

RESOLUTION 14-05
AGENCY BUSINESS PLAN
FISCAL YEAR 2014/15

WHEREAS, pursuant to the Zenovich-Moscone-Chacon Housing and Home Finance Act ("Act"), the California Housing Finance Agency ("Agency") has the authority to engage in activities to reduce the cost of mortgage financing for home purchase and rental housing development, including the issuance of bonds and the insuring of mortgage loans;

WHEREAS, the Agency's statutory objectives include, among others, increasing the range of housing choices for California residents, meeting the housing needs of persons and families of low or moderate income, maximizing the impact of financing activities on employment and local economic activity, and implementing the objectives of the California Statewide Housing Plan;

WHEREAS, while the improving California economy and real estate markets continue to present opportunity for the Agency, financial challenges remain within changing credit and capital markets;;

WHEREAS, the Agency must responsibly manage real estate related risk and liquidity for operating expenses and financial obligations;

WHEREAS, the Agency has presented to the Board of Directors a Business Plan, for fiscal year 2014/15, with its goals, key strategies and action items designed to assist the Agency meet its financial obligations, its statutory objectives, support the housing needs of the people of California and to provide the Agency with the necessary road map to continue its reemergence as a leading affordable housing lender providing bond financing and mortgage financing well into the future;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Agency as follows:

1. The 2014/15 Business Plan, as presented by the written presentation attached hereto and made a part hereof, and any additional presentations made at the meeting, is hereby fully endorsed and adopted.

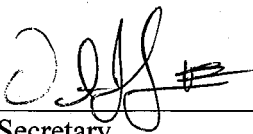
2. In implementing the Business Plan, the Agency shall strive to satisfy all the capital adequacy, liquidity reserve, credit and other reserve and any other requirements necessary to maintain the Agency's general obligation credit ratings and the current credit ratings on its debt obligations, to comply with the requirements of the Agency's providers of credit enhancement, liquidity, and interest rate swaps and to satisfy any other requirements of

the Agency's bond and insurance programs.

3. The updated Business Plan is necessarily based on various economic, fiscal and legal assumptions. Therefore, for the Agency to respond to changing circumstances, and subject to the provisions of Resolution 11-06, the Executive Director shall have the authority to adjust the Agency's day-to-day activities to reflect actual economic, fiscal and legal circumstances to attain goals and objectives consistent with the intent of the updated Business Plan.

I hereby certify that this is a true and correct copy of Resolution 14-05 adopted at a duly constituted meeting of the Board of the Agency held on May 13, 2014, in Sacramento, California.

ATTEST:


Secretary

Attachment

CalHFA Strategic Business Plan FY2014-2015

Mission: To create and finance progressive housing solutions so more Californians have a place to call home.

Strategy

Goals of Organization:

- CalHFA:**
- 1) Stabilize the Agency's balance sheet. Improve operational efficiency. 1-5
 - 2) Reinvigorate lending activities. Grow the Agency's balance sheet. 6-9
 - 3) Re-organize State-level housing policy and resources. 10-11
 - 4) Pursue new sources of capital and revenue and investigate new business opportunities

KYHC: 5) Help prevent avoidable foreclosures by providing assistance to eligible homeowners who have financial hardship and/or significant negative equity 12

Key Strategy	Action Items	Due Dates	Team Leader	Policy Considerations
1 Increase stability of capital structure and liquidity position.	A Reduce VRDO (variable rate bonds supported by US Treasury letter of credit) balance by \$450Mn.	02/01/15	Tim	
	B Reduce swap notional balance by \$200Mn.	02/01/15	Tim	
2 Reduce balance sheet risk by increasing loss mitigation efforts in the single family portfolio.	A Aggressively apply: i) CalHFA collections strategies; ii) CalHFA Loss Mitigation options to newly acquired Bank of America serviced loans	ongoing	Nick	
	B Prepare a list of actionable recommendations for each servicer defining CalHFA's loss mitigation options. Audit to ensure a high level of participation.	ongoing	Nick	
	C Refine loss mitigation process and identify ways to streamline the process.	04/01/14	Nick	
	D Develop a unified servicer administration system to ensure compliance and timely reporting.	10/01/14	Nick	
	E Update CalHFA Servicer Guide.	12/31/14	Nick	
	F Aggressively mine CalHFA's loan portfolio to increase participation in KYHC's PRP (Principal Reduction Program).	03/10/14	Nick	
	G Allow outside servicers to use the FHA HAMP Loan Modification Programs (to lower rates and/or extend terms).	03/07/14	Nick	
3 Reorganize and increase operational efficiencies and infrastructure to better position the Agency for future business opportunities.	A Train managers and supervisors to effect succession planning	ongoing	Jackie	
	B Develop best practices for talent management and strategic hiring	ongoing	Jackie	
	C Develop a master plan for a flexible workforce (internal CalHFA and possibly in relation to HCD)	ongoing	Jackie	
	D Establish workload standards to control expenses and support the budget process	05/01/14	Jackie	

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4 Develop long-term strategies to monitor and mitigate enterprise risks.	E All divisions shall assess work flow to increase organizational efficiency with emphasis on cost containment.	05/01/14	Jackie	
	A Review: i) Quality Assurance; ii) Risk Management; iii) Internal Controls/Compliance and develop a robust plan to address each topic	10/01/14	Tony	
	B Continue to integrate the enterprise risk management effort into CalHFA's business processes. Formalize strategies for managing Agency risks.	10/01/14	Tony	
5 Agency-wide IT integration of data collection, flow and reporting	A Determine divisional data requirements	08/31/14	Liane	
	B Prioritize needs and define deliverables and scope	10/31/14	Liane	
	C Ensure existing and future data is accessible from a common platform and compliant with the already adopted Enterprise Architecture	01/31/15	Liane	
	D Design the Data Warehouse and Database	06/30/15	Liane	
	E Extract / Cleanse / Transform / Verify Data in the Data Warehouse	09/30/15	Liane	
	F Create user interface and reporting systems	06/30/16	Liane	
6 Generate income via multifamily lending opportunities.	A Pursue preservation and recapitalization of portfolio and non-portfolio projects. Target \$130Mn (Low: \$57Mn; Moderate \$130Mn; High: \$200Mn) by the end of FY2014-15	06/30/15	Jim	Preservation of affordable housing stock
	i) Seeking approval to implement 35/17 HUD Risk Share program, targeting experienced tax-credit developers.	07/01/14	Jim	Preservation of affordable housing stock
	ii) Implement HUD Risk Share permanent loan program	07/01/14	Jim	Preservation of affordable housing stock

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Key Strategy	Action Items	Due Dates	Team Leader	Policy Considerations
	<ul style="list-style-type: none"> iii) Determine next phase of the MHSA (Mental Health Services Act) Program. Current draft bill (AB1929) under consideration. Collaborate with Dept of Health Care Services and HCD to provide technical support. iv) Determine viability and possible implementation of HUD Risk Share Construction loan program v) Apply to HUD's national office in DC to become a MAP (Multifamily Accelerated Processing) Lender. vi) Collaborate with HCD and CalVets to expand multifamily housing opportunities for veterans (AB 639 / Proposition 41). 	<ul style="list-style-type: none"> 05/01/14 FY15-FY16 09/01/14 01/15/15 	<ul style="list-style-type: none"> Jim Jim Jim Jim 	<ul style="list-style-type: none"> Permanent Supportive Rental Housing for the mentally ill who are homeless or at risk of homelessness Development and construction of new affordable multifamily units Expand loan product portfolio Permanent Supportive Housing for veterans
B	Continue the MF conduit issuer program. Target \$48Mn (Low: \$24Mn; Moderate \$48Mn; High: \$80Mn)	06/30/15	Jim	
C	Create a multiyear plan to identify the use of the Earned Surplus Funds, RHCP (Rental Housing Construction Program) Funds and FAF (Financial Adjustment Factor) Savings Funds. Goal: multifamily lending/asset management usage waterfall.	Ongoing	Rick/Jim/Chris	Coordinate our plan with the State of CA's Statewide Housing Plan
7	Generate income via single-family lending opportunities.			
A	<ul style="list-style-type: none"> • Revenue targets for 1st mortgage Loans (Low: \$2.2Mn; Moderate \$3.2Mn; High: \$4.9Mn) by the end of FY2014-15 • Revenue targets for DPA loans (Low: \$1.1Mn; Moderate \$1.3Mn; High: \$1.6Mn) by the end of FY2014-15 	06/30/15	Ken	Provide qualified borrowers additional savings realized by owning vs renting

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	B Introduce Conventional mortgage products	05/15/14	Ken	Provide qualified borrowers additional savings realized by owning vs renting
	C Introduce EEM (energy efficient mortgage) products	05/15/14	Ken	Reduce greenhouse emissions
	D Offer CalHFA mortgage products to non-first time homebuyers	07/01/14	Ken	Provides homeowners the opportunity to improve family housing and take advantage of energy efficient opportunities
	E Work with CalVET on offering our TBA Mortgage products and DPA loans. Develop a USDA mortgage product.	08/01/14	Ken	Expand homeownership opportunities for Vets and rural area borrowers
	F Develop a strategy for funding DPA (downpayment assistance) when CHDAP (CA G-O funded DPAs) funding is depleted	9/14 to 7/15	Ken	Assist low to moderate income borrowers with overcoming their #1 hurdle to buying their first home.
	G Develop framework for switching back to a bond funded mortgages	01/01/15	Ken	Provide 1st time homebuyers with a lower interest rates; and rebuild the Agency's balance sheet

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8 Generate income via multifamily asset management opportunities.	H Develop product/program for using the \$9M in recycled HPA (Home Purchase Assistance) funds	7/1/14 to 10/1/14	Ken	Provide a targeted population with additional DPA
	A Identify and evaluate possible multifamily housing needs related to the closure of redevelopment agencies.	12/31/14	Chris	Preservation of affordable housing stock
	B Administer HCD's Tenant Based Rental Assistance (TBRA) for a two year period on a select number of multifamily projects.	07/01/14	Chris	Alignment of State Resources
	C Performance Based Contract Administration (PBCA) on pause. Anticipate another bidding process. Court invalidated the NOFA process for procurement.	ongoing FY15-FY16	Chris	Servicing Federal Program
9 Generate savings in single family loan servicing operations	D Administer the HUD 811 Subsidy Program in collaboration with HCD, DHCS (Dept of Healthcare Services) and TCAC (Tax Credit Allocation Committee). Five year demonstration program focused on transitioning non-elderly disabled persons form nursing facilities to multifamily developments.	05/01/14	Chris	Servicing Federal Program
	A Assess the existing servicing platform (staffing, systems, organizational support) to maximize operational efficiencies	ongoing	Rhonda	
10 Collaboration with HCD on "live" projects (not included in above SF or	B Determined that acquiring more servicing rights through CalHFA as a Master Servicer is not economically feasible	done	Tim/Ken	
	A Assess and enhance the social impact of affordable housing (e.g. educational and health outcomes).	Ongoing	Rick	Smart growth; preservation; healthy community; education

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MF sections)	B Explore opportunities to finance manufactured housing.	07/01/15	Tony	Coordinate our plan with the State of CA's Statewide Housing Plan
	C Provide support to HCD servicing of single-family loans (1st liens and subordinates)	Ongoing	Rhonda	preservation of affordable housing stock; alignment of state resources
	D Streamline multifamily asset management functions and responsibilities	Ongoing	Rick	Enhance operational efficiencies and provide unified statewide housing policies and solutions
	E GRP (Governor's Reorganization Plan) follow-up	Ongoing	Claudia	
	F Finalize affordable housing cost study.	07/01/14	Claudia	
	11 Coordinate HCD and CalHFA functions to meet California's affordable housing needs.	A Finalize executive organizational chart with roles clearly communicated.	Ongoing	Claudia
B Review organizational set up, staff functions and capabilities, funding sources to facilitate ongoing collaboration.		Ongoing	Claudia	Enhance operational efficiencies

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	C Provide technical assistance to legislature and others regarding dedicated sources for affordable housing.	Ongoing	Claudia	Elevate affordable housing presence in state policy and integrate with other initiatives
12 Maximize use of KYHC program funds.	A Collaborate with other public and private sector entities to maximize and leverage potential benefits of foreclosure prevention resources.	Ongoing	Di	
	B Measure program outcomes and assess barriers to eligibility.	Ongoing	Di	
	C Submit program changes as needed to US Treasury to facilitate increased eligibility.	Ongoing	Di	
	D Aggressively market programs to eligible homeowners, community groups and media to expand awareness.	Ongoing	Di	
	E Aggressively pursue and on-board additional servicers.	Ongoing	Di	
	F Monitor program recipients to assess level of homeownership sustainability facilitated by program assistance.	Ongoing	Di	