STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

BOARD OF DIRECTORS

PUBLIC MEETING

Holiday Inn Capitol Plaza
300 J Street
Sacramento, California

Thursday, May 17, 2012
10:00 a.m.

Minutes approved by the Board of Directors at its meeting held:
September 20, 2012

Attest: [signature]

Reported by: DANIEL P. FELDHAUS, CSR #6949, RDR, CRR

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A P P E A R A N C E S

Board of Directors Present

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

MICHAEL A. GUNNING
Vice President
Personal Insurance Federation of California

PEDRO REYES
for Ana J. Matosantos, Director
Department of Finance
State of California

JAN LYNN OWEN
for BRIAN KELLY, Undersecretary
Business, Transportation & Housing Agency
State of California

JACK SHINE
Chairman
American Beauty Development Co.

RUBEN A. SMITH
(Chair of Advisory Committee)
Partner
Adorno Yoss Alvarado & Smith

LINN WARREN
Director
Department of Housing and Community Development
State of California

A P P E A R A N C E S

Participating CalHFA Staff

MARGARET ALVAREZ
Director of Asset Management

LORI HAMAHASHI
Deputy Comptroller
Fiscal Services

HOWARD IWATA
Director of Administration

VICTOR J. JAMES
Deputy General Counsel

LIANE MORGAN
Acting Chief Information Officer

JOJO OJIMA
Office of the General Counsel

DIANE RICHARDSON
Director of Legislation

L. STEVEN SPEARS
Chief Deputy Director

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Public Testimony

CAROLYN THOMAS
Director of Housing Programs
Greater Sacramento Urban League

WARREN QUANN
Neighborhood Assistance Corporation of America
NID-Housing Counseling Agency

MARTIN WHITE
Neighborhood Assistance Corporation of America

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BE IT REMEMBERED that on Thursday, May 17, 2012, commencing at the hour of 10:06 a.m., at Holiday Inn Capitol Plaza, 300 J Street, Sacramento, California, before me, DANIEL P. FELDHAUS, CSR #6949, RDR and CRR, the following proceedings were held:

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ACTING CHAIR CAREY: Welcome everybody to the May 17th meeting of the California Housing Finance Agency Board of Directors.

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Item 1. Roll Call

ACTING CHAIR CAREY: Our first item of business is roll call.

MS. OJIMA: Thank you.

Mr. Gunning?

MR. GUNNING: Here.

MS. OJIMA: Mr. Hunter?

(No response)

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

MS. CARROLL: Katie Carroll for State Treasurer Bill Lockyer.

MS. OJIMA: Thank you.

Mr. Shine?

MR. SHINE: Here.

MS. OJIMA: Mr. Smith?

MR. SMITH: Here.

MS. OJIMA: Ms. Owen for Mr. Kelly?

MS. OWEN: Here.

MS. OJIMA: Mr. Warren?

MR. WARREN: Here.

MS. OJIMA: Mr. Alex?

MR. ALEX: Here.

MS. OJIMA: Mr. Reyes for Ms. Matosantos?

MR. REYES: Pedro Reyes for Director Ana Matosantos, present.

MS. OJIMA: Thank you.

Ms. Cappio?

MS. CAPPIO: Here.

MS. OJIMA: Mr. Carey?

ACTING CHAIR CAREY: Here.

MS. OJIMA: We have a quorum.

ACTING CHAIR CAREY: Thank you.

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Item 2. Approval of the minutes of the March 14, 2012, Board of Directors Meeting

ACTING CHAIR CAREY: The second order of business is approval of the minutes of the meeting of March 14th.

MR. SHINE: Move to approve.

MS. OWEN: Second.

ACTING CHAIR CAREY: A motion and a second. Roll call, please.

MS. OJIMA: Thank you.

Mr. Gunning?

MR. GUNNING: Aye.

MS. OJIMA: Ms. Carroll?

MS. CARROLL: Yes.

MS. OJIMA: Mr. Shine?

MR. SHINE: Yes.

MS. OJIMA: Mr. Smith?

MR. SMITH: Aye.

MS. OJIMA: Ms. Owen?

MS. OWEN: Yes.

MS. OJIMA: Mr. Warren?

MR. WARREN: Yes.

MS. OJIMA: Mr. Carey?

ACTING CHAIR CAREY: Yes.

MS. OJIMA: The minutes have been approved.

ACTING CHAIR CAREY: Thank you.

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Item 3. Chairman/Executive Director Comments

ACTING CHAIR CAREY: Next, Chair and Executive Director comments.

I'd like to simply note for the record that we have restructured the Audit Committee. And the current members of the Audit Committee will be: Mr. Smith as Chair; and Ms. Owen, Mr. Gunning, and Mr. Warren as members of the committee. It's a great group.

Okay, Ms. Cappio?

MS. CAPPIO: Great. Good morning.

I just wanted to relate to you that the single-family reorganization continues to go well, so that we can respond to mortgage modification with a stronger focus on servicing.

The New Issue Bond Program preservation program for multiple family was launched earlier this month. So we're right on schedule with that. And we're very excited to be lending.

The Governor's budget revised last -- actually, it was only Monday -- contains news that we obviously need to respond to, and need to be kept aware of.

The redevelopment low-mod income funds, much to no one's surprise, are proposed to be swept. And the Attorney General discretionary settlement money is also proposed to be committed to related housing purposes, but my guess is not how the Attorney General thought they were going to be spent.

We continue to closely follow a number of bills in the Legislature, and closely follow the A.G's mortgage relief bills because they could conceivably affect us.

And the cost study that I might have mentioned in an ongoing way, has been launched as well. We have chosen a consultant, and are off and running to look at the cost components of affordable housing, and how we may affect them in the future.

And that ends my comments.

ACTING CHAIR CAREY: Ms. Cappio, what's the time-line for that cost study?

MS. CAPPIO: We are going to get started right away. And we are working with an advisory committee of the stakeholders.

We will likely have preliminary data by sometime this fall, October or November. And we will see the final set of data analysis and recommendations early in 2013.

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Item 5. *Keep Your Home California* Update
(Public Testimony)

ACTING CHAIR CAREY: Okay. Okay, with that, we'll move on to Item 5 on the agenda, which is the *Keep Your Home California* update.

We have three speakers from the public who have requested time to speak on this. And I know they have schedules for themselves. So we're going to ask them if they would lead off and take just a few minutes to make their comments, and that will let them keep their own schedules.

And so first up, Mr. White?

MR. WHITE: Yes.

ACTING CHAIR CAREY: Great.

MR. WHITE: We are all together on this.

ACTING CHAIR CAREY: Great. So we have Martin White, David DeLuz, and Warren Quann, I believe.

MR. WHITE: David has gotten prettier looking.

ACTING CHAIR CAREY: And I know we don't need to say this because we've been through this before, but to the extent you can be concise and to the point, that would be great, because we all have schedules at one o'clock, including flights to catch, so…

MR. WHITE: Yes, we'd only ask for about 15 minutes or less.

ACTING CHAIR CAREY: Okay.

MR. WHITE: I want to thank you guys for admitting NACA to your process. We came before you before, to tell you that we were going to make some major influence on helping you get out the money. And we're still committed to that.

We also want to -- I want to read something to you. And this comes from Attachment 1 of your agenda, Item 6 is, "Continue to aggressively market programs to eligible homeowners, community groups, media, and media to expand awareness. Continue to aggressively pursue on-board additional services."

We are excited about that. We think that CalHFA is moving in the right direction in terms of looking at the continual expansion of what they need to make sure that every household that has been mistreated in this housing fiasco is taken care of.

We come just to simply ask a simple request of you. We know that there is still innovation funds available for making the program more viable and reaching out more. NACA is going to be using much of its resources, but it -- and NACA has agreed to work with the Urban League -- it's been working with the Urban League, and to work with NID, in consolidating our efforts on a statewide basis.

So what my comment is -- only one little comment -- is that we would request that the Board or the staff, invite us to submit a proposal of how we would improve the process.

And I know that there is not going to be an RFP on any of those funds going forward. However, we would like to have an invitation to do an unsolicited proposal to you as a consortium of three organizations.

Thank you.

MS. THOMAS: And I would agree with that.

I just want to make you aware, and also to thank NACA in a public forum for allowing the Urban League to participate in their Keep Your Home -- or, sorry, Dream Home Save --

MR. WHITE: Home Save, right.

MS. THOMAS: -- tools.

We were able to participate in three of them in the state of California.

And within that format, they were able to segregate a section that, you know, specifically identified our agency. And we were also given the opportunity to do our own orientation.

And it worked out very, very well. We were able to see in excess of 500 people aggregately from those sessions, and were able to get some on-the-spot loan modifications right there.

We also, because we are already a participant in the *Keep Your Home California* program, we are able to assess people on the spot if they were eligible or not.

So we fully support the request that they're making here. We think that it's a good one. And we feel like, as a consortium, that we work well together.

ACTING CHAIR CAREY: Could I ask your name for the record? I don't think I have a speaker slip for you.

MS. THOMAS: Sure. My name is Carolyn Thomas, and I'm the director of housing counseling programs for the Greater Sacramento Urban League.

ACTING CHAIR CAREY: Thank you.

MS. THOMAS: You're welcome.

MR. QUANN: Good morning. My name is Warren Quann, and I'm with NID Housing Counseling Agency. And we are excited about being a new entrant into this program.

We have been in business 27 years as a housing counseling agency, and is one of 23 national intermediaries with 54 offices around the country, nine in this state. We're based here in California, in Oakland, California, and this loss-mitigation foreclosure crisis with -- I don't know if you know the term, NFMC, which is a program that the agency participates in. In the four years, we serve about 10,000 people annually in the hardest hit areas, in underserved areas.

And so we've been working with NACA. And I have to tell you -- and I know that you know that in this particular program, that it's been very difficult to get agreements with servicers. And I must tell you that out of the 23 housing agencies, we have relationships with services; but NACA really does have special sauce, in the sense that they have servicer agreements.

And I think if the possibility of looking at -- and we've been spending our own resources looking at an innovative proposal that can leverage some of the existing relationships that we have as national intermediaries, and particularly NACA, that we would be able to move forward particularly with some of the bigger servicers, which have been difficult for you and even us. But because of NACA agreements, I think that we can get the bigger servicers that serve California, that being Chase Bank, Wells Fargo, and Bank of America which commits over a hundred staff people to each of the Home Save events that NACA did when they were here in California.

And so I think that if that is a possibility, that we would participate in that process.

And we're just here because we know you have an RFP process and a public process to accept these proposals; and that none are going to be considered in the future. But I think that would help in our efforts as we come in and the people that we serve in this program and the relationships we have. That if it was a possibility to submit such a proposal, I think it would help in general.

So thank you.

MR. WHITE: Just finally, we're really thinking about the need -- the need to service the underwater houses.

I know that *Keep Your Home California* -- I've got so many acronyms -- has moved from a participation for the banks, to funding most of the hundred thousand dollars themselves.

However, our contract with the bank says that whatever state we're working in, whatever state program is in existence, the bank must work with that program. So where it's more difficult for you to maybe create these relationships, NACA, three years ago, created those relationships and tied those banks into those relationships. And we anticipate that we'll be able to get the banks still to participate and bring money to the table.

And that's really where our proposal is going to be structured towards. Those houses that are underwater, those houses that are -- so that we don't need to spend all of our money. The bank has to have some piece of the action here. We're not an advocate of the banks. That's easy to say. So the banks understand that we will take them to task if they try to run away from their responsibilities. And we won't allow them to do that.

And that's really all I had to say.

ACTING CHAIR CAREY: Thank you.

Any questions or comments, recognizing that the Board can't act on anything on the agenda --

MR. WHITE: Yes.

ACTING CHAIR CAREY: -- and questions? Comments?

MR. GUNNING: Mr. Chair?

ACTING CHAIR CAREY: Yes.

MR. GUNNING: I understand that they have been accepted in the *Keep Your Home* program?

MS. CAPPIO: Yes, in the housing counseling.

MR. GUNNING: Not in this capacity, but in a separate capacity than they're explaining today?

MS. CAPPIO: Di, you might want to respond to that.

I think it's probably a hybrid.

MS. RICHARDSON: Sure. They have been accepted to be one of our participating housing counselors.

I did meet with the Urban League yesterday. We talked about some of the loans that they are talking about modifying. And, quite frankly, what I asked them to do was to take a look to see how those loans would be modified within the existing structure that we have out there, so that we can actually see what's working and what isn't.

As far as their ability to have the banks put in additional money, you know, I'm all for that, and there is nothing to prohibit that now.

I'll talk a little bit more about some of the changes that we've made to the program, but there is nothing to prohibit a bank from also making a contribution.

And, in fact, I could tell you, based on our analysis of the loans that we -- the principal reductions that we've done with Bank of America, which required the one-on-one match, most of those loans they did well beyond dollar-for-dollar.

So, you know, if the bank is willing to put in more to make the deal work, that makes me all that much happier.

MR. GUNNING: And I guess that's really the basis of my question, if you're accepted in the counseling program, can't you still use the skills and relationships you have to make the program and your efforts work already?

MR. WHITE: Yes. But let me just say that we're talking about micro to macro, okay.

We did five programs in January and February in California. Okay, that's NACA. And in those five programs, we had maybe 150,000 people, okay.

We're not scheduled to be back to California. We're in Atlanta, Georgia, today. We'll be in Florida. We'll be in Ohio. So we're not scheduled to be back in California to do this for maybe another 15 or 16 months, okay.

So we can do it from the local offices and from our -- but what we need, is a major presence inside of California to be able to carry out, so that we can see 20,000 people a day or 30,000 people a day. And that is what we're really saying.

So we would like to expand this, and our proposal would be to expand this so that we could make a major impact; so that we could go into Fresno and make an impact, so that we could come into Sacramento and make an impact, go into Bakersfield and make an impact, go into San Diego County -- San Diego and make an impact.

Right now, we can make that impact, but we can only make it from a local level, okay, which is LA and San Francisco.

And so what we think is, that's pretty small to meet the goals that we have, okay. Even though we got another extension, we want to meet the goals in a much bigger way. And we think that working with NID, working with the Urban League, that we could approach that and accelerate the scope.

MS. RICHARDSON: I would just like to say that we do reach out to our counseling partners whenever there are events happening throughout the state, and ask them to participate on behalf of *Keep Your Home California*.

Our goal is to have those counselors actually represent us at these events. And we're seeing an increasing amount of success in doing that.

And we're really excited about NACA coming on board and NID. NID also has a great reputation.

Carolyn can tell you, they've participated in events for us.

You know, NACA did apply for the innovation fund when we put that RFP out. What they asked for at that time, was funds to fund their Save the Dream program. And it wasn't accepted because it was something that they were already doing across the country and not particularly viewed as innovative.

That doesn't mean we don't think they're fabulous events and really helpful to homeowners, but that wasn't what the innovation fund was particularly created for.

MR. QUANN: And I'd like to say briefly, the answer to Mr. Gunning's question, from my vantage point, is no, because the counselor plays a narrow role in this program. We basically identify customers who potentially are eligible for the four programs that exist, and turn that over to a clearinghouse that deals with that client further.

And so our role, as it stands now as a housing counseling agency, is very narrow. And we don't have any interaction with the servicer on behalf of that client, and we don't see the client again.

But normally, when we work with clients, we see them soup-to-nuts, and work with the servicer. And so our role in being admitted into the program is very narrow.

And so, you know, it's been a passage of time since you put out the innovation program, because when you applied for the money, you made the assumption that you would have these fabulous relationships with servicers; and that turned out not to be the case. And so we're at a different day today. And so what we would propose would be innovative, not based on what was proposed ten, 12 months ago.

ACTING CHAIR CAREY: Other questions or comments?

Ms. Cappio, do you want to --

MS. CAPPIO: Yes, I just want to welcome you again. And it's a good place to be with you as we continue to help as many homeowners as we can; and that

I would be glad to meet with you further about your ideas.

It's much different than what was explained yesterday. So I'm thinking this is an evolutionary kind of discussion, and we can continue the discussion. And I look forward to it.

Thank you very much.

MR. WHITE: Thank you very much.

MS. THOMAS: Thank you so much.

MR. QUANN: Thank you.

ACTING CHAIR CAREY: And that was exactly 15 minutes. Thank you. I appreciate it.

MR. WHITE: All right. That's our efficiency.

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Item 4. Report of the Chair of the Audit Committee

ACTING CHAIR CAREY: I jumped the agenda a little bit here. We're going to circle back before we move on to KYHC, if that's okay, to the report from the Audit Committee.

And Mr. Smith, as chair.

MR. SMITH: Thank you, Chairman.

First of all, I'd like to just welcome Michael Stephens at CliftonLarsonAllen.

As you all know, we had an RFP that went out to select a new auditing team, and they're the team that was selected. So they've provided us with an audit.

And I don't know if you're going to provide any presentation today or just that?

What's the will of the -- do you want us to summarize what happened in the Audit Committee?

MS. CAPPIO: Yes.

MR. SMITH: Okay, I think the important part would be, one, that the staff is doing a great job. There is really nothing of any significance that came out of the audit in terms of the way the staff handles these issues.

There is one matter that deals with just an acknowledgment, and I guess a recording of a $68.6 million deficiency from prior years that we all knew about, but for different accounting reasons, had not reported it. And so we decided this time around, it was important to report it. And that actually ends up giving us a positive financial statement.

So that was probably the main part of the results from the audit.

The other issue is, it's a going-concern opinion, and the concern is that, obviously, that we don't have enough money to pay for claims. But I think because it's something we've been talking about for quite a while, I think we all know that there is more than enough revenue to keep the fund going; it's just not going to have any revenue to pay for claims.

So I was going to ask Steve, if he is still around somewhere, to maybe just summarize what that means for us.

Is Steve around?

MS. CAPPIO: No.

MR. WARREN: He just stepped out for a few minutes.

MR. SMITH: Perfect timing.

ACTING CHAIR CAREY: Because I played a trick with him on the agenda.

MR. SMITH: Anyway, if somebody could go and get him while I continue with this.

But I think it's important -- and I wanted Steve to kind of give you a little bit of an overview, only because, you know, if you read the audit, you're left with the thought that this thing is going to come to an end because of the way that it's funded. But, actually, there is more than enough money from the premiums that are coming in. And it's one of these things, this is a picture in time, and we don't know what the future holds. If the market turns around, as good as we think it might be, you know, things might get a lot better. But I'll let Steve comment on that part.

But I think the most important part is for Steve to kind of put this into perspective from a historical standpoint, in terms of what this going-concern opinion means.

So, Steve, thanks for joining us.

MR. SPEARS: Yes.

ACTING CHAIR CAREY: Sorry about that, Steve.

MR. SPEARS: I apologize for stepping out.

MR. SMITH: No, no problem.

MR. SPEARS: The fund, as you know, is set up for a specific purpose. And when we talk about a "going concern," in accounting-speak, that means that it's not a going concern. So we're not talking about the Agency; we're talking about the fact that this fund cannot accomplish the purpose for which it was originally established, and that is to pay all claims, and theoretically, hopefully, come out with zero at the end of the game.

Losses to the M.I. fund and its operations are paid from premiums that come in, from policies.

We still have many policies in force that we are collecting from every month. But what this means -- and we've talked about this before -- is that by our calculations, using the estimates that have been provided by Milliman, our outside actuaries, losses that they project mathematically exceed the premiums that will come in and the cash that we have on hand, which is not much at this point.

So what happens in the accounting world is that once you say, "This is not a going concern, this fund is going to wind up short," then the intellectual mind says, "Well, by how much?"

So what has been gone back and adjusted is that amount of money that they think the actuaries -- is that amount of money that we will be short in this fund at the end game, whatever that is.

The difficulty is that that number last year is one number that they recalculate. This year, they have a different view, we had a different experience over the last year, the economy improves. If magically tomorrow the economy got fabulously better, and no one from here on out went delinquent on their loans, this number would drop to a very, very, very small number.

So what we have done, when we knew that there would not be enough money in the fund to pay all claims, then we shifted and said, "Well, claims from now on will be determined on a first-in, first-out basis. We'll get premiums coming in the door. We're allowed to pay our expenses. We have minimized the number of staff that are left. I think there are only two or three, at most --

two, at most. So we've minimized our expenses. And whatever is left over goes to pay claims.

And I think Lori said in the earlier testimony, that's about $300,000 a month, the net amount?

It's about $300,000 a month. As you can see, that's one or two claims.

So that will continue on until the last policy is expired or goes away and the last amount of premium has come in and the last possibility.

And then you'll wind up with an actual number that we were short. And so as you get closer and closer to that day, that number that's being proposed, that went from sixty-eight for the prior year, to forty-five for this year, will get more and more and more accurate.

And so that's about all I know about that. I think Forrest Gump said that in the movie.

MR. SMITH: Well, I appreciate it. I think that puts it in perspective, so that was very helpful. We thank you for your comments.

MR. SPEARS: Does anybody have any questions?

(No response)

MR. SPEARS: Okay, thanks.

MR. SMITH: Thanks.

That's the end of my report.

ACTING CHAIR CAREY: Thank you, Mr. Smith.

Any questions for the Committee?

(No response)

ACTING CHAIR CAREY: Thanks to the Committee for that.

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Item 5. *Keep Your Home California* Update

ACTING CHAIR CAREY: We will now move on with *Keep Your Home California*.

Ms. Richardson?

MS. RICHARDSON: Mr. Chair, Members, I have a very brief update in your packet. There's been lots and lots and lots of things going on with the program.

We did complete a mailer with EDD a couple of weeks ago, where they included one of our flyers that was sent out to over a million current recipients of unemployment benefits.

And I can tell you that our phones nearly exploded. We're still in the process of working through those.

We actually, in order to handle that increased call volume, switched our process out a little bit. Normally, when somebody calls, we offer them a counseling session right at that moment. We call it "Just-in-Time counseling." And as long as everybody that's on the note is available, they're eligible to be transferred to a counselor. But because of this increased volume, we switched to a scheduled counseling process which, thank God, I think that sort of saved us.

And we also worked with our counseling agency partners, and sent them a number of calls, so that they could handle the counseling for us.

So just a slight update to what's in your report: We currently have reserved over $481 million for over 21,000 borrowers. Over 16,000 of those are UMA borrowers. 979 of them for $46 million are PRPs. About 4,200 for $86 million are for the MRAP program. And I think I have about 91 TAP borrowers.

So we think that our numbers are going to increase substantially in the next couple months. We did have some changes that were -- we negotiated some changes to the program with Treasury.

We increased the dollar amount for our MRAP program, which is our mortgage reinstatement program, to $25,000 from $20,000. We did some analysis -- we're constantly looking to sort of find that sweet spot and figure out who is in and who is out and how many people we're leaving behind. And so we figured we could pick up another slice of the pie by increasing that number to twenty-five. That change went into effect last Monday.

We also made some very significant changes to our principal-reduction program. As you know, we currently require lenders to provide a dollar-for-dollar match. For every dollar we provide, they are required to provide a dollar. All of that goes to reduce the principal of the borrower.

We have seen a hesitancy from servicers to do that, partially because they can't do it for their entire portfolio; especially if it's an investor-owned loan, they don't have the ability to do that.

We also saw the federal government make some significant changes to the HAMP program recently, where they tripled the incentives that they're offering to servicers for doing principal reductions. And then the Attorney General's settlement came out, under which servicers will be required to reduce principal or suffer significant penalties.

So when the Attorney General's settlement -- after the Attorney General's settlement was announced, I had a conversation with several of the servicers. And they told me, quite frankly, that they were going to just sort of move our stuff to the back shelf because they needed to focus on complying with the Attorney General's settlement. And understandably, that's where their focus was.

So we took a look at it. And we knew that, you know, the loans that we were talking about having them modify, were the loans within their own portfolio, which is a very small slice of the pie, those are the same loans that are eligible for HAMP modifications, and those are the same loans that they're going to be modifying under the Attorney General's settlement.

So we knew that we needed to figure out a way to get into that bigger pool -- you know, those investor-owned loans, to try to come up with something that would work for those borrowers.

We know there are a significant number of distressed borrowers that have GSE loans or, you know, other investor-owned loans that have no options for modifications available to them.

So we wanted to try to level the playing field a little bit by eliminating objections from servicers. So we convinced Treasury to allow us to eliminate the match requirement. That's not to say that they can't put in a match; and in some cases, there still will be servicer money required in order to modify the loan to get it down to where we need to go. And I'll explain that in a moment.

So there is no servicer match requirement. And one of the things that, frankly, the GSEs told us was a big barrier for them was, their accounting system couldn't handle accepting the money over in three-year periods. So we're going to pay all the money up-front, and sort of eliminate that barrier.

We do think that these changes are consistent with the current guidance from Fannie and Freddie. And they have said as much in the media. And we're continuing to work with them. They just want to understand the process.

So, again, I think that this is going to sort of open that program up to a much broader range of borrowers.

So in exchange for our up to $100,000, we're requiring, at a minimum, that the bank modify the loan: either modify the rate and/or the term. So that's one of the things that we'll be leveraging.

And if we just put in money and they didn't make a modification, that doesn't really result in a payment change for the borrower; it's just a curtailment. So we actually want to see an adjustment to the loan, to the payment, and so that it's sustainable.

We're asking that they try to get it down as close to 31 percent DTI as possible. We're asking that they bring the LTV down to 120. For a hundred thousand dollars, we want to know that that's not a loan that's going to fail quickly.

So we are having a meeting with the Big 5 next week, to sort of go through our process flows.

We're planning to have our processes in place for this in January, and plan to see the number of servicers that participate will start to increase. You know, if a lender can take our money and go down to 31 percent DTI, we'll go down to as low as 105 LTV. That is consistent with the Attorney General's settlement.

Again, we were looking at all of the other things that were available out there, and trying to match them up as much as possible.

So I'll stop there and answer any questions.

ACTING CHAIR CAREY: Questions? Comments?

MR. WARREN: Just one, Mr. Chairman.

ACTING CHAIR CAREY: Yes.

MR. WARREN: Di, you mentioned that the payment now would be, I think you said, immediate or up-front.

Is there a timing issue here between the time modification is completed and the payment of the lump-sum principal curtailment, to make sure the modification is done? Is there some sort of validation?

MS. RICHARDSON: They have to complete -- if there's a trial payment, they have to complete the trial payment before we put the money in.

MR. WARREN: That was the question. Yes, okay, good.

MR. GUNNING: Mr. Chairman?

ACTING CHAIR CAREY: Yes.

MR. GUNNING: So right now, the numbers are $411 million committed, 19,000 borrowers.

With the changes, Di, do you expect to see dramatic increases in that? Or what do you think the pacing will be?

MS. RICHARDSON: Yes, I do. I think that with these changes, obviously, we will do -- the money that we currently have allocated for PRP, obviously, it will serve fewer because we're doubling the amount.

MR. GUNNING: Right.

MS. RICHARDSON: And I should say that the reason we really fought to get up to that hundred thousand dollars is, we always knew that you had to bring it down at least a hundred thousand to move the needle. And in California, under the HAMP, the average PRA right now is one hundred six.

So we knew that fifty just wasn't going to do it. So we'll serve fewer borrowers. We're thinking we're going to serve about 9,000 people under the PRP program. But, you know, if that money flies out the door and Treasury has been very good to us, going back and sort of reallocating funds among various programs where they're needed.

There's a little bit of money for the unemployment program that cannot be moved; but otherwise, we'll rejigger it. And our goal is simply to help as many people as we can, as quickly as we can.

ACTING CHAIR CAREY: Other questions? Comments?

(No response)

ACTING CHAIR CAREY: That sounds good. Progress.

MS. RICHARDSON: Thanks.

ACTING CHAIR CAREY: Thank you, Di.

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Item 6. Discussion regarding IT solutions for Board materials and video-conference settings for Board meetings

ACTING CHAIR CAREY: Moving on, I.T. solutions for Board materials.

Liane?

MS. MORGAN: Good morning.

Did you want to take it?

MS. CAPPIO: Go for it.

MS. MORGAN: So this is kind of more the fun part.

I'm Liane Morgan. I'm the acting CIO. This is kind of more the fun part of the Board meetings.

I.T. is exploring a couple different ways to use I.T. technology to make Board meetings more efficient.

And the first one we're looking at is actually, instead of copying and mailing out paper packets of the Board meetings, or of the packages, is to actually encourage everyone to accept them by e-mail, or downloading from the Web site. And we are suggesting something similar to an iPad or tablet.

And so we're suggesting that perhaps if you are amenable to this, that we could provide the Board members, during their tenure, with an iPad. And then we would just either e-mail them or you could download from the Web site and have the Board package available to you in a nice, easy-to-read fashion. It's very portable.

MR. GUNNING: Aye.

MS. MORGAN: If you already have an iPad --

ACTING CHAIR CAREY: Michael just wants an iPad, I'm sorry.

That was very transparent, Michael.

MS. MORGAN: If you already have one, we could actually work with you, and show you. There's no additional security. These are public documents. And so if you have your own device already, we could work with you to show you how you can do this already.

And so it is -- you'd receive the PDF. You can open it in iBooks. You can bookmark pages. You can go into your notes portion and do notes.

MR. WARREN: We have a demonstration.

MS. MORGAN: Okay, there you go.

MR. REYES: Highlight it.

MS. MORGAN: So it's pretty handy.

We were just kind of trying to gauge interest in whether you would be amenable to this.

MS. OWEN: Absolutely.

ACTING CHAIR CAREY: I spoke with someone from another organization this morning who has just done that, they've just made that move, their board. And I haven't talked to any board members yet, but from the staff's point of view, the savings, they figured they recovered half the cost of the iPads with one meeting.

MS. CAPPIO: Yes, and the mailing.

ACTING CHAIR CAREY: In one meeting, yes.

Ken?

MR. ALEX: So Pedro and I, on the State Mandates Commission, they've instituted this process. And it's worked very well.

MS. CAPPIO: Great. All right.

MR. REYES: We've also done it at CalSTRS. I have 1,400 pages of CalSTRS information here. There's about 800 --

MS. CAPPIO: How big is the font?

MR. REYES: -- 800 pages of Commission on State Mandates. The State Allocation Board is here.

And, in fact, this meeting is here right now because I just went to the Web site.

There's only two issues that I just want to caution: One, is the closed-session stuff. We would have to get a separate e-mail on that.

MS. CAPPIO: That will be by paper.

MR. REYES: Yes, so you do know that.

The second issue is that there's this iPad is mine, and I have cellular data on it. So I pay a fee of, like, 25 bucks or 30 bucks for two gigabytes. You can get one gigabyte, or you can get it without cellular data, which is the one my wife has. No comments on that.

MS. OWEN: Oh, darn.

MR. REYES: And the Administration has gone to lengths to drop cell phones and BlackBerries that are not necessary. So a caution about providing with cellular.

We would be -- I don't have a vote, so I'm just cautioning.

And frankly, I'm getting WiFi right now through the Holiday Inn, and you can get WiFi at the Capitol, you can get WiFi at other places.

But one of the reasons why I have this with my own cellular, is that I do travel a lot, and some of the hotels do charge a lot. They charge 10 bucks, 15 bucks, up to 25 bucks in one place, one resort. So you need to balance that out if people have WiFi at home or in the office, then it's very easy to do.

And then my recommendation, even though for some folks it would be a step backwards, is not to provide the cellular service, just because that's the way the Administration has been, and not provide additional phone lines. But how you recommend it.

My predecessor used to come in on the weekend to read, so they don't have to carry binders, and I'd carry all my binders *(holding iPad up)*. So, it's very easy.

And then one thing I would suggest that the Board -- if CalHFA does pay for it, is a GoodReader. It is one of the applications that makes life very easy. You can highlight. You can do notes on the side, which is what this green is. It allows you to read a PDF and do edits on the side. So I highly recommend it. It's like $1.99 or something.

MS. MORGAN: It's $3.99.

MR. REYES: Okay, I got it when it was free

MS. OWEN: Wait a minute. For GoodReader.

MR. REYES: For the GoodReader.

MS. OWEN: And it's fabulous. I use it all the time.

MR. REYES: Yes, I got it when it was still free, and my wife picked it up for 99¢. And I don't know what it is now.

MS. OWEN: For the record, I'm the one with cellular and my husband's isn't.

I just want to be fair.

MR. REYES: That's fair, that's fair.

She does have the iPhone, though.

MS. OWEN: Yes.

MS. MORGAN: And if you do have an iPhone, you can also pay, I think, $10 a month more for a hot spot, and you can use your iPhone then as a WiFi.

MS. OWEN: Correct.

MS. CAPPIO: Okay, thanks.

ACTING CHAIR CAREY: Any resistance?

MS. CAPPIO: And it's by choice, so you can still receive the paper packet.

MR. SMITH: Let's do it.

MS. CAPPIO: Okay, we will proceed.

MS. MORGAN: And the other idea I think we're throwing around is remote Board meetings. And essentially, understanding that people are coming up from Southern California, up to Northern California, and those in Northern California do travel down to Southern California. There's three board meetings in each area, each year. And we were tossing around the idea of perhaps doing it where we would hold our Board meeting in Sacramento at a location that actually has video-conferencing. And for those then in Southern California that couldn't or didn't have the time to travel, could go to a central location, like our Culver City office, and it would still be open to the public in a regular meeting spot. But they would go there, and could video-conference into our Northern California board meeting.

MS. OWEN: Have we cost that out yet? I'll just tell you from my perspective, I'm trying to do the same thing in my department, and I'm having a difficult time getting a good cost, other than, then once I get it, then also allowing it for other people to be able to use it -- rent it out.

MS. MORGAN: Right. So we did, we did some studies. And to actually purchase mobile, you know, video equipment was overwhelming.

MS. OWEN: Right.

MS. MORGAN: So that's why we were going to perhaps have a meeting here at a location that already is equipped with video-conferencing. And since we have video-conferencing in our offices, in both 500 Capitol and Culver City, if you could find someone compatible, then it would be much more cost-effective.

MS. OWEN: Because you already have video-conferencing?

MS. MORGAN: Correct.

MS. OWEN: Okay.

MS. MORGAN: But really, before we actually get into that, we were just wondering if there was any interest in that or whether you like getting away for the day or for the night and traveling.

MR. REYES: Mr. Chair?

ACTING CHAIR CAREY: Yes.

MR. REYES: Again, back to the travel issue. I know that Mr. Alex and I have not participated in many of the Burbank because of the travel constraints. And since we don't vote, it's sort of hard to justify to the taxpayer to incur an expense to go and, in Mr. Alex's case, to look pretty, and for me, to just ask questions.

And so I think that, at a minimum, I would like the Board to consider, perhaps, if not video, telephone call-ins. I do participate in several call-ins with the conservancy -- the Tahoe Conservancy, the San Diego River

Conservancy, Baldwin Hills Conservancy, Coachella, and so on and so forth. So there are a lot of conservancies in which I do participate via phone. And it's the same issue: You just getting a public setup and do the roll call, and the same issues that you raised here. It's not video-conferencing, so you do miss that body language that you get to have when you're sitting here, and people can go, "Yes," and people know what you're talking about. But perhaps it would be a cheaper way of going.

And finally, I'd like to point out that the auditorium at CalSTRS does have video-conferencing. And I've participated in video-conferencing with professors on the East Coast.

MS. MORGAN: Yes, we are aware of that.

ACTING CHAIR CAREY: Any comments or thoughts?

(No response)

ACTING CHAIR CAREY: My one concern is, from the public point of view -- we don't have a lot of public, but I think it is important that there is a feel of connectedness. I think from the conference-phone point of view, that would be difficult. But I think it is important for the public who do or want to attend. In some ways, it would make it easier because the public could attend at either location for any meeting we had. But I just think it's important that we be as transparent and open as we possibly can be.

MR. WARREN: Mr. Chairman, I think in my time with the Agency, there were a number of occasions in which we did teleconferencing, most notably after 9/11.

But I think the public was a problem. I think, we had a Los Angeles event. The Board meeting in Sacramento, the public wanted to come. And quite honestly, the interaction with staff just in Los Angeles, with the public coming in, it was not as well-organized as one would think.

But that said, I agree with Mr. Reyes. I think we should look at cost savings where we can, when it's an inconvenience for some to attend. But I support it. I think the video-conferencing would be a good idea.

But, you know, I do enjoy meeting with the Board and I do enjoy seeing staff. So I acknowledge there may be somewhat of an incremental loss because of that. But let's balance that and see if that makes sense.

ACTING CHAIR CAREY: As someone who travels to every meeting -- could I ask a slightly related question?

Is there a chance that the minutes could be available sooner?

MS. CAPPIO: I believe so.

ACTING CHAIR CAREY: The only reason that I mention that is, I've heard a couple of comments from folks who --

MS. OJIMA: Cost.

ACTING CHAIR CAREY: -- had read the minutes -- well, before the next meeting.

I don't know how soon they're up on the Web site. But for a Board member who doesn't attend the meeting, getting the minutes sooner allows them to catch up on what took place at that Board meeting.

MR. GUNNING: Maybe they could be delivered with the iPad.

MS. CAPPIO: Yes, JoJo, how long is it between the time of the meeting and when they're ready?

MS. OJIMA: 21 days.

MS. CAPPIO: So we could?

ACTING CHAIR CAREY: Yes. I just think it would be helpful for those who missed a meeting.

MR. SHINE: Why does it take 21 days to type this up?

MS. OJIMA: Well, we could have it within seven days for a fee.

MR. WARREN: A higher fee.

MS. CAPPIO: But we certainly could have it to you earlier than the Board packet.

ACTING CHAIR CAREY: Yes, that's my point.

MR. REYES: I think that would be helpful.

MR. SHINE: Linn and I fought over this many years ago.

MR. WARREN: Yes, we did. I believe I lost, Mr. Shine.

MR. SHINE: And got -- I believe we got it a week out.

MR. WARREN: We did.

MR. SHINE: But I want to tell you, there is nothing as satisfying as having the time that you need to read the transcript and digest it, maybe make a few calls up here and talk to a few people, if you feel it's important.

And to have it come out two, three, four days before the meeting, from my point of view, it's not as good as having it with more time to really digest it.

These minutes -- if you read these, and you read them a couple times, there's a lot of stuff in here. And I don't know about you all, but sometimes all these points aren't made in my head that I can remember what was said and what wasn't said.

So anything you can do to speed it up would be great from my point of view.

MS. CAPPIO: We'll do. I think it's a great suggestion.

And if there is no other concern about the video, I think we'll go ahead and at least do a pilot, and see how it works, and get feedback after that meeting. So we'll work on that.

MR. REYES: And look at the cost, too.

MS. CAPPIO: Exactly, exactly.

MR. REYES: My understanding of the video-conferencing, it can get pretty pricey, pretty quickly.

MS. CAPPIO: Yes, I guess we're thinking there is something between the free stuff and the expensive stuff. But I'm on a few board of directors, and we do do that.

MR. REYES: Great. Thank you.

ACTING CHAIR CAREY: Good. Thank you very much.

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Item 7. Discussion, recommendation, and possible action regarding the adoption of a resolution approving the Agency's Strategic Business Plan for Fiscal Year 2012/2013 (Resolution 12-07)

ACTING CHAIR CAREY: Next up, discussion and recommendation of possible action for adoption of the Agency's strategic plan business plan for 2012-2013.

Ms. Cappio?

MS. CAPPIO: Thank you. I'm in my role as

Executive Director.

Before you, is the Agency's draft strategic business plan for the next year. I think this represents a little departure in format after the senior staff work with Notre Dame College of Business earlier this year.

We felt it very important to identify key strategies, specific action items, due dates by which those items would be accomplished, and then obviously, who is tagged with that leadership responsibility.

We have kept the key strategies down to a very key number because of -- I think we're rolling out of the survival mode in this organization and on to, "Let's lend again, and let's get ourselves as well positioned as possible to lend again."

So without going into the plan, I want -- it's important for me -- the brevity is important for me because it's very portable, particularly on your new iPads.

You should hold these -- hold us to dates, and we will be updating this plan throughout the year, to make sure that if there are differences in the timing or accomplishment of the action items, that we can update it easily for you with your packets.

I will be glad to go into any questions and concerns you have; but I think I join the senior staff in being excited about the year ahead, barring any unforeseen circumstances -- sovereign debt or whatever. But we are rolling; and I think we have some good clarity about where we need to go.

ACTING CHAIR CAREY: Questions? Comments? Thoughts?

MR. WARREN: Mr. Chairman?

ACTING CHAIR CAREY: Yes, sir.

MR. WARREN: Claudia, there is a comment, I think it's in your policy recommendations as page 123. Number one, there's a -- in your policy priority, there appears to be a comment that we're relying more on fees from financings versus yield spread.

Obviously, the Agency has benefited very well from getting yield over the years.

Maybe comment on that just a little bit as far as an income model -- which is a departure from what's been done in the past on fees versus yield. Maybe a little bit as to why we think we're headed that way, or why that's important.

MS. CAPPIO: We're headed that way, just looking in our crystal balls, about the way that I think the bond markets and capital markets, in general, are working right now. There is a tremendous amount of volatility and uncertainty. And I'm just thinking, we have to look at different options in order to sustain ourselves.

We have the income from years past, but we're not nearly issuing the number of bonds that we once did. And we are slowly trying to figure out a consistent income stream that will work.

Does that --

MR. WARREN: It does.

I guess my concern would be, we're in an interest-rate environment in which I would consider a little bit abnormal. And I think things change in the history of the Agency, yields have gone up and down. So it is a sustainable source of income for the Agency; and I would be concerned that if the Agency wandered away from that, and not kept that in its back pocket as a way to make income and focused solely on fee income, I think, there is a different way to approach that, I would comment to Washington state, which has been doing that for quite some time, successful but not as wealthy as the agency was at one time.

Just more of -- I agree with the comment, the time is right for that; but just to be able to look at that in the future and not preclude it.

MS. CAPPIO: Well, the point is well-taken. And I guess I'm of the mind that the tax-exempt bonds, although we don't know what will happen in Washington with tax reform, but that remains a big tool that we're very good at. And I would hope that we could continue that.

It's just that that has shrunk in the last couple years, and we are constrained, obviously, by our current liquidity -- or lack thereof.

MR. WARREN: Lack thereof, yes.

ACTING CHAIR CAREY: Okay, on Item 3, on Attachment 1, it appears a commitment up to a million dollars for renovation of projects.

Could you explain that a little bit? Is that --

MS. CAPPIO: Yes. Maybe I can ask Margaret to come up.

ACTING CHAIR CAREY: Sure.

MS. CAPPIO: We were looking at that as a further source of revenue in order to accomplish renovation projects.

MS. ALVAREZ: The Section 8 projects, as you may recall, generate -- they're limited on their distribution what the owners can earn. So the excess funds come back to the Agency in the form of what's called "earned surplus." And to date, we have about $53 million in our earned-surplus account for lending purposes. But they're very restricted. The funds are very restricted.

So in the past, we've let our Section 8 owners know that we have these funds; and that if they want -- if they need rehab loans up to about a million dollars, we've loaned that out at a very low interest rate just to help projects that don't have a lot of reserves for replacement and need some physical-needs work done, that we've allowed them to use those funds, made loans that were either deferred or that were paid back at a low interest rate.

And I would say over the last two or three years, since the Agency hasn't done its first lending program, I think the world has just assumed we aren't doing any lending.

So one of the things I wanted to do with my staff this year, was to revisit that with our property owners, and let them know that we did have those funds available. And that if they aren't going to go through the FHA risk-share program and redo their entire properties, that we did have these funds available for smaller projects.

ACTING CHAIR CAREY: Great.

Thank you very much.

MR. SHINE: Excuse me. Is that money that's going to become like a second on the property, wrapped around, or above the first?

MS. ALVAREZ: It's just a second --

MR. SHINE: Or is it going to be a new, complete loan?

MS. ALVAREZ: Yes, it's just a new loan. It's a second loan. In most cases, it's a second loan.

MR. SHINE: So the original loan will still be in place, and you'll be layering on top of it --

MS. ALVAREZ: Right.

MR. SHINE: -- on the short-term, until they come to the end of their contract?

MS. ALVAREZ: We've loaned that money in a way that people -- it's amortized and the projects are paying it back now, along with their first loan. And in other cases where the money is just really tight but they've needed some work done on the property, we've made it a deferred loan at the end -- due at the end.

ACTING CHAIR CAREY: Mr. Gunning?

MR. GUNNING: Claudia, Item No. 7, integrate HCD and CalHFA functions. It seems like quite a few of these deadlines are within a month.

Can you just talk about where you are on that and what's the process? I mean, it seems like it's completed by the end of July.

MS. CAPPIO: It's the end of July in a year.

ACTING CHAIR CAREY: Next year.

MS. CAPPIO: 7/13. So this is a process that I guess if any of these strategic priorities is probably going to give us some surprises, we are in the midst of the Little Hoover Commission recommendations. Those hearings were held. And now, the Legislature has the Governor's proposal on reorganization. And they will be holding hearings and reviewing that proposal. And then we will be responding at some point to the results of that review and whether the Little Hoover Commission report is either accepted or rejected. And it either -- it has to be done as a whole.

So the Director of HCD and I are in the midst of looking at how that has to happen on the ground. And we've looked at key functions in both of our organizations that have the most success at this point, the most initial success of working. And we are currently in the midst of forming work groups; and from those work groups, recommendations will be forthcoming. And then we'll see how we can implement them in the next year or so.

So we are on target with regard to the formation of the working groups, and from both agencies, with area expertise. And then we will be waiting for those recommendations and see where we can go from there.

And, Linn, you're --

MR. WARREN: I think Claudia said it very well. And just so you know, we've been working on this really, I think, since February. And, actually, some work was done before, earlier.

I think we have a general sense of what this will look like. The work groups need to flesh this out. We may still get some additional direction from administration on this, Michael. But I think we're headed in the right place.

Claudia is correct, in that we've picked out really three or four areas where we think are the best overlays, the most impactive.

I think it's also important to note that in the bill language, you know, this Board remains, continues. And CalHFA has a high level of independence on that. And that's been --

MR. GUNNING: Is there a bill number?

MR. WARREN: I forget what the budget --

MS. OWEN: It's GRP-2.

MR. WARREN: It's GRP.

MS. OWEN: That's all it says, but you can print it out.

MR. WARREN: I don't know if the bill -- if the

GRP language bill has been introduced or not. I thought it has been.

MS. OWEN: I thought it has been.

MR. WARREN: And, obviously, Ms. Owen's world is involved in this.

But anyway, Michael, the point is, there are certain components in both organizations that will continue as independent because it just has to be that way. And I think the finance side of CalHFA is a very good example of that. And there's equivalent areas in HCD that are the same way. So we're going to figure our way, and that's just going to happen over the summer.

MR. GUNNING: Which committee is it? Is it sub 2 or 1?

MS. OWEN: It depends. This hearing -- yes, Little Hoover is doing their -- they're having another public meeting, I believe on the 22nd. Their report is due at the end of May.

The bill has been introduced in the Legislature. There has been a committee on the Assembly side that has been created, chaired by Assemblywoman Buchanan.

On the Senate side, there is a hearing a week from yesterday that will be chaired by Senator Wolk and Senator Wright. So G.O. and government governance in front of finance.

And that's what I know to date.

And they should be -- we should be starting to see that in the file. There should be a public notice at anytime.

And that's subject to change, please.

ACTING CHAIR CAREY: I guess sort of maybe the unstated question, is the role of the Board in all of this.

MS. CAPPIO: So I could let you know that the proposal outlined by the Governor leaves the Board intact as the governing entity for CalHFA. So your role at this point would not change. We would still be reporting to the Board. It remains intact.

And we are basically left -- HCD and CalHFA are left independent, particularly financially firewalled. It's a matter of, I think, finding ways that are constructive and productive, and give the folks in this state better delivery of housing services. That's what we're trying to figure out.

MR. SMITH: I think the question is, will this Board have any role in making recommendations or suggestions in terms of how that all plays out?

MS. CAPPIO: Certainly, I think there is the discretion for you to do so. And I could pull that together for the July meeting. If you chose to participate, we could then introduce that or submit those to the Governor's office.

MR. GUNNING: Well, is that of interest? I mean, all these committees I'm in daily. I mean, if you need our help, I guess that's what you're saying, right?

MR. SMITH: Yes, I think, obviously, we're the Board. So to some degree, we should have some say -- with some understanding of what the options are, and then seeing how we could participate in giving advice on it.

MS. CAPPIO: Sure. I could say that at this point, perhaps if you wanted to view the Governor's proposal, we could send that on to you, at least as it pertains to CalHFA and HCD. It's very lengthy. It involves a lot of departments. We could send that along.

And then at this point, we could certainly allow you to review and to comment on the work that comes out of the working groups.

I have made the assumption -- and I apologize -- that we are still left essentially intact as an agency. And in that regard, I didn't -- but there's always room for improvement. So I will gladly -- you can enter the fray.

MR. SMITH: Yes, I guess the concern would be, as a board, there may be changes that get made in terms of what we do or don't do. And I think it would be helpful for us to at least be part of the process, so we know if we -- obviously, the Administration is going to take a position and the Legislature is going to take a position, and we may be able to be helpful in terms of getting to where we need to get to, other than waking up one morning, and we find out we're still the Board, but we're totally different than what we came in with. So that's…

MS. CAPPIO: Yes, I will certainly keep you posted with those updates.

Right now, there is no change to your role or to the fact that you're going to be in a governing position with CalHFA. But certainly, as you said, things could change. And I would be glad to pull you into the loop.

MR. WARREN: Right. And, Ruben, just to reiterate what Claudia said, we are of the same mind that the independence of this board and its functions, we don't see changes. And all of our work groups and assumptions and the collaboration we're working on are based on that assumption of the Board going forward with exactly the role it's had in the past. But I think that is something we arrived at early on in our work.

So certainly from HCD's perspective and as a member of this board, I don't see any particularly change. Things could go in a different direction, but I'm just saying that that's our presumption going forward.

MR. SMITH: And I see this as an opportunity for some positive things.

MS. CAPPIO: Yes.

MR. WARREN: Yes, of course.

MR. SMITH: But I guess one question is, do you see this board taking -- or this entity taking on more responsibilities -- or some responsibilities that HCD has, that may be more appropriate over here because of the way it's structured? Or maybe not, I don't know. That's the question.

MR. WARREN: I think it's too soon to work that through, but I think that's part of the discussion.

MR. SMITH: Right.

ACTING CHAIR CAREY: Mr. Alex?

MR. ALEX: Thank you, Mr. Chair.

Just to make sure everybody understands the process, the restructuring is part of a larger-scale restructuring that involves many agencies and many boards.

And the upshot of it is that the Legislature has either an up or down vote on the entire package. So the specific comments in relationship to any changes or non-changes to this particular board have to be seen in this larger context.

So I just want to make sure that everybody understands that there is not going to be a lot of tinkering with, you know, pieces of this; that it's going to be an up-or-down vote -- or no vote, actually. It goes into effect at a certain point if there is no vote.

MR. WARREN: Right.

MS. OWEN: By either house.

MR. ALEX: By either house, that's right.

MR. GUNNING: And we're in the time frame now.

MR. ALEX: Correct.

MR. GUNNING: And they've still got 45 days, and this is done.

MR. ALEX: Correct.

ACTING CHAIR CAREY: But I think one of the things that's interesting about this board, is the inclusion of outside board members and inside board members. And the degree of information is clearly divided along that line.

And I think that the outside board members are not included in the same information flow that naturally folks on the inside have. And I think it would be very good to broaden that.

MS. CAPPIO: And I will be glad to do that.

MR. SMITH: On our iPads.

ACTING CHAIR CAREY: Or video.

MS. CAPPIO: As we said, the Governor's proposal is over, what, 700 pages.

MS. OWEN: Right. And I think for myself, I'd be more than glad to answer any questions that you may have; and just being part of the process, I know the rest of us would also commit to that. So if we have a working group or anything, we'd be more than glad to be helpful.

MS. CAPPIO: Right. And given, as Michael said, given the time-line of the Little Hoover Commission, I'll get that information out immediately. And if you have any comments, please share them. So I would be glad to do that.

ACTING CHAIR CAREY: That's great.

Mr. Gunning?

MR. GUNNING: One last question, Mr. Chairman.

ACTING CHAIR CAREY: Go ahead.

MR. GUNNING: Jan, GPP-2, did you say?

MS. OWEN: GRP.

MR. GUNNING: What is that?

MS. OWEN: Governor -- Government Reorganization Plan.

MS. CAPPIO: Governor Reorganization Proposal.

MS. OWEN: "Proposal," "Plan," "Program."

MR. GUNNING: We learn something every day. A new acronym. I love it. Okay.

MS. OWEN: In your shop, just ask them to get a copy. It's in bill form, about 350, 360 pages.

MR. WARREN: It's 374 pages.

MS. OWEN: But who is counting?

MR. WARREN: But who's counting? Yes.

ACTING CHAIR CAREY: Okay.

MR. GUNNING: Is there a summary?

MS. OWEN: Actually, there is a summary, Little Hoover.

ACTING CHAIR CAREY: This is an action item. And so we would entertain a motion to adopt the resolution, 12-07.

MR. GUNNING: I'll move, Mr. Chair.

Comments?

ACTING CHAIR CAREY: Moved?

Oh, yes, thank you very much.

Well, let's go ahead and get a second, since I did that.

MR. ALEX: I'll second.

ACTING CHAIR CAREY: And a second.

Okay, with that, this is an action by the Board and, therefore, we would invite public comment by anybody in the public who would like to address the Board on this particular item.

(No response)

ACTING CHAIR CAREY: Seeing none, roll call.

MS. OJIMA: Thank you.

Mr. Gunning?

MR. GUNNING: Aye.

MS. OJIMA: Ms. Carroll?

MR. CARROLL: Yes.

MS. OJIMA: Mr. Shine?

MR. SHINE: Aye.

MS. OJIMA: Thank you.

Mr. Smith?

MR. SMITH: Aye.

MS. OJIMA: Ms. Owen?

Excuse me, Ms. Owen?

MR. OWEN: Yes, I'm sorry.

I'm multi-tasking. We women can do this normally. I apologize.

MS. OJIMA: Mr. Warren?

MR. WARREN: Yes.

MS. OJIMA: Mr. Carey?

ACTING CHAIR CAREY: Yes.

MS. OJIMA: Resolution 12-07 has been approved.

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Item 8. Discussion, recommendation, and possible action regarding the adoption of a resolution approving the Fiscal Year 2012/2013 CalHFA Operating Budget (Resolution 12-08)

ACTING CHAIR CAREY: Move on to the budget, the operating budget. We'll move on to the operating budget.

MR. IWATA: Hello, Chair and Board Members.

My name is Howard Iwata. I'm the director of Administration. I'd like to present to you the 2012-13 proposed budget.

First, let me provide you with a quick update on the current fiscal year 2011-2012 expenditure projection.

The approved budget for the current year is $50,092,000. And it looks like expenditures will be under budget by approximately $5 million. The reduction is mainly due to vacancies, strategic project reductions, and scrutinizing our operating expenses.

We budgeted to fill all but 15 positions in this year's budget. However, we currently have approximately 60 vacancies. We would have to spend even less, except we absorbed the furlough settlement of $4 million.

In developing the 2012-13 budget, we met with each division head to discuss what resources are needed to accomplish next year's business plan.

Part of the process was to prioritize and define new workload and redirect resources where needed. The goal is to work more efficiently, cross-train, streamline processes, and break down silos.

CalHFA has position authority for 311 permanent positions, and plans are to fill most of them.

The proposed budget for next year is $47,397,000. This will be approximately $2.7 million less than this year's budget.

For personal services, for proposed expenditures or proposed budget, the projected budget compared to this year's budget for total personal services shows an increase of $749,000. This is mainly due to filling vacancies. The salaries and wages are lower because higher salaried staff have separated. And we are replacing with hires at entry-level salaries.

Again, temporary help decreases because we are replacing temporary help separations with permanent staff.

One area that needs immediate attention is our loan-servicing area. Loan servicing currently has 17 vacancies. This is a result of temporary help staff that have left to the private sector.

When we take over the Bank of America loans, we will need to hire another 17 staff. By taking over the Bank of America loans, this will increase our workload by approximately 2,500 loans, of which approximately 26 percent of them are delinquent.

Overtime expenditures and staff benefit rates of 35 percent should be about the same as this year.

To note: The budget also includes future pension costs as a budgeted item. That's OPEB, which is "other post-employment benefits."

This is not dollars out of our pocket right this second, but the Government Accounting Board has us put that in the budget as a placeholder for $2,830,000.

Operating expenses and equipment for the fiscal year 2012-13 budget compared to this year's budget for a total operating expenses and equipment shows an increase of $615,000.

General expense decreases mainly due to negotiated contract reduction for record storage.

The lack of lending has caused our mailing costs to decrease. And by scrutinizing travel, which is in state and out of state, we will be reducing costs there also.

And by scrutinizing training and consultant and professional services with general contracting, we will decrease costs.

There will be an increase in facilities operations due to free rent ending at our 500 Capitol Mall office.

And central administrative services, which is a statewide pro rata cost provided by the Department of Finance, will increase by $774,000. This is costs due, to do business with the Department of Finance, State Personnel Board, the State Treasurer's office -- basically, all the control agencies. And this is a cost, again, that's provided by the Department of Finance that we have to put in our expenditures.

We upgraded many of our systems last year, so costs should decrease in information technology that we will be maintaining what we currently have.

Equipment costs will increase due to the need for cubicle reconfiguration in the West Sacramento office.

The reimbursement from Hardest Hit-*Keep Your Home California* has gone down by $197 because start-up costs have leveled off.

Strategic project contracts have been reduced by $4.3 million due to cancellation of the homeownership loan origination project, Mortgage Flex.

So the overall decrease of $2.7 million will be in the budget for -- will be reduced from the 2011-12 budget.

So if you have any questions, I can answer any questions you may have on the budget.

ACTING CHAIR CAREY: Questions? Comments?

(No response)

ACTING CHAIR CAREY: I have to point out the irony of this era of reduced costs. That the central admin costs over which we have no control, are increasing by about 40 percent from '10-11 to '12-13. It just -- it's a huge -- nearly a million dollars' increase in two years.

MR. REYES: I don't do the calculation.

ACTING CHAIR CAREY: With that, we have a resolution in front of us.

MS. OWEN: So moved.

ACTING CHAIR CAREY: We have a motion.

MR. SHINE: Second.

ACTING CHAIR CAREY: And a second.

This is an action on which we would be interested in public comment.

If there's anyone who would like to address the Board about this issue, please indicate.

(No response)

ACTING CHAIR CAREY: Seeing none, roll call.

MS. OJIMA: Thank you.

Mr. Gunning?

MR. GUNNING: Aye.

MS. OJIMA: Ms. Carroll?

MR. CARROLL: Yes.

MS. OJIMA: Mr. Shine?

MR. SHINE: Yes.

MS. OJIMA: Mr. Smith?

MR. SMITH: Yes.

MS. OJIMA: Ms. Owen?

MR. OWEN: Yes.

MS. OJIMA: Mr. Warren?

MR. WARREN: Yes.

MS. OJIMA: Mr. Carey?

ACTING CHAIR CAREY: Yes.

MS. OJIMA: Resolution 12-08 has been approved.

ACTING CHAIR CAREY: We will press on.

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Item 9. Reports

ACTING CHAIR CAREY: Moving on, reports.

Any questions, comments from the reports?

(No response)

ACTING CHAIR CAREY: Could you update us briefly about AB 2447, and what that would do? Or was Di going to say something about that?

MS. CAPPIO: Yes, Di, would you mind helping me out here? You keep closer track.

ACTING CHAIR CAREY: AB 2447.

MS. RICHARDSON: Correct. This is the bill sponsored by Ms. Skinner and the Speaker's office. And what they're looking to do is take a look at if there is something that can be done in communities that have a very large inventory of foreclosed homes, and somehow make those available either for ownership for low- and moderate-income families or as rental properties.

And so we've had numerous conversations with them on the bill. Those are continuing to happen -- looking at other models in other states; and, actually, some that were currently -- that we just found out about here within California.

But the idea is for it to have sort of a centralized state agency serve as sort of a clearinghouse to negotiate better deals with the banks on these properties; and to, you know, provide strategically placed grants and loans.

The way the bill is currently structured, it would be on a competitive basis. It would differ from our current process of how we operate.

You know, most of our funds are done sort of in an over-the-counter fashion. But this would require a public hearing and, you know, the adoption of guidelines.

And they would like it to be as competitive as possible. And the bill does contain several goals, not all of them that we're sure are achievable, but they are definitely laudable, and we'll do our best.

The source, there's currently identified in the bill, moving $25 million from the CHDAP funds over to fund this program. The thought behind that is that, not to say that down-payment assistance isn't a fabulous thing, but that in this environment and this economy, there may be a higher need and use for those funds.

We haven't completed an analysis to determine exactly what we could do with $25 million, or if it would actually be enough to do much of anything. I know they were also thinking about getting a slice of those AG settlement dollars to add to that fund. And that's a little bit up in the air right now as well.

ACTING CHAIR CAREY: Yes?

MR. GUNNING: Do you think it will get out of suspense? It was sent to suspense yesterday.

MS. RICHARDSON: The bill is co-sponsored by Ms. Skinner and the Speaker. So, yes, I do think it will get out of suspense.

MR. GUNNING: And it's our money?

MS. RICHARDSON: It's G.O. bond money. We have -- you know, that's an issue, that's a question.

Should we be thinking about whether -- I mean, we will still have money for down-payment assistance. But is there something else that we should be thinking about using those dollars on in the more immediate future -- in the more immediate time frame, to sort of stimulate the housing market, where the real needs are.

MR. GUNNING: I think that's been decided for us.

MS. RICHARDSON: Yes, I would say, you know, one of the issues that they need to look at closely, from my perspective -- you know, and I don't have a law degree, I tell Victor this every day, it doesn't stop me from opining like I do -- but under the bonds, there was language that allows the Legislature to make modifications, to make programs more efficient and effective. And I think that there needs to be some discussion of whether that meant you can tinker with the programs that were approved for the bonds, or you can create new programs using those bond dollars.

And I haven't heard that conversation happen yet, but I do think that it should at least happen.

ACTING CHAIR CAREY: My understanding is that the CHDAP money, which is the source, the use of that is ramping up pretty significantly here at the Agency.

MS. RICHARDSON: Yes, I think we're getting about 300 applications a month, where the -- yes. I mean, it's one of the few sources of down-payment assistance. And we have provided that information to the sponsors, to the Speaker's office, to the Department of Finance, to show, you know, how much is being used every month. And again, that's just a policy decision, if they think that there is a better, more appropriate use for those dollars.

ACTING CHAIR CAREY: It's actually a good sign in and of itself, that the money is getting out.

MS. RICHARDSON: Yes, yes.

ACTING CHAIR CAREY: Any other questions?

(No response)

ACTING CHAIR CAREY: Thank you.

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Item 10. Discussion of other Board matters

ACTING CHAIR CAREY: Other board matters?

(No response)

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Item 11. Public Testimony

ACTING CHAIR CAREY: Let's go ahead and do the public testimony.

If there is anyone in the audience who would like to address the Board on a matter that was not on the agenda, please indicate so.

(No response)

ACTING CHAIR CAREY: Seeing none, speaking of other board matters, this is -- I see Steve is wiping his eyes back there, so…

Actually, it's us who feel that way.

This is Steve Spears' last meeting with us. And as a Board member and an individual, I just want to say, on a very personal level, I have appreciated Steve's intense 24/7 commitment to this Agency through a period of time that never could have been imagined, even at a worst moment five years ago.

And, Steve, you were the leader, you held the team together. And on an agency level and a personal level, it's been a great pleasure to have worked with you. But I also, as a lifelong nonprofit housing person, I can't help saying, "Yes! We gotcha."

Steve, why don't you come on up?

MS. CAPPIO: Steve, I echo those comments. And I've appreciated your insight and wisdom and how you've helped me out the last year in gaining my, at least a grounding in this organization and being able to very smoothly, I hope, carry on. And we've all appreciated your dedication and commitment.

Colorado will be a way different world, we all know that. And I guess I've got to say that although you're used to big rain and wind in Colorado, myth has it that folks regularly travel at 65 miles an hour, in ten feet of snow, during a blizzard in Colorado. So good luck with that, really.

And also, in anticipation of -- I know you'll do this without hesitation -- there will be some change of allegiance in sports teams.

So here you go.

(Ms. Cappio presenting Mr. Spears with a Colorado Rockies cap.)

(Applause)

MS. CAPPIO: And then also, we have this wonderful fundamental gift for you. I think you probably know what it is. But we have this, too.

MR. SPEARS: Thank you.

MS. CAPPIO: Okay, you don't have to put this on.

MS. OWEN: Turn around, you guys.

(Ms. Owen taking photograph of Steve Spears and Claudia Cappio.)

MR. REYES: You've got to have one with the hat on.

ACTING CHAIR CAREY: Do any Board members have anything to --

MR. SPEARS: It's not a Dodgers hat.

MR. GUNNING: Some sports teams just can't change, right, Steve?

I'd just like to personally echo Peter's comments. I know, as a board member here, you and the team took the time. And even though I knew just enough to be dangerous, I can't thank you enough for taking the time and helping me understand and learning and really shepherding through this difficult time as the Committee that had the opportunity to do the evaluation, I think you heard expressed with sympathy from this group how much we appreciated your efforts and your guidance and patience and, as Peter said, 24 hours because I got some of those thoughts and questions at all odd hours about what should we do.

So Colorado is extremely lucky. Mercy is very lucky. And we'll miss you, buddy.

MR. SPEARS: Thank you.

MR. WARREN: Mr. Chair, I just want to say, I'm glad to see Steve go as a fellow fisherman. That means there's more fish in California than in Colorado.

So thank you, Steve.

MR. SPEARS: It's the least that I can do.

MR. WARREN: I appreciate that.

But I echo Michael and Claudia's comments. I've had the pleasure of knowing Steve for a number of years, and observing the trials within the Agency during that period of time. And Steve was a rock. And just a wonderful, wonderful person for this.

So congratulations, Steve, and the best of luck.

MR. SPEARS: Thanks. Thanks very much.

(Applause)

MR. CARROLL: Steve, I would also like to echo what others have said. We've really appreciated all of your hard work.

And I know it's been a really tough time. As you can tell, I'm a little emotional, I guess. And part of that's because I've known Steve for a lot of years, and we'll miss you.

MR. SPEARS: Thanks, Katie. Thanks very much.

Yes, probably the most history is with the State Treasurer's office and Katie. And we've worked together there. And there was a lot of change there at the time.

MS. CARROLL: There was.

MR. SPEARS: And a crisis.

And I want to thank the staff, a lot of folks sitting behind me that helped me through those times. And I'm very proud of what we got accomplished. It wasn't always perfect, but there was a lot of unchartered water that we plowed our way through. And there were disagreements, and they were always professional. And it was -- it was a great experience, really. I mean, despite the crisis, it was a really great experience.

Claudia, I'm so sorry that we had to turn the fire hose on so wide-open for so long. But you've just done a tremendous job of learning all that, and really diving right into the deep end of this and swimming like crazy.

So, you know, the future is still a little uncertain, but I think we've gotten some things in place that provided some time so that we can move to the next phase. And I'm hoping that those things that are beyond our control will be good things, not the bad kind. And I really think that they will be improving as we go along. Maybe slowly -- but more slowly, certainly, than we thought. But I think they will get better. And this agency will survive; and more than survive, it will move on, and get back to the day when we are lending and doing more, doing more.

MR. SMITH: Steve, I would just like to say it's been a great ride, and you've been great to work with, as a new board member. As stated earlier, you really stepped in and kind of guided us through and helped us to understand all this easy stuff.

But more importantly, I think you've just been a great individual and a good friend. And so we're going to miss you and wish you all the best.

MR. SPEARS: Thanks very much, Ruben.

MR. SHINE: You're a good man, and you've done well, and I know you're going to do well.

MR. SPEARS: Thanks, Jack.

MS. OWEN: Amen. That's perfect.

ACTING CHAIR CAREY: Good luck and Godspeed.

MR. SPEARS: Thanks very much.

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Item 13. Adjournment

ACTING CHAIR CAREY: We're adjourned.

(Applause)

(The Board of Directors meeting concluded at 11:38 a.m.)

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REPORTER'S CERTIFICATE

I hereby certify that the foregoing proceedings were duly reported by me at the time and place herein specified;

That the testimony of said witnesses was reported by me, a duly certified shorthand reporter and a disinterested person, and was thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for either or any of the parties to said deposition, nor in any way interested in the outcome of the cause named in said caption.

IN WITNESS WHEREOF, I have hereunto set my hand on the 6th day of June 2012.

DANIEL P. FELDHAUS
California CSR #6949
Registered Diplomate Reporter
Certified Realtime Reporter

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