumption and reduced
16 bills. So some participation by tenants is being looked
17 at through their utility bill, something along those
18 lines. So there are a few obstacles left to
19 investigate, but there may be something there for us to
20 help out with.

21 So I'd be happy to answer any questions along
22 those lines.

23 MR. HUNTER: I noticed that issue about the
24 tenants, you know, the individual metering in the report
25 from last month. And the -- you know, there are a lot

1 of the -- particularly the high-name projects,
2 supportive housing projects, that are overstocked that
3 don't have individual metering. And so the -- the costs
4 of the utilities really is bound to the operating costs
5 of the owner/operator of the building, so since
6 they're -- they're a really high priority need because
7 they're trying to preserve these very narrow operating
8 margins because of the extremely low rents, it seems to
9 me. Again, I'd have to say we could look at that.

10 MR. SPEARS: That might be some of the lower
11 hanging fruit. We could, you know, try that first
12 because you wouldn't have to worry about this objective.
13 And there may be -- there's the PACE approach, the
14 property accessed clean energy, that on the
15 single-family side it's been made more troublesome
16 because of a decision that was made by FHFA, that Fannie
17 and Freddie loans cannot be purchased with those.
18 That's kind of put the brakes on that. But what they're
19 looking into is perhaps you could do that on the -- on
20 the commercial side where you could place that payment
21 on the property tax bill of that supported housing
22 owner. Unfortunately, if it's a nonprofit and they're
23 not paying property taxes, that creates a problem.

24 So ongoing repayment is something that they're
25 looking at seriously through this ruling process.

CalHFA Board of Directors Meeting – January 19, 2012

1 They've asked for comments by the end of the month.
2 There's a workshop that's planned in February and more
3 after that. So it's real focused.

4 The only problem is that if we could get
5 something done through the PUC, we still have the rest
6 of the state with municipal -- you know, like SMUD, East
7 Bay MUD, L.A. Department of Water and Power. That would
8 have to be -- you'd have to approach those individually
9 to bring those -- the people in those service areas into
10 the -- into the fold.

11 That's it.

12 ACTING CHAIRPERSON CAREY: Good to hear it's
13 still real.

14 --oOo--

15 **Item 11. Reports**

16 ACTING CHAIRPERSON CAREY: Anything specific
17 in the reports that Board members have questions about?

18 I did notice that the sales are up and the REO
19 inventory is down, which is great.

20 --oOo--

21 **Item 12. Discussion of other Board matters**

22 ACTING CHAIRPERSON CAREY: With that, any
23 other Board items?

24 --oOo--

25 **Item 13. Public testimony**

CalHFA Board of Directors Meeting – January 19, 2012

1 ACTING CHAIRPERSON CAREY: This is an
2 opportunity for the public to address the Board on any
3 remaining non-agenda items. If there's anyone who
4 wishes to address the Board, please indicate.

5 There's someone in the back. I see a hand.

6 MR. SCHWALB: Hello. My name is Charlie
7 Schwalb, and I'm not exactly prepared to be here today
8 because I got an e-mail from NACA last night, and so
9 they told me about this meeting today.

10 We bought our house in December of 2003, and
11 the -- it was a fixed rate of 5.25 from Washington
12 Mutual. And CalHFA purchased that loan shortly
13 thereafter. And, you know, there was nothing to ever
14 say that CalHFA would purchase the loan.

15 Subsequently, I worked for a wholesale heating
16 and air conditioner distributor for 18 years, a branch
17 manager. And we -- because of construction being way
18 down, we had a lot of cut-backs, 7-percent pay decrease.
19 The final straw was three days of work furlough per
20 month, which affected my income drastically.

21 So I did find a new job that paid about
22 \$65,000 a year. Our mortgage is \$2800 a year -- a
23 month. And so my wife proceeded to, you know, try to
24 get a restructure from CalHFA.

25 CalHFA kept coming back to us saying that

1 basically we'd have no hardship because I found another
2 job, basically, that paid what I was making. Well, you
3 know, we submitted all the documents to them showing
4 them of where our monthly expenses were. Well, when you
5 take \$2800 out of 65,000 a year, it doesn't take much to
6 do the math to figure out that there was not enough
7 left, and basically credit card debts keep increasing.

8 So CalHFA was insisting that, you know, we had
9 no problem because my mortgage was kept current. My
10 mortgage is kept current because I keep running up the
11 credit cards. When I got the loan in 2003, I had no
12 debt, okay. None. It was paid off.

13 And so we recently -- well, I actually lost
14 the job in July of -- of 2011. And we were able to --
15 at that point, now CalHFA is willing to help out because
16 we actually have a real -- what they consider a real
17 hardship because I don't have a job anymore. So we were
18 able to actually get the mortgage assistance program,
19 which is great, and they're paying the mortgage for six
20 months. Great. Appreciate that. You know, I'm still
21 looking for work.

22 But as far as restructuring the loan, CalHFA
23 is insistent that we don't really have a problem, when
24 it doesn't take a rocket scientist to do the math and
25 figure it out.

CalHFA Board of Directors Meeting – January 19, 2012

1 So I mean, my wife wrote a letter to the
2 Governor, and then, you know -- then CalHFA pays a
3 little more attention because the Governor sent the
4 CalHFA a letter.

5 So, you know, I'm sure there's a lot of
6 homeowners in my same predicament, that just because
7 we're keeping the mortgage payment current and because
8 that's important to us, doesn't mean that we're not
9 struggling, and -- and so you need to look at the big
10 picture and look at -- I mean, your debt ratio should
11 not be over 35 percent, max, of your income that goes
12 toward housing.

13 So I mean -- and CalHFA is given money by the
14 federal government and the federal -- to help homeowners
15 like myself to, you know -- but yet CalHFA is also
16 telling us that because of their bonds, that they're not
17 able to basically restructure the loan because of bonds.
18 And I got a piece of paper that says that here.

19 And so, I mean, I don't under- -- I mean, I
20 didn't get my loan with CalHFA. CalHFA didn't tell me
21 that the bonds would not be, you know -- they couldn't
22 restructure. I'm not thinking at that point, anyways,
23 but now my loan is owned by CalHFA, but yet my hands
24 seem to be tied as to what -- what I can do, even though
25 the government has provided this money to help

CalHFA Board of Directors Meeting – January 19, 2012

1 homeowners.

2 So I guess I would like to get a little
3 feedback as to, you know, why, you know, CalHFA isn't,
4 you know -- isn't putting out the money that the -- and
5 why, if they can't -- if they can't, you know -- the
6 bonds are going to be a certain rate that's promised to
7 the bondholders, okay, well, why can't they subsidize
8 that in a different way?

9 ACTING CHAIRPERSON CAREY: Yeah, sure.

10 MS. CAPPIO: I don't know the exact
11 circumstances of your situation, but I would be glad to
12 talk with you after and set someone up with you and
13 review your circumstances and the facts and see what we
14 can do. I just want to make sure that we give that
15 extra effort to you in an effort to either come to a
16 different conclusion or tell you exactly why in another
17 way we're limited in -- in helping you out. I would be
18 glad to do that.

19 MR. SCHWALB: That'd be good, but I'd also
20 like to -- I mean, this just isn't about me. There's a
21 lot of homeowners out there. That's why NACA was here
22 today. There's a lot of homeowners out there, where we
23 went to NACA, NACA ends up submitting the information to
24 CalHFA, and CalHFA ends up, you know, letting us know
25 that they can't -- even though CalHFA was basically

CalHFA Board of Directors Meeting -- January 19, 2012

1 asking the same information, the information that was
2 submitted from NACA, they can't work with. You need to
3 resubmit the whole package again.

4 I mean, I'm not just here on behalf of myself,
5 on behalf of -- of other homeowners who are in this
6 circumstances.

7 MS. CAPPIO: I appreciate that.

8 ACTING CHAIRPERSON CAREY: And I think we did
9 hear quite a bit this morning from a number of folks
10 from NACA and their interest, the organization's
11 interest, in working more closely with CalHFA, and that
12 will be looked at.

13 MR. SCHWALB: All right. Thank you.

14 ACTING CHAIRPERSON CAREY: Thank you for
15 taking the time.

16 Is there anybody else who wishes to address
17 the Board?

18 --o0o--

19 **Item 14. Adjournment**

20 ACTING CHAIRPERSON CAREY: Seeing none, the
21 meeting is adjourned.

22 (The meeting concluded at 1:55 p.m.)

23 --o0o--

CalHFA Board of Directors Meeting – January 19, 2012

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 1st day of February 2012.

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

**THIS PAGE
INTENTIONALLY
LEFT BLANK**