

## CalHFA PROGRAMS, TERMS AND ACRONYMS

Acronym	Program Term	Definition
ACQUISITION LOANS	Preservation Acquisition Finance Program	The "Acquisition" program is designed to facilitate the acquisition of at-risk affordable housing developments and provide low-cost funding to preserve the affordability status of existing government-assisted projects deemed at risk; including, but not limited to, developments with: project based Section 8, state or local government loans, or locally issued tax-exempt bonds.
ACQ/REHAB	Acquisition/Rehabilitation	
AHPP	Affordable Housing Partnership Program	A joint effort by CalHFA and cities, counties, redevelopment agencies and housing authorities whereby a deferred payment subordinate loan from a locality is utilized by the first-time homebuyer to assist them with down payment and/or closing costs.
ARRA	American Reinvestment and Recovery Act	
ASSET MGMT.	Asset Management	Division responsible to oversee the management of Agency financed multifamily developments. Asset Management's basic objectives include the protection of the CalHFA mortgages, protection of the rights of the residents, owners and management agents as afforded under the regulatory agreement.
BRIDGE	Tax-Exempt Bridge Financing Program	The Tax-Exempt Bridge Financing Program offers tax-exempt bridge loans for projects receiving 4% tax credits at an amount necessary to ensure the award of tax credits and is available to for-profit, non-profit and public agency sponsors.
CalHFA	California Housing Finance Agency	The state's affordable housing bank, supporting the needs of renters and first-time homebuyers by providing financing and programs that create safe, decent and affordable housing opportunities for individuals within specified income ranges.
CALPLUS with ZIP		The CalPLUS program is an FHA-insured loan featuring a CalHFA fixed interest rate first mortgage. This loan is fully amortized for a 30-year term and is

		combined with the CalHFA Zero Interest Program (ZIP) for down payment assistance only.
CALHFA-FHA		The CalHFA FHA program is an FHA-insured loan featuring a CalHFA fixed interest rate first mortgage. This loan is fully amortized for a 30-year term and can be combined with either the California Homebuyer Downpayment Assistance Program (CHDAP) of the Extra Credit Teacher Program (ECTP).
CHDAP	California Homebuyer's Downpayment Assistance Program	Offers a deferred-payment junior loan of an amount up to the lesser of three percent (3%) of the purchase price or appraised value.
CMP	CalHFA Modification Program	
ECTP	Extra Credit Teacher Home Purchase Program	A low market interest rate CalHFA first loan, together with a forgivable interest CalHFA junior loan to assist eligible teachers, administrators, staff members and classified employees to purchase their first home.
FISCAL SVCS.	Fiscal Services Division	Fiscal Services Division is responsible for safeguarding CalHFA's assets and recording and reporting on financial matters of the Agency.
FTHB	First-Time Homebuyer	A person(s) who has not been on title to a home (real estate only) in which they have lived within the last three years.
HAMP	Home Affordable Modification Program	
HAP	Housing Assistance Plan	Housing Plans required of recipients of block grant funds. The Federal Housing and Community Development Act of 1974 required that assisted housing program funds, including Section 8 assistance, be distributed on the basis of HAPs.
HARP	Home Affordable Refinance Program	
HAT	Housing Assistance Trust	CalHFA financial trust targeted to special loan programs not financed by bond issues.
HELP	Housing Enabled by Local Partnerships	HELP is a CalHFA program within the Multifamily Division that provides low interest rate loans, with repayment terms up to ten years, to local government entities for locally-determined affordable housing priorities.

HFH	Habitat for Humanity Loan Purchase Program	The Habitat for Humanity Loan Program purchases affordable home mortgages that have been originated by California affiliates of Habitat for Humanity. The HFH affiliates will use the capital from the mortgage sales to reinvest in the development of additional affordable housing in California.
HMRB	Home Mortgage Revenue Bonds	Established in 1982, this is the largest indenture under which CalHFA issues bonds to finance homeownership mortgages. The bonds are special obligations of the Agency, payable solely from revenues derived from assets pledged to the indenture.
INCOME LIMITS	Program Income Limits	A list by county of the low and moderate income limits a homebuyer's income as calculated by CalHFA for loan qualification per federal guidelines.
IT	Information Technology Division	Information Technology Division's mission is to provide the Agency with the information technology solutions and services needed to achieve Agency goals and objectives including, but not limited to: computer network hardware and software acquisition, installation, maintenance, and support.
JPA		Joint Powers Authority
KYHC	Keep Your Home California	Programs designed to help low and moderate income homeowners retain their homes if they have suffered a financial hardship.
LAS	Lender Access System	The system that allows lenders to access CalHFA's SF Lending's computer information to obtain reservations on behalf of an individual borrower.
MARKETING	Marketing Division	Division that provides the rationale and information, in the most efficient and effective manner, to persuade our customers to utilize our products.
MASTER BROKER	Real estate company utilized for the sale of REO's that subcontracts with multiple real estate listing agents.	
MCC	Mortgage Credit Certificate Tax Credit Program	A federal credit which can reduce potential federal income tax liability, creating additional net spendable income which borrowers may use toward their monthly mortgage payment.
MHSA	Mental Health Services Act	

NOD	Notice of Default	
NOS	Notice of Sale	
PBCA	Performance Based Contract Administration	
PERMANENT LOANS	Permanent Financing Program	The Permanent Financing Program - Tax Credit Projects provides permanent loans for new multifamily construction, acquisition/rehabilitation, and rehabilitation of existing multifamily housing projects and is available to for-profit, nonprofit, and public agency sponsors.
PREDEVELOPMENT LOANS	Predevelopment Financing Program	The Predevelopment Finance Program provides low cost funding to cover the predevelopment costs associated with affordable rental projects that will have permanent CalHFA financing.
RDLP	Residential Development Loan Program	RDLP is a project-specific funding that provides a low interest rate loan with a maximum term of four years to local government agencies for site acquisition and predevelopment expenses attributed to affordable infill, owner-occupied housing developments. The program also directly links RDLP-financed developments to CalHFA's California Homebuyer's Downpayment Assistance Program (CHDAP) to provide subordinate loans, as necessary, to first-time homebuyers.
REO	Real Estate Owned	
SALES LIMITS	CalHFA Sales Price Limits	A list by county of the federally required sales price limits established for homes purchased through CalHFA financing.
SFF	School Facility Fee Down Payment Assistance Program	A conditional grant program that provides assistance to first-time homebuyers of newly constructed homes throughout California.
SF LENDING	Single Family Lending	The primary purpose of the SF Lending Division is to provide affordable housing opportunities to first-time homebuyers in the form of low market rate mortgage loans and down payment assistance programs. SF Lending also partners with lenders, local housing agencies, builder/developers, realtors, and other intermediaries to develop and deliver its programs. This collaborative approach helps expand homeownership

		opportunities by maximizing the collective financial resources available for borrowers.
SF PM	Single Family Portfolio Management	The Portfolio Management Department monitors loans managed by outside servicers, conducts loss mitigation programs and manages the marketing and disposition of Real Estate Owned (REO) properties. Servicing administration monitors the performance of outside Servicers assigned the Agency's portfolio of loans to assure compliance with agency servicing procedures.
SF MI	Single Family Mortgage Insurance	CalHFA Mortgage Insurance works to ensure that investors who provide funds for CalHFA mortgages are protected against losses when borrowers cannot meet the financial requirements to repay their mortgage. Working with a mortgage reinsurer who also provides policy administration services, the Mortgage Insurance division oversees the collection of mortgage insurance premiums, delinquency reduction programs and claims administration.
SF SERVICING	Single Family Loan Servicing	The Loan Servicing division is in charge of collecting the timely payment of interest and principal from CalHFA's borrowers. This process is wide ranging, as CalHFA's customers have many different kinds of mortgages with many different payments. Loan Servicing also works to help borrowers who are behind in payments by developing payment plans, administering loan modifications, executing short sales and other means of helping borrowers avoid foreclosure. When other options have been exhausted, the division will also initiate foreclosure procedures.
SHBAP	Self-Help Builder Assistance Program	Provides a source of financing to nonprofit 501 (c)(3) corporations for site acquisition, site development, and/or home construction. The program also provides permanent take-out affordable financing through the nonprofit developer for its eligible owner-builders who are

		participating in the mutual self-help construction method of a defined development sponsored by an eligible 501 (c)(3) nonprofit developer.
SPECIAL NEEDS	Special Needs Financing Program	Special Needs Financing Program offers low interest rate financing for the development of rental housing to serve a broad range of special needs tenants in need of supportive services. Loan types include bridge, permanent, or Loan to Lender and can be used for new construction or acquisition/rehabilitation.
SPOC	Single Point of Contact	
TEFRA	Tax Equity and Fiscal Responsibility Act of 1982	Broad federal legislation aimed at raising tax revenues by closing loopholes and instituting tougher enforcement procedures. Impact on housing - requires public hearing be held to solicit public comment about each multifamily project proposed to be financed by tax exempt bonds. Following such a hearing, an elected public official (in this state, the State Treasurer) approves the issuance of federally tax exempt bonds.
TILA	Truth-in-Lending Act	Federal law that requires disclosure of a truth-in-lending statement for consumer loans. The statement includes a summary of the total cost of credit such as the Annual Percentage Rate (APR) and other specifics of the loan.
TSD	Trustee Sale Deed	
<b>OTHER ORGANIZATIONS AND PROGRAMS</b>		
BCSH	Business, Consumer, Services and Housing	The Business, Consumer Services, and Housing Agency assists and educates consumers regarding the licensing, regulation, and enforcement of professionals and businesses in California
CAR	California Association of Realtors	A professional association providing educational, political, and legal services to realtors.
CDLAC	California Debt Limit Allocation Committee	The state agency that allocates the state's limited amount of authority to issue tax exempt bonds. State Treasurer chairs.
CRA	California Redevelopment Association	A trade association for California redevelopment agencies and private sector companies such as financial institutions, redevelopment consultants, developers, and law

		firms that are involved in the redevelopment process.
CTCAC	California Tax Credit Allocation Committee	CTCAC administers two low income housing tax credit programs - a federal program and a state program. Both programs were authorized to encourage private investment in rental housing for low and lower income families and individuals. State Treasurer chairs.
DRE	Department of Real Estate	The state's department to protect the public in real estate transactions and provide related services to and licensing of the real estate industry.
FAF	Financing Adjustment Factor	The rule permits HUD and developers to set Contract Rents for the purpose of processing a development for feasibility and approval based on an assumed debt service factor corresponding to an interest rate of not less than 8%.
FASB	Financial Accounting Standards Board	
FHA	Federal Housing Administration	A federal agency within the Department of Housing and Urban Development (HUD) that provides mortgage insurance for residential mortgages and sets standards for construction and underwriting.
FHLB	Federal Home Loan Bank	A federal system of 12 wholesale banks that are a source of stable, low-cost funds (advances) for home mortgage, small business, rural and agricultural loans. It is owned by its over 8,000-member community financial institutions.
FHLMC	Federal Home Loan Mortgage Corporation (aka Freddie Mac)	Created by Congress in Title III of the Emergency Home Finance Act of 1970. Freddie Mac purchases conventional loans from savings and loan banks for single and multifamily housing. It finances its loan purchases by issuing mortgage pass-through securities.
FNMA	Federal National Mortgage Association (aka Fannie Mae)	The nation's largest mortgage investor created in 1968 by an amendment to Title III of the National Housing Act. "Fannie Mae" is a private, shareholder-owned company that increases availability and affordability of homeownership by purchasing loans.
GAAP	Generally Accepted Accounting Principles	
GAAS	Generally Accepted Accounting Standards	

GASB	Governmental Accounting Standards Board	
GENWORTH	Genworth Mortgage	Genworth is a private mortgage insurer with whom CalHFA Mortgage Division currently has a reinsurance agreement. Reinsurance agreements provide a sharing of the risk of insured loans.
GNMA	Government National Mortgage Association (aka Ginnie Mae)	A mortgage banker that is a wholly-owned government association under HUD. Its purpose is to serve low-to moderate-income homebuyers by
GSE	Government Sponsored Enterprise	GSEs (e.g., Fannie Mae, Freddie Mac) are government-created secondary mortgage entities backing the nation's housing finance system. They have been efficient and reliable in bringing affordable homeownership to American families.
HAP CONTRACT	Housing Assistance Payment Contract (See HUD below.)	Under this arrangement, the borrower enters into a HAP Contract, pursuant to which it agrees to pay the subsidy to or for the account of the owner and concurrently enters into an Annual Contributors Contract (ACC) with HUD for the receipt of a corresponding subsidy payment from HUD.
HCD	Department of Housing and Community Development	The state's housing department: it advises the Administration on housing policy matters; regulates certain types of housing, makes competitive awards of loans and grants to city/county jurisdictions; and, implements state and federally funded housing programs.
HOME	HOME Investment Partnership Program	Federal program that provides funds to local governments and states for new construction, rehabilitation, acquisition of standard housing, assistance to homebuyers and tenant-based rental assistance.
HOUSING CHOICE VOUCHER	Section 8 Program	Federal rent subsidy program under Section 8 of the U.S. Housing Act which issues rent to eligible households to use in paying for the housing of their choice. The voucher payment subsidizes the difference between the gross rent and the tenant's contribution of 30 percent of adjusted income (or 10 percent of gross income, whichever

		is greater).
HUD	U.S. Department of Housing and Urban Development	A federal organization created in 1965 to increase homeownership, support community development, and increase access to affordable housing, free from discrimination. HUD is responsible for the implementation and administration of housing and urban development programs. HUD was established by the Housing and Urban Development Act of 1965 to supersede the Housing and Home Finance Agency.
HUD 811	HUD Section 811, Supportive Housing for Persons with Disabilities	Federal program that provides interest-free capital advances to nonprofit sponsors to help them finance the development of rental housing with the availability of supportive services for persons with disabilities (as defined by HUD). The capital advance can finance the construction, rehabilitation, or acquisition with or without rehabilitation of supportive housing. The advance does not have to be repaid as long as the housing remains available for very low income persons with disabilities for at least 40 years. The program also provides project rental assistance, which covers the difference between the HUD-approved operating costs of the project and the amount the residents pay in rent-usually 30% of adjusted income. The initial term of the Project Rental Assistance Contract is five years and can be renewed if funds are available. The program is similar to Supportive Housing for the Elderly (Section 202).
HUD SECTION 8	HUD Section 8 Program	Federal program that provides project-based rental assistance. Under the program, HUD contracts directly with the owner for the payment of the difference between the Contract Rent and a specified percentage of tenants' adjusted income.
MBA	Mortgage Bankers Association of America	The national association of mortgage bankers that provide mortgages to a full range of homebuyers and commercial enterprises, often to low, moderate

		and middle income borrowers. The association represents that real estate financing industry, promoting strong real estate markets and affordable housing.
MBS	Mortgage-Backed Securities	
MHP	Multifamily Housing Program (HCD)	An HCD program that assists the new construction, rehabilitation, and preservation of permanent and transitional rental housing income households.
MOODY'S	Moody's Investor Service	Credit Rating Agency
MOR	Management Occupancy Review	
NCSHA	National Council of State Housing Agencies	The national trade association for state housing finance agencies, like CalHFA.
NPH	Non-Profit Housing Association of Northern CA	A nonprofit membership organization dedicated to the development, preservation and management of permanently affordable housing for low income people.
PMIB	Pooled Money Investment Board	The state agency that invests the state's idle money and designates the amount of money temporarily available for investment.
PROP. 46	Proposition 46 -The Housing and Emergency Shelter Trust Fund Act of 2002	Proposition 46 is a \$2.1 billion affordable housing bond that provides funding for construction, rehabilitation and preservation of affordable rental housing, emergency shelters and homeless facilities, as well as funds that can be used to provide down payment assistance to low and moderate income first-time homebuyers.
REAC	Real Estate Assessment Center	A branch of HUD that assesses all HUD housing by physical inspections, resident surveys, and analysis of financial and management reports.
RESPA	Real Estate Settlement Procedure	Federal law which regulates the settlement practices within the real estate industry. This law requires that consumers receive disclosures at various times in the home loan transaction, prohibits kickbacks for referrals or related services and standardizes the closing with a required form and format (HUD-1).
RHS	Rural Housing Service	A branch of the U.S. Department of Agriculture that helps rural Communities and individuals by providing loans and grants for housing and community facilities.

S & P's	Standard & Poor's Rating Services	Credit rating agency
SCANPH	Southern California Association of Non-Profit Housing	A nonprofit membership organization dedicated to the development, preservation and management of affordable housing for low income people.
TBA	To-Be-Announced	A capital market delivery channel for mortgage originations
USDA	U.S. Department of Agriculture, Rural Housing Service	A home loan program of the Rural Housing Service that is a part of the U.S. Department of Agriculture. The program provides low-income rental and cooperative housing loans for income rural residents.
VA	U.S. Department of Veterans Affairs	A cabinet-level agency of the federal government. The Serviceman's Readjustment Act 1944 authorized the agency to administer a variety of benefit programs designed to facilitate the adjustment of returning veterans to civilian life. Among the benefits is the VA Home Loan Guaranty Program which encourages mortgage lenders to offer long-term, low down payment financing to eligible veterans by partially guaranteeing the lender against loss upon foreclosure.
VA LOAN	U.S. Department of Veterans Affairs Home Loan	A low or no down payment home loan guaranteed by the federal government for qualifying veterans.

## GENERAL HOUSING GLOSSARY

### Arbitrage:

Generally, transactions by which securities are bought and sold in different markets at the same time for the sake of the profit arising from a difference in prices in the two markets. With respect to the issuance of municipal bonds, arbitrage usually refers to the difference between the interest paid on the bonds issued and the interest earned by investing the bond proceeds in other securities. Arbitrage profits are permitted on some bond proceeds for various temporary periods after issuance of municipal bonds. Internal revenue Service regulations govern the arbitrage treatment of municipal proceeds.

### Basis Risk:

Used in swap transactions to describe the risk that the historical relationship between two different markets change. Clients who use a fixed rate swap based on 67% of LIBOR to hedge tax-exempt variable rate debt are exposed to basis risk between 67% of one month LIBOR and the rate that the Issuer pays on its tax-exempt variable rate bonds. If the BMA Index (as a proxy for tax-exempt VRDNs) averages greater than 67% of LIBOR (its historical average), the floating rate payment that the client receives in the swap (67% of LIBOR) will be less than the floating rate payment it must make on its bonds (the BMA Index).

### Bond:

A means by which CalHFA finances the purchase of loans

**Bondholder:**

The owner of a municipal bond, to whom payments of principal and interest are made. The owner of a bearer bond is the person having possession of the bond, while the owner of a registered bond is the person whose name is noted on the bond register.

**Bond Indenture:**

See "Indenture".

**Bond Insurance:**

A policy which guarantees that the investor will receive the agreed-upon payments of principal and interest on the bonds.

**Bond Proceeds:**

The amount of funds that an Issuer receives from the Underwriters in a public offering, or from an investor in a private placement, in exchange for the Issuer's bonds.

**Bond Purchase Agreement:**

The legal document which explains the Underwriters' (in a public offering) or the Investors' (in a private placement) obligation to purchase the bonds and the Issuer's obligation to deliver the bonds on the agreed upon closing date.

**Bond Yield:**

The interest rate which causes the present value of the principal and interest that the Issuer pays on the bonds to be equal to the purchase price of those bonds.

**Cash Flow Analysis:**

A quantitative analysis which demonstrates that the invested funds, mortgage loans, or mortgage-backed securities will provide sufficient cash flow to pay the principal and interest on the bonds and all expenses. Typically a Cash Flow Analysis will consist of several different cash flow projections utilizing several different sets of assumptions.

**Combined Loan-to-Value (CLTV):**

The principal balance of all mortgages on the property (including second and third trusts) divided by the value of the property.

**Commitment Fee:**

A fee paid to the Issuer of single-family mortgage revenue bonds by a lender to secure the right to originate a specific portion of the available program funds. Typically these funds are used by the Issuer to pay all or a portion of the costs of issuance of the issue.

**Community Reinvestment Act (CRA):**

Federal law enacted in 1977; provides a framework for financial institutions and community organizations to work together to promote the availability of credit and other banking services to underserved communities, including low and moderate income neighborhoods, in accordance with safe and sound lending practices; federally chartered financial institutions are periodically reviewed for compliance with the Act; noncompliance can result in prohibition against opening new branches or closing old ones.

**Conventional Mortgage Loan:**

A mortgage loan which is not guaranteed by FHA, VA or USRD and which is either underwritten to conservative loan to value ratios or includes a Primary Mortgage Insurance Policy.

**Costs of Issuance:**

The costs associated with the issuance of an issue. Costs of Issuance typically include Bond Counsel Fees, Financial Advisory Fees, Issuer Counsel Fees, Trustee's Fees, and Trustee's Counsel Fees.

**Counterparty:**

One of the participants in an interest rate swap.

**Coupon:**

The interest rate on a bond the Issuer promises to pay the holder until maturity, expressed as a percentage of face value. The term derives from small, detachable piece of a bearer bond which, when presented to the Issuer, entitles the holder to the interest due on that date.

**Deed-In-Lieu:**

Accept deed as fully payoff of loan

**Delayed Start Swap:**

A swap which delays the commencement of the exchange of interest rate payments until a later date.

**Delivery (or Issuance) Date:**

Date that bonds are actually delivered to the underwriters in exchange for the bond proceeds.

**Down Payment Assistance:**

In a single-family program, funds which are provided by the Issuer or another third party which can be used to offset a portion of the borrower's down payment.

**Fannie Mae (FNMA):**

The Federal National Mortgage Association is one of two private corporations whose charter is authorized and guaranteed by (on an annual appropriations basis) the Federal Government. Their charge is to provide liquidity to mortgage lenders by providing a guaranty to mortgage loans which gives them liquidity in the secondary mortgage market.

**Federal Tax Law:**

The Section of Federal Law which provides the authority for the issuance of tax-exempt bonds and which specifies the rules for the various programs and features which programs financed by them can contain sale (or loan) are carried out.

**FHA (Federal Housing Administration):**

The Federal Housing Administration is an agency of the Federal Government whose charge is to assist in providing housing for underprivileged citizens of the United States.

**FHA Mortgage Insurance:**

FHA Mortgage Insurance provides a level of risk protection for lenders and secondary market institutions (like CalHFA) that purchase FHA insured loans.

**FHA Risk Share:**

A program whereby HUD enters into a risk share agreement with the HFA to provide full mortgage insurance through the Federal Housing Administration of loan for multifamily affordable rental housing.

**Fixed Leg:**

Payment stream in a swap that depends on a pre-determined fixed rate. The fixed rate is determined at the outset of the swap transaction and is based on current market conditions, the floating rate index of the swap, the accrual frequency and the average life of the swap.

**Fixed Rate Bond:**

A bond which will bear interest at one or more interest rates which are known at the time the bonds are issued. While a Fixed Rate Bond can have more than one interest rate, the date on which the interest rate changes and the new interest rate itself must be specified with certainty.

**Fixed Rate Mortgage:**

A mortgage with an interest rate that does not change during the entire term of a loan.

**Fixed Rate Swap:**

An interest rate swap where the issuer (client) makes payments based on a fixed rate and receives payments based on a floating rate index from the swap provider. Typically used in conjunction with variable rate debt to create synthetic fixed rate exposure.

**Floating Leg:**

Payment stream in a swap that depends on some short-term interest rate index. Common indices used in tax-exempt swaps are the BMA Index and LIBOR (defined below). The interest rate changes for each accrual period of the swap and depends on where the floating rate index sets for that period.

**Floating Rate Bonds:**

See "Variable Rate Bonds".

**Foreclosure:**

A legal action that terminates all ownership rights in a home when the homebuyer fails to make the mortgage payments or is otherwise in default under the terms of the mortgage.

**Forward Commitment:**

Pool of funds that is purchased upfront by the lender for the developer, from which individual borrower loans may be made.

**Freddie Mac (FHLMC):**

Federal Home Loan Mortgage Corporate is one of the two private corporations whose charter is authorized and guaranteed by (on an annual appropriations basis) the Federal Government. Their charge is to provide liquidity to mortgage lenders by providing a guaranty to mortgage loans which gives them liquidity in the secondary mortgage market.

**Funding:**

Payment of loan money by a lender to a borrower so that it can purchase real estate. Also, the payment of money by investors to lenders in return for mortgages sold to them by the lender.

**General Obligation Bond:**

A type of security which is evidence of a debt secured by all revenues and assets of an organization.

**Ginnie Mae (GNMA):**

The Government National Mortgage Association is a wholly owned corporate instrumentality of the United States within the Department of Housing and Urban Development. GNMA is charged with providing a guaranty to mortgage-backed securities which are backed by a pool of mortgage loans insured by FHA, VA or USRD.

**Hardest Hit Fund (also known as Keep Your Home California):**

A four-part program of the federal government (U.S. Treasury) under which CalHFA has been allocated just under \$2 billion to assist California borrowers that are experiencing financial hardship.

**Housing Assistance Program (HAP) Contracts:**

Created under Section 8 and entered into between HUD and the project owners originally for periods between 20 and 40 years. The contracts specify the rent levels to be supported by the government and subsidy. Expiring contracts may currently be renewed at adjusted rent levels for a period of one to five years under the Multi-family Assisted Housing Reform and Affordability Act of 1997 (MAHRA).

**Housing Finance Agency (HFA):**

A state or local agency responsible for the financing of housing and the administration of subsidized housing programs.

**ISDA:**

International Swaps and Derivatives Association is the principal trade group for swaps and derivatives dealers as well as allied organizations.

**Indenture:**

The legal instrument that describes the bonds and the pledge of assets and revenues to investors. The indenture often consists of a general indenture plus separate series indentures describing each issuance of bonds.

**Industrial Development Bond (IDB):**

A form of tax exempt private activity bond which is issued through state and local government agencies to assist manufacturing facilities in financing capital expenditures.

**Institutional Investor:**

An investor which is not investing their own personal funds but who is investing either corporate funds or funds of multiple individuals.

**Interest Payment Date:**

The date on which interest is paid back on the bonds. Typically, single family mortgage revenue bonds pay interest with semi-annual interest payment dates.

**Interest Rate:**

The annual percentage of the principal amount payable for the use of borrowed money.

**Interest Rate Cap:**

A financial instrument which pays the holder when market rates exceed the cap rate. The holder is paid the difference in rate between the cap rate and the market rate. Used to limit the interest rate exposure on variable rate debt.

**Interest Rate Swap:**

An exchange between two parties of interest rate exposures from floating to fixed rate or vice versa. A fixed-payer swap converts floating rate exposure to a fixed rate.

**Investment Banker:**

A firm or an individual member of a firm that underwrites new issues of municipal securities.

**Investment Grade:**

The broad credit designation given bonds which have a high probability of being paid. Such bonds have few, if any, speculative features and are rated at least "Baa" by Moody's Investors Service or "BBB" by Standard and Poor's. Bank examiners require that most bonds held in bank portfolios be investment grade.

**Issuer:**

A government instrumentality which is authorized to sell bonds to investors and to obligate themselves or enter into indentures for the repayment of the bonds.

**Issuer's Counsel:**

A lawyer or group of lawyer's hired by the Issuer to represent the Issuer's interest in all of the agreements which the Issuer will enter into to complete a bond transaction.

**Lender:**

An intermediary which is authorized to underwrite mortgage loans to either FHA, VA, USRD, of FHLMC standards, to fund such mortgage loans, and to sell them to a secondary market source.

**LIBOR:**

London Interbank Offered Rate. The interest rate highly rated international banks charge each other for borrowing U.S. dollars outside of the U.S. Taxable swaps often use LIBOR as a rate reference index.

LIBOR swaps associated with tax-exempt bonds will use a percentage of LIBOR as a proxy for tax-exempt rates.

**Loan Commitment:**

An agreement, often in writing, between a lender and a borrower, to loan money at a future date, subject to specified conditions. In secondary marketing, an agreement, in writing, between a lender and an investor to buy and sell mortgages under specific terms.

**Loan Modification:**

The terms of a loan are modified to make payments more affordable to borrowers facing financial hardship and/or loans current by paying or capitalizing arrearages.

**Locality:**

Local governmental agency that provides homebuyer assistance in conjunction with CalHFA.

**Low Income:**

Family income that does not exceed 80% of area median income adjusted for family size.

**Market Risk:**

The risk that market movements cause the mark-to-market value of the swap to move against the issuer. Market risk exposes the issuer to the possibility that it will have to make a payment if it wants to terminate the swap early.

**Market-to-Market:**

Valuation of securities or swaps to reflect the market values as of a certain date. Represents liquidation or termination value.

**Mark-to-Market Value:**

The market value of the swap. Compares the fixed rate in the existing swap to the on-market mid rate for a replacement swap. This difference is multiplied by the present value of a basis point. Reflects whether the issuer is paying (or receiving) an above-market rate in its existing swap. For fixed rate swaps, if the issuer is paying an above market rate, the mark-to-market value will be negative. For floating rate swaps, if the issuer is receiving an above market rate, the mark-to-market value will be positive. Mark-to-market values are not the same as the Termination Value.

**Maturity Date:**

The date on which the principal amount of a bond must be repaid to the investor.

**Moderate Income:**

Family income that does not exceed 120% of Area Median Income adjusted for family size. (see Area Median Income).

**Mortgage-Backed Security (MBS):**

Securities which are backed by pools of mortgage loans and are guaranteed by GNMA, FNMA, or FHLMC.

**Mortgage Guarantor:**

FHA for an FHA Mortgage Loan, the Veteran's Administration of VA Mortgage Loans, USRD for USRD Mortgage Loans, a Primary Insurance Provider, FNMA or FHLMC for conventional mortgage loans.

**Mortgage Insurance (MI or PMI):**

Insurance needed for mortgages with low down payments (usually less than 20% of the price of the home), and high LTVs, to protect the lender if the borrower defaults.

**Mortgage Origination Agreement:**

An Agreement between the Issuer, the Lenders, and the Servicers and/ or Master Servicer which sets out the program features for qualifying Mortgages, the terms under which the Mortgages can be originated, and the terms under which they will be sold to the Servicer.

**Mortgage Reserve Fund:**

A pool of funds invested pursuant to an Indenture which are to be utilized to pay any losses associated with a portfolio of mortgage loans.

**Mortgage Revenue Bond (MRB):**

Bonds issued by a public entity to fund mortgage or property development. The bonds are retired with proceeds from mortgages funded by the bonds.

**Negative Arbitrage:**

The cost associated when in a single family mortgage revenue bond issue the earnings rates on the program investments are less than the average bond coupon rate.

**Negotiated Sale:**

The sale of a new issue of municipal securities by an issuer through an exclusive agreement with a previously selected Underwriter or Underwriting Syndicate. A negotiated sale should be distinguished from a competitive sale, which requires public bidding by underwriters. Primary points of negotiation for the Issuer are the interest rate and purchase price, which reflect the Issuer's costs of offering its securities in the market. The sale of a new issue of bonds in this manner is also known as a negotiated underwriting.

**Netting of Payments:**

Swap payments are netted on each swap payment date so that cash flow only goes in one direction. In swaps where the accrual periods are different, the payments are only netted when the two payment dates for the two swap legs correspond.

**Non-Origination Redemption:**

A bond redemption which is funded with the bond proceeds which have not been used to purchase mortgage loans or mortgage-backed securities.

**Non-Profit and Self-Help Developers:**

New construction developer/partners approved to conduct business with CalHFA

**Notice of Redemption:**

A publication of the Issuer's intention to call outstanding bonds prior to their stated maturity dates, in accordance with the bond contract.

**Notional:**

Principal amount in swap transactions used to calculate interest payments. Notional amount is never exchanged. Periodic swap payments and the mark-to-market value (defined below) of the swap depend on the notional amount.

**Notional Amount:**

The principal amount on which the exchanged swap interest payments are based.

**Paying Agent/Registrar:**

The entity which is responsible for keeping track of which investors own bonds and for making debt service payments to them.

**Payment Shock:**

A scenario in which monthly mortgage payments on a loan adjust and/or rise so high that the borrower may not be able to afford the payment.

**Primary Market:**

The market in which bonds are purchased and sold on their delivery date.

**Primary Mortgage Insurance:**

A policy of insurance issued by a private mortgage insurer providing for coverage on losses realized as a result of default in payment of principal of and interest on a mortgage loan.

**Private Activity Bond:**

A bond for which more than 10% of the Bond Proceeds are to be used directly or indirectly in a trade or business carried on by persons other than governmental units, and for which more than 10% of the debt service on the bonds is directly or indirectly secured by a private business. Private Activity Bonds are taxable unless specifically exempted. As used in reference to single family housing issues, Private Activity Bonds refer to Exempted Private Activity Bonds which are Private Activity Bonds for which there is a specific exemption from the normal taxable rule. The Tax Reform Act of 1966 grouped mortgage revenue bonds with all other categories of Exempted Private Activity Bonds and set a cap on the amount of such bonds which could be issued in one year. As a result of the intense competition for Private Activity Volume Cap, the available supply of tax-exempt bonding authority is significantly exceeded by the demand.

**Private Mortgage Insurance:**

See Mortgage Insurance.

**Public Housing Agency:**

Organization created by local government which administers HUD's Low-Income Public Housing Program and other HUD Programs.

**Rating:**

Evaluations of the credit quality of notes and bonds usually made by independent rating services, although many financial institutions also rate bonds for their own purposes. Ratings generally measure the probability of the timely repayment of principal of and interest on municipal bonds. Ratings are initially made before issuance and are continuously reviewed and may be amended to reflect changes in the Issuer's credit position. The information required by the rating agencies varies with each bond issue but generally includes demographics, debt burden, economic base, finances, and management structure. The information is evaluated and the issue is assigned a letter rating which reflects the creditworthiness of the bonds. The higher the credit rating, the more favorable the effect on the marketability of the bond.

**Rating Agency:**

A private corporation which analyzes bond issues and assigns a Rating to indicate to prospective bondholders the investment quality of the issue. There are currently three nationally recognized rating agencies: Stanford & Poor's Corporation, Moody's Investors Service, and Fitch Investor's Service.

**Real Estate Assessment Center (REAC) Score:**

A HUD-developed score on a scale from 1 to 100 which rates the overall physical condition of an apartment project.

**Real Estate Owned (REO):**

Financed properties taken back by CalHFA due to foreclosure.

**Real Estate Professional:**

An individual who provides services in buying and selling homes. The real estate professional is paid a percentage of the home sales price by the seller. Unless the buyer has specifically contracted with a buyer's agent, the real estate professional represents the interest of the property seller. Real estate professionals may be able to refer a prospective buyer to local lenders or mortgage brokers, but are generally not involved in the lending process.

**Realtor:**

A REALTOR® is a real estate agent or broker who is a member of the National Association of Realtors and adheres to the Association's Code of Ethics. All REALTOR®S are brokers/salespersons, but not all brokers/ salespersons are REALTOR®s.

**Real Estate Owned (REO):**

Property that has been foreclosed upon by the lender when a buyer defaults on a loan.

**Redevelopment Agency:**

A general term for a local agency overseeing community redevelopment.

**Refinance:**

Obtaining a new mortgage with all or some portion of the proceeds used to pay off the original mortgage.

**Refunding:**

Use of the proceeds of one bond issue to pay for the redemption or maturity of principal of another bond issue.

**Refunding Bond:**

A bond which is being issued, the proceeds of which will be used to redeem outstanding bonds within 90 days from the delivery date of the refunding bonds.

**Restricted Yield:**

While the proceeds of a tax exempt bond issue which are not invested in Mortgage Loans or Mortgage Backed Securities can be invested at a yield which is higher than the yield on the tax exempt bonds, the earnings which represent the difference between the invested yield and the Bond Yield have to be rebated to the Federal Government. The Bond Yield is therefore the "Restricted Yield" for these types of investments.

**Revenue Bonds:**

Bonds payable from a specific source of revenue and which do not pledge the full faith and credit of the Issuer. Revenue bonds do not permit the bondholders to compel taxation or legislative appropriation of funds not pledged for payment of debt service. Pledged revenues may be derived from the operation of the financed project, grants, and excise or other specified non-ad valorem taxes. Generally, no election is required prior to issuance or validation of revenue bonds.

**Secondary Market:**

The market in which bonds are purchased after the delivery date.

**Section 8:**

Program established under the U.S Housing Assistance Act that authorized the Department of Housing and Urban Development (HUD) to pay rental subsidies to owners of qualified housing on behalf of eligible tenants. The program was repealed in 1983 under the Housing and Urban-Rural Recovery Act, but the federal subsidy contracts entered into prior to 1983 continue to carry ongoing obligations for the remaining terms of their contracts.

**Securities and Exchange Commission (SEC):**

The Federal Agency responsible for supervising and regulating the securities industry. Generally, municipal securities are exempt from the SEC's registration and reporting requirements. However, the SEC has responsibility for the approval of Municipal Securities rulemaking Board rules, and has jurisdiction, pursuant to SEC Rule 10b-5, over fraud in the sale of municipal securities.

**Serial Bond:**

A bond which is typically sold as a relatively short maturity and which has a principal payment only paid on its maturity date.

**Series of Bonds:**

An issuance of bonds under a general indenture with similar characteristics, such as delivery date or tax treatment. Example: "Name of Bonds", 1993 Series A. Each series of bonds has its own series indenture.

**Servicer:**

Institution acting for the benefit of the certificate holders in the administration of mortgage loans. Functions include collection of payments from borrowers, advancing funds for delinquent loans and taking defaulted properties through the foreclosure process.

**Servicing Agreement:**

The agreement between the Issuer, the Trustee, and the Lenders which explains the terms under which mortgage loans will be purchased by the Servicer or Master Servicer as well as the responsibilities of the Servicer throughout the life of the mortgage loans.

**Short Sale:**

Less than full indebtedness accepted as loan payoff

**Special Needs Population:**

Specific market niche that is typically not catered to in a conventional apartment property. This population should meet certain criteria, which are generally well defined, and should require supportive services in order to remain stable in independent housing. Examples of special needs populations include: persons with mental illnesses, persons with HIV/AIDS, visually impaired person or persons with mobility limitations.

**Surplus Revenues:**

Those funds within an Indenture which are available to pay debt service no an interest payment date but are not needed to pay the scheduled debt service.

**Synthetic Fixed Rate Debt:**

Converting variable rate debt into a fixed rate obligation through the use of fixed-payer interest rate swaps.

**Taxable Bond:**

A bond where the interest is not exempt from Federal Income Tax.

**Tax-Exempt Bond:**

A bond where the interest is exempt from Federal Income Tax.

**Tax Exempt Bridge Loan:**

A multifamily tax exempt loan that is available for construction or acquisition and rehabilitation of housing developments; bridges between construction loans and permanent financing.

**Term Bond:**

A bond with a stated maturity, but which may be subject to redemption from sinking fund installments. Usually of longer maturity than serial bonds.

**Underwriting:**

The analysis of the risk involved in making a mortgage loan to determine whether the risk is acceptable to the lender. Underwriting involves the evaluation of the borrower's ability and willingness to repay the loan as well as the evaluation of the property as outlined in the appraisal report.

**VA Loan:**

Mortgage loan made by an approved lender and guaranteed by the U.S. Department of Veterans Affairs. VA loans are made to eligible veterans and those currently serving in the military and can have a lower down payment than other types of loans.

**Variable Rate Bonds (or "Floating Rate Bonds"):**

Bonds on which the coupon rate can either change to a non-predetermined rate on a known date or dates, or on which the coupon rate can change to a known rate on an unknown date or dates.

**Very Low Income:**

Person or household whose gross household income does not exceed 50 percent of Area Median Income adjusted for household size.

**Warehouse Agreement:**

An agreement in which a third party purchases mortgage loans or mortgage-backed securities and holds them for ultimate sale to the Trustee on a prescribed date. Warehouse Agreements are typically utilized to allow for an Issuer to obtain a higher rate of interest on the Acquisition Fund Investment Agreement, thus reducing negative arbitrage.

**Warehouse Bank:**

A bank that lends funds to other banks. Warehouse Lender: A short-term lender for mortgage bankers. Using the note as collateral, the warehouse lender provides interim financing until the mortgage is sold to a permanent investor.

**Whole Loans:**

Mortgage loans which are not included in mortgage-backed securities. Whole loans do not have a GNMA, FNMA or FHLMC guaranty.

