Update on Income and Cash Inflows vs. Operating Expenses

May 13, 2014

Unaudited FY13-14 cash activities for non-bond assets and liabilities

Where are the non-bond assets and liabilities?

HOUSING FINANCE FUND

HMRB
Special Obligation
(A-/Baa2)

single-family

$762Mn of TCLP-supported VRDOs

CalHFA
General Obligation
(A-/A3)

MF-III
(AA/A1)

multifamily

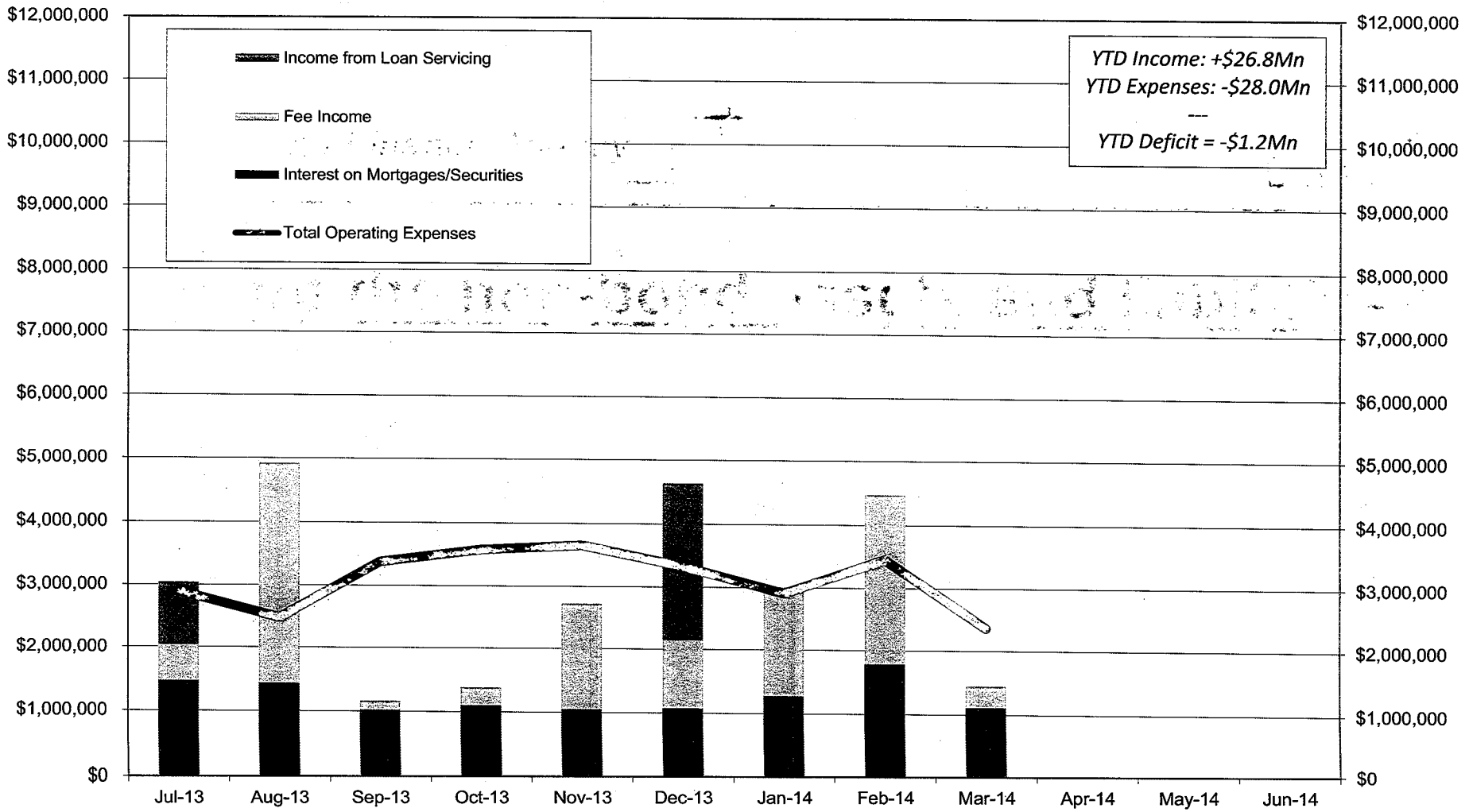
$170Mn of TCLP-supported VRDOs

Non-bond liabilities:
Pays approximately $40Mn of annual operating expenses

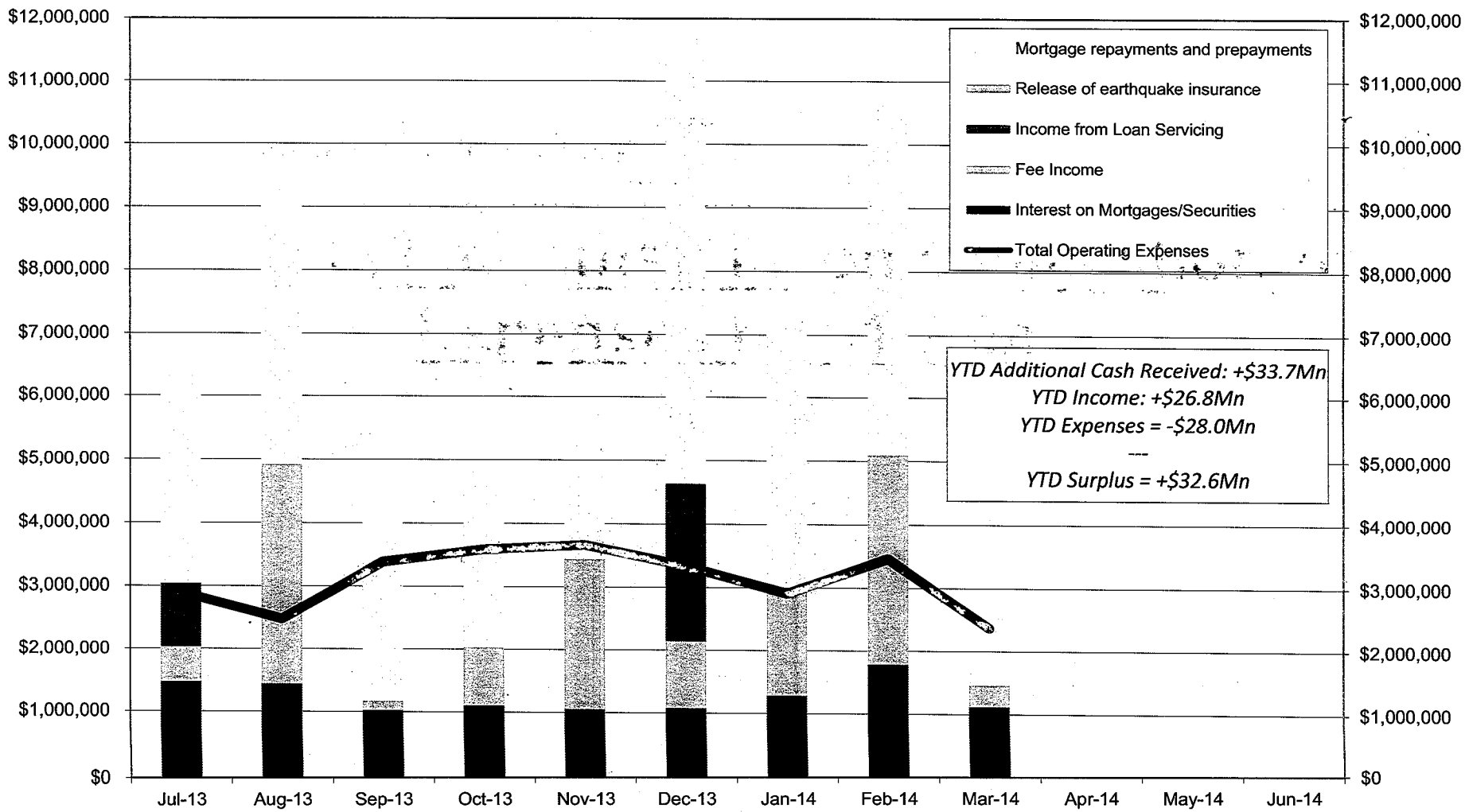
Contract Administration

non-Agency funds

FY13-14 (9 months): Income falls short of Expenses by $1.2Mn



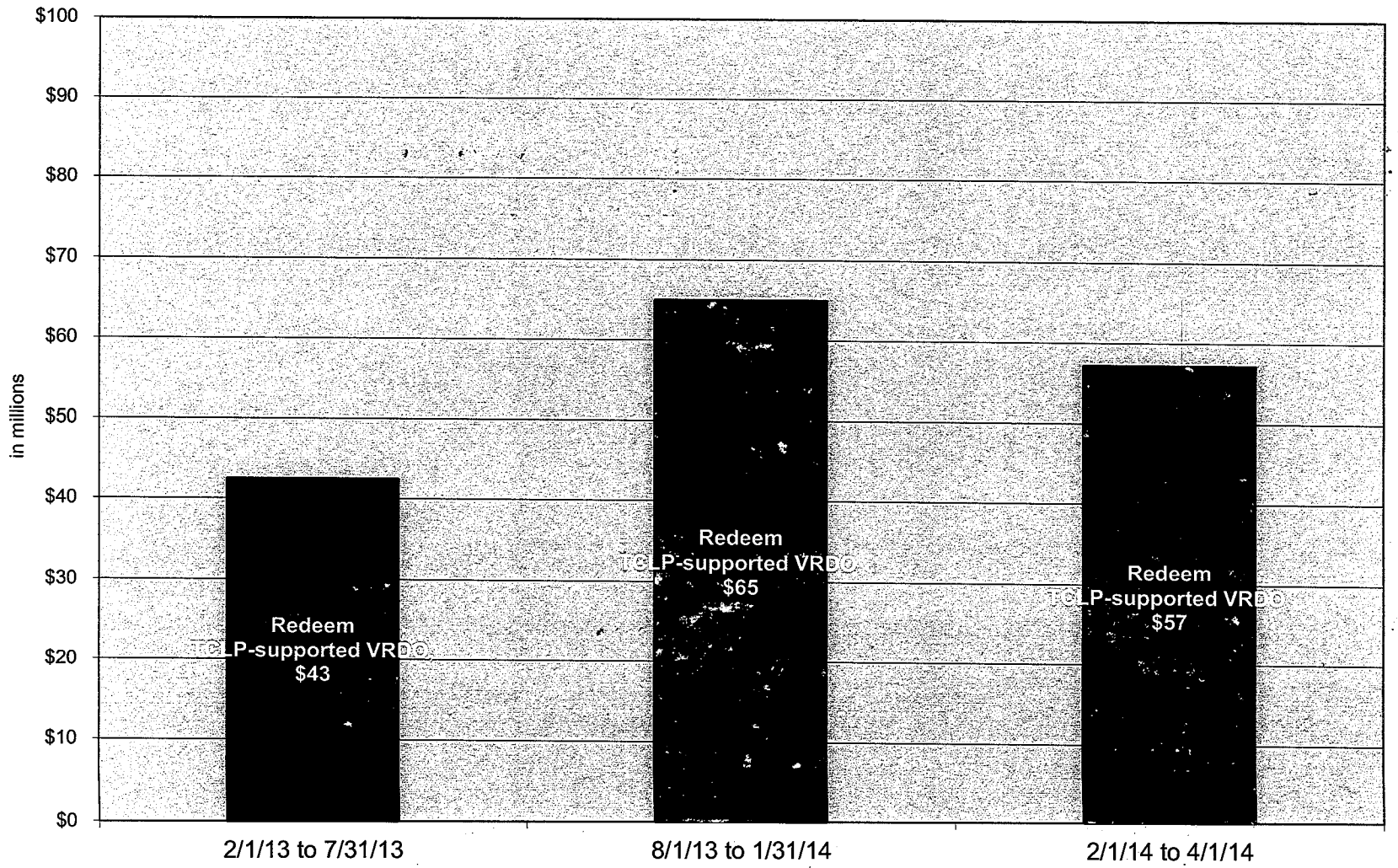
FY13-14 (9 months): Cash Inflows exceed Expenses by $32.6Mn



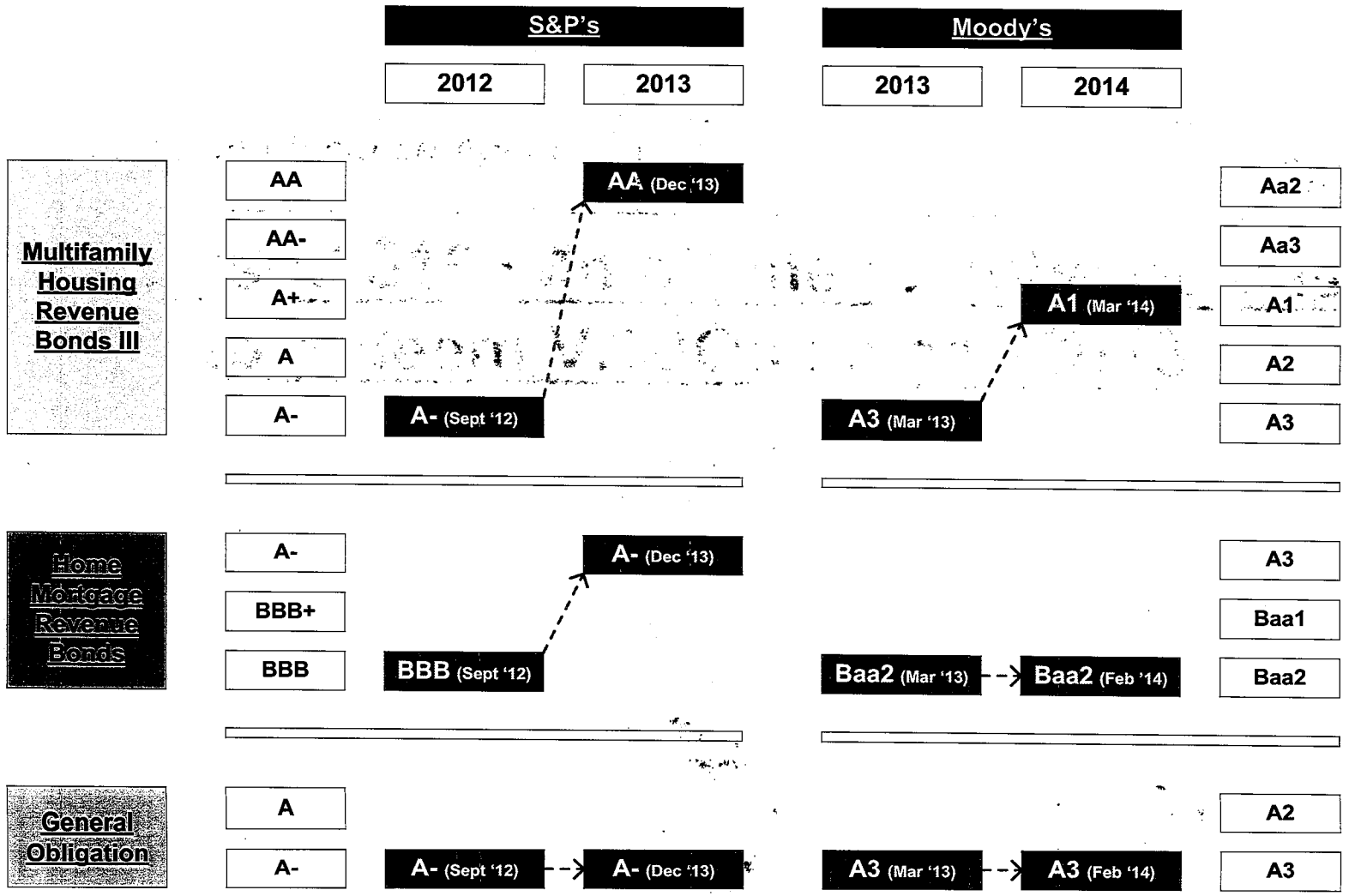
So has the Agency's cash position grown?

Strategic uses of unencumbered cash have bolstered our credit ratings and eliminated reliance on TCLP (expires in Dec 2015)

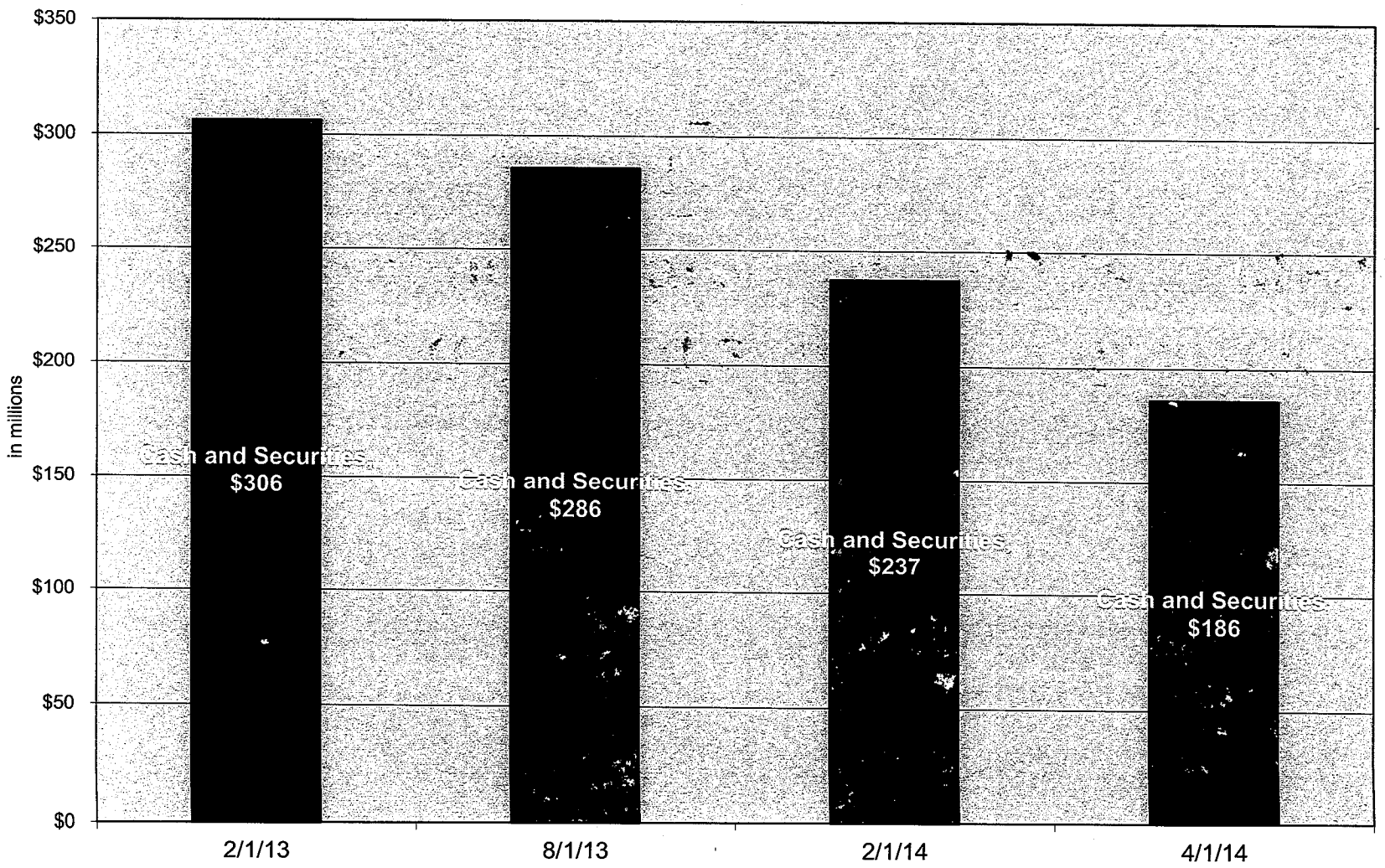
Have used $165Mn of unencumbered cash to redeem VRDOs since 2/1/13



Most redemptions targeted VRDOs in MF-III, which has received significant upgrades



As a result, the Agency's cash position is actually lower



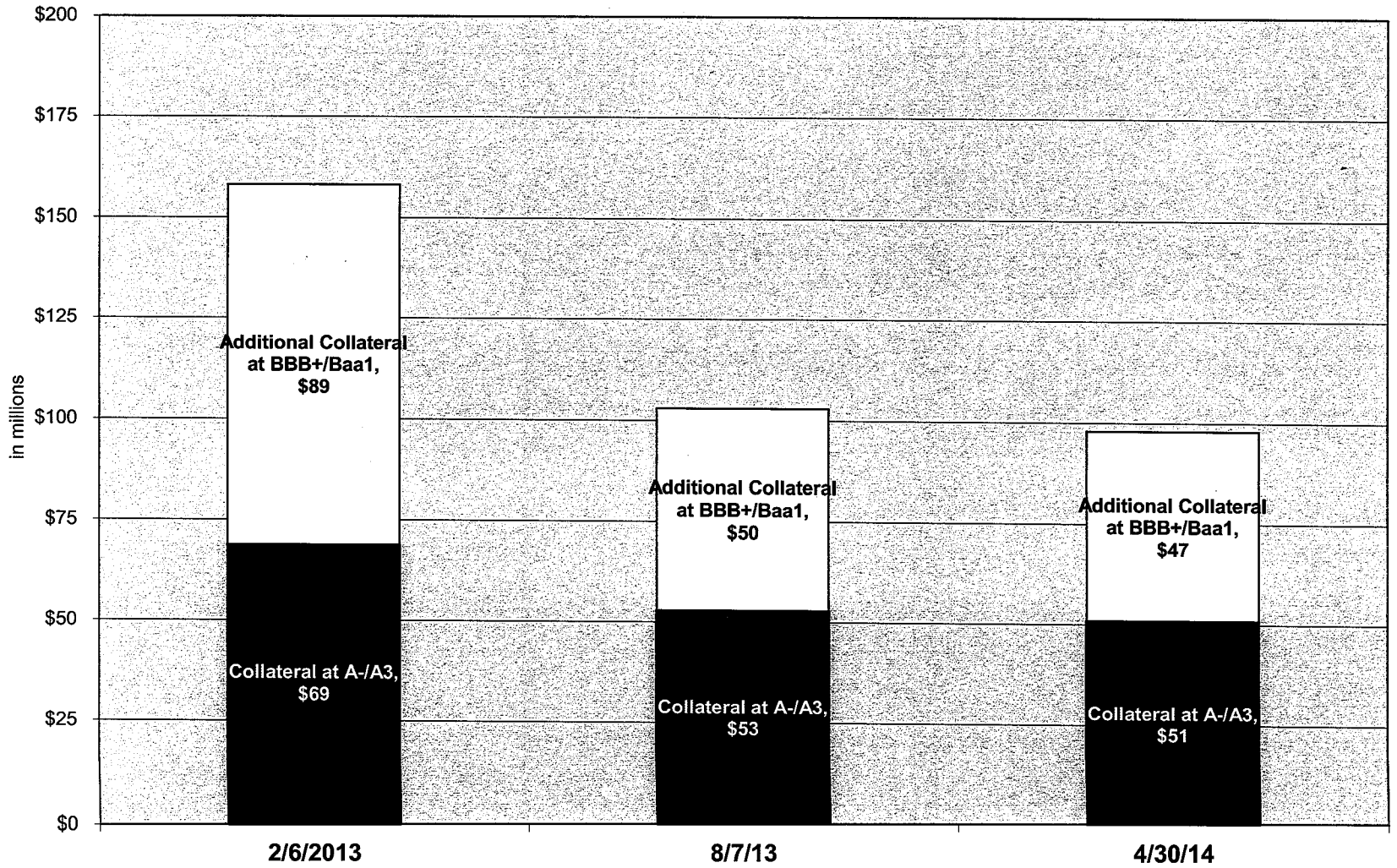
Sources and Uses of unencumbered cash from 2/1/13 to 3/31/14

Cash and Securities 2/1/13: $ 306.0

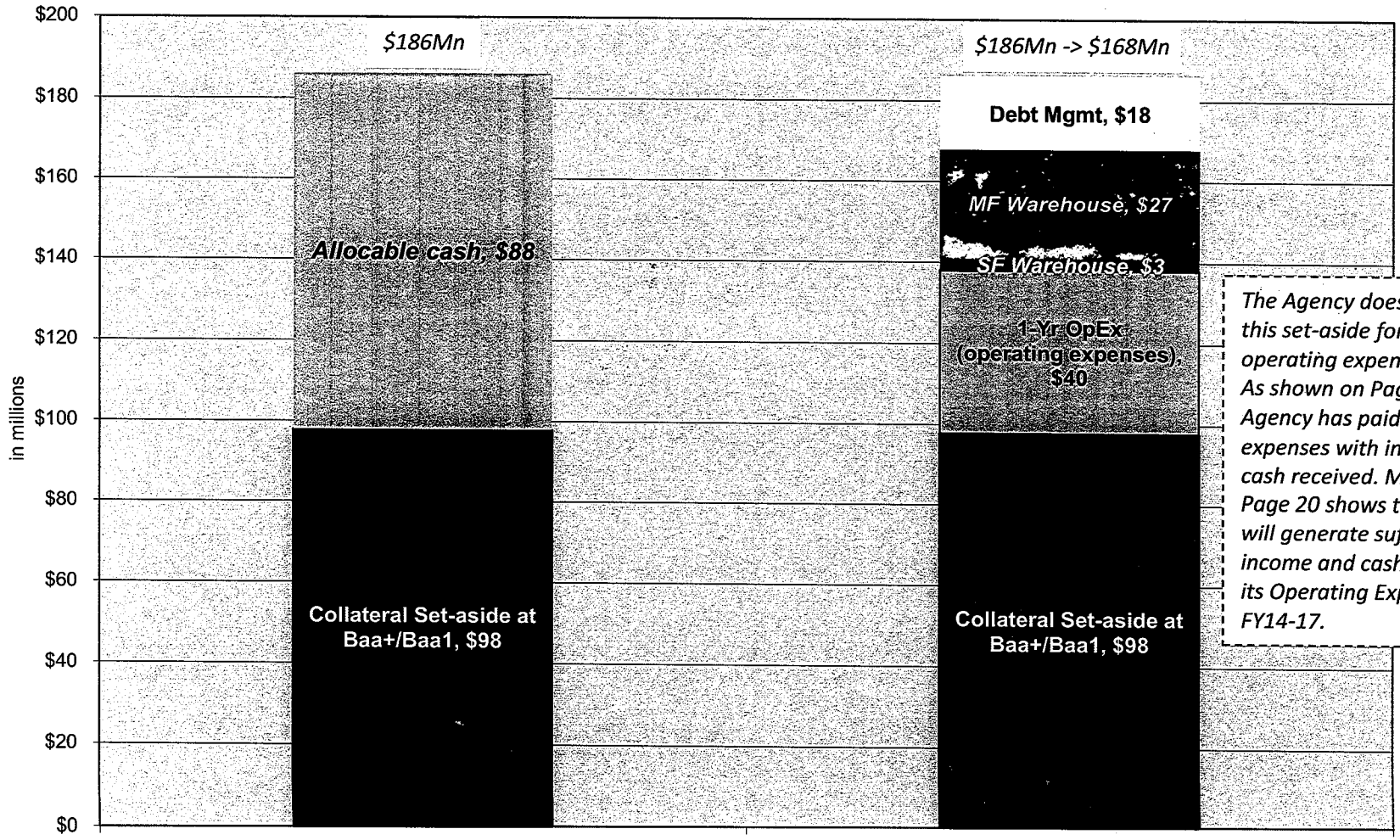
(in millions)	2/1/13 to 6/30/13 *(5 months)*	7/1/13 to 3/31/14 *(9 months)*	Total *(14 months)*
Cash Inflows			
Mortgage repayments and prepayments	$ 11.7	$ 31.8	
Release of Earthquake Insurance	$ 1.8	$ 2.0	
Income from Loan Servicing	$ 1.5	$ 3.5	
Fee income	$ 9.4	$ 12.0	
Interest on mortgages/securities/cash	$ 5.3	$ 11.3	
	$ 29.7	$ 60.6	
Cash Outflows			
Payroll expense (salaries and benefits)	$ (11.3)	$ (19.4)	
Rent (Agency) expense	$ (1.2)	$ (2.0)	
Prorata expense & General Expenses	$ (5.0)	$ (6.6)	
	$ (17.5)	$ (28.0)	
Net Cash Inflows	$ 12.2	$ 32.6	$ 44.8
Redemptions of VRDOs	*$ (34.1)*	*$ (130.5)*	*$ (164.6)*

Cash and Securities 4/1/14: $ 186.2

Decline in collateral posting requirements justifies having a lower cash balance



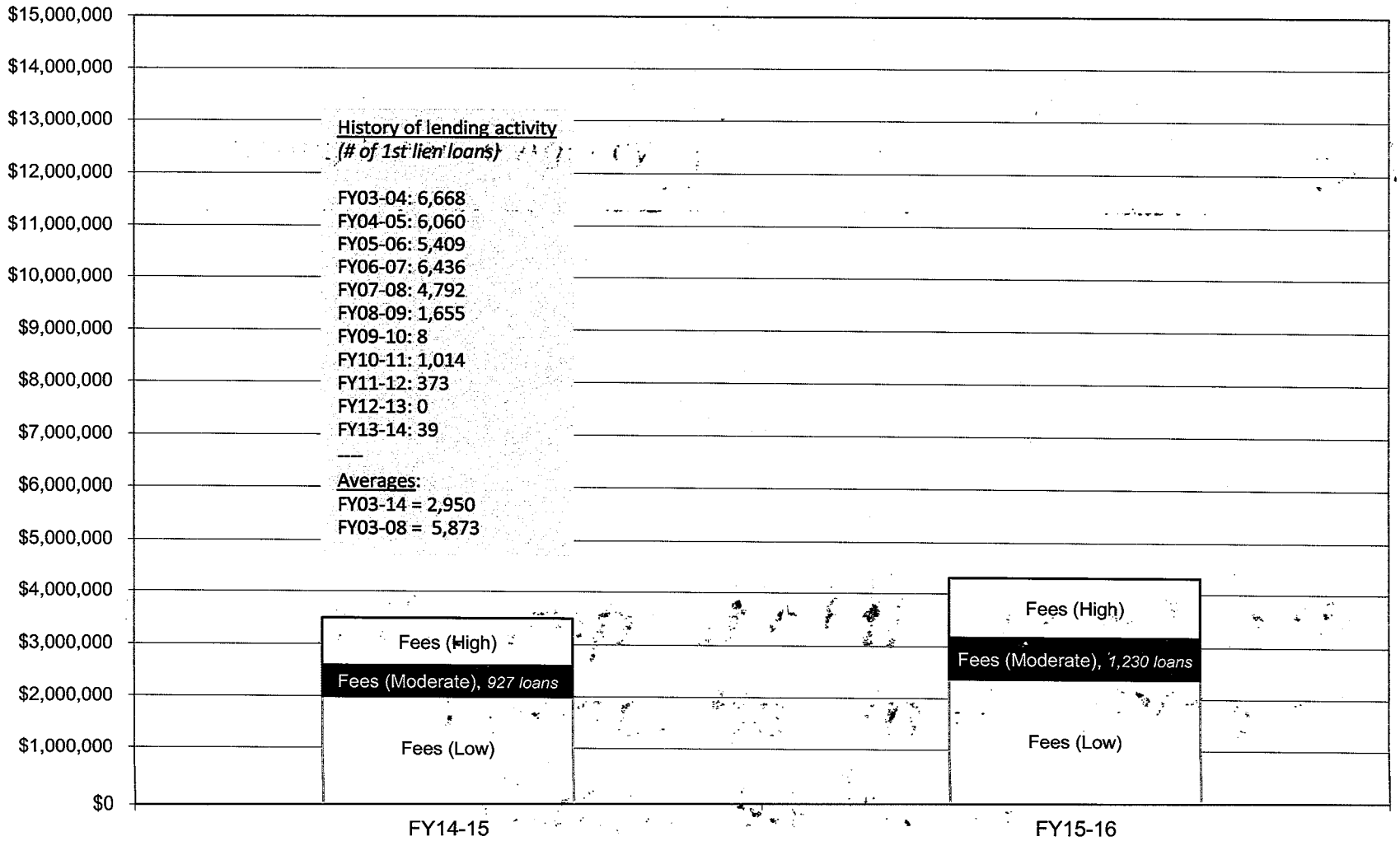
Continue conservative set-aside for collateral risk, but lowering set-aside for OpEx to 1-Year



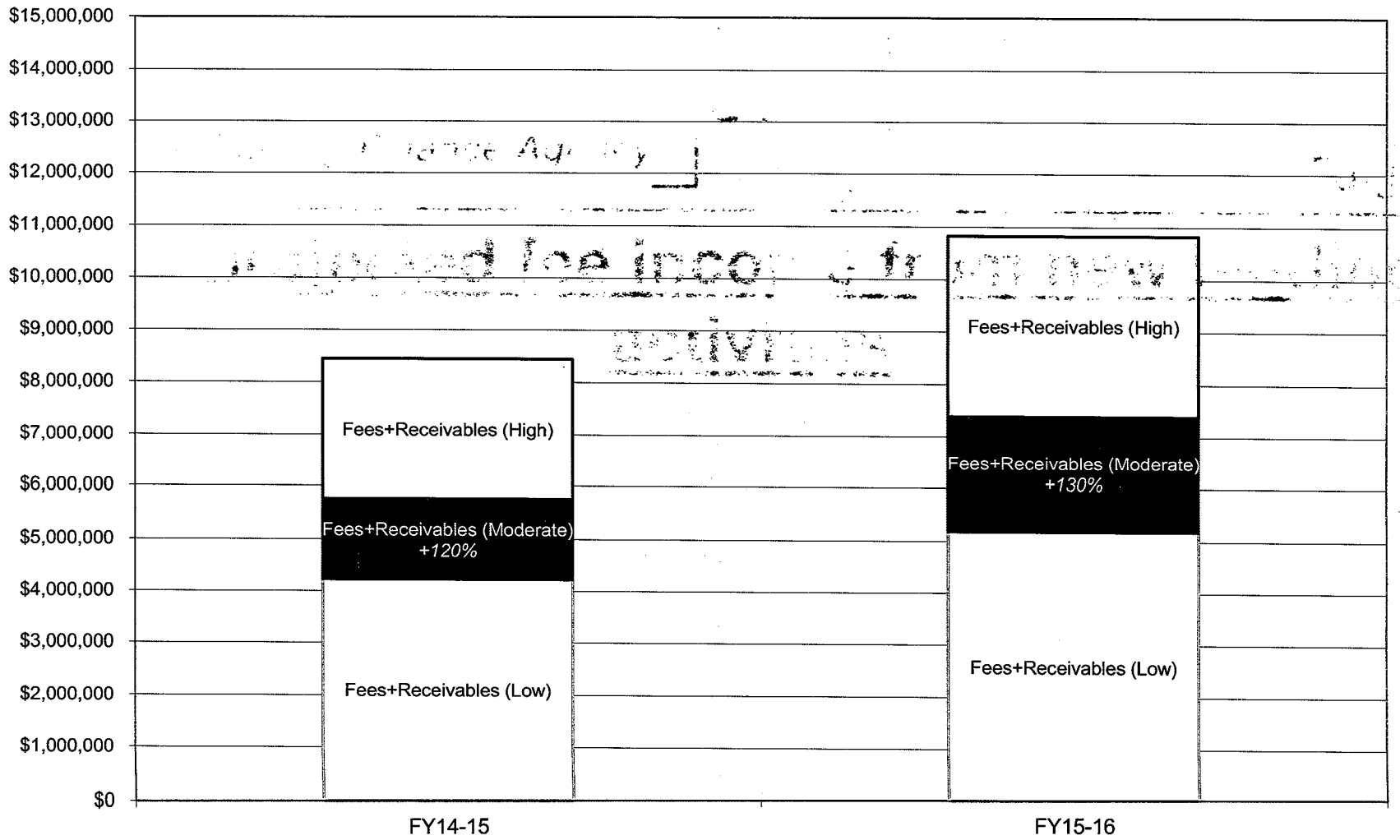
The Agency does not use this set-aside for ongoing operating expenses. As shown on Page 5, the Agency has paid its operating expenses with income and cash received. Moreover, Page 20 shows the Agency will generate sufficient income and cash to pay for its Operating Expenses for FY14-17.

What is the impact of the new lending activities described in the FY14-15 Business Plan?

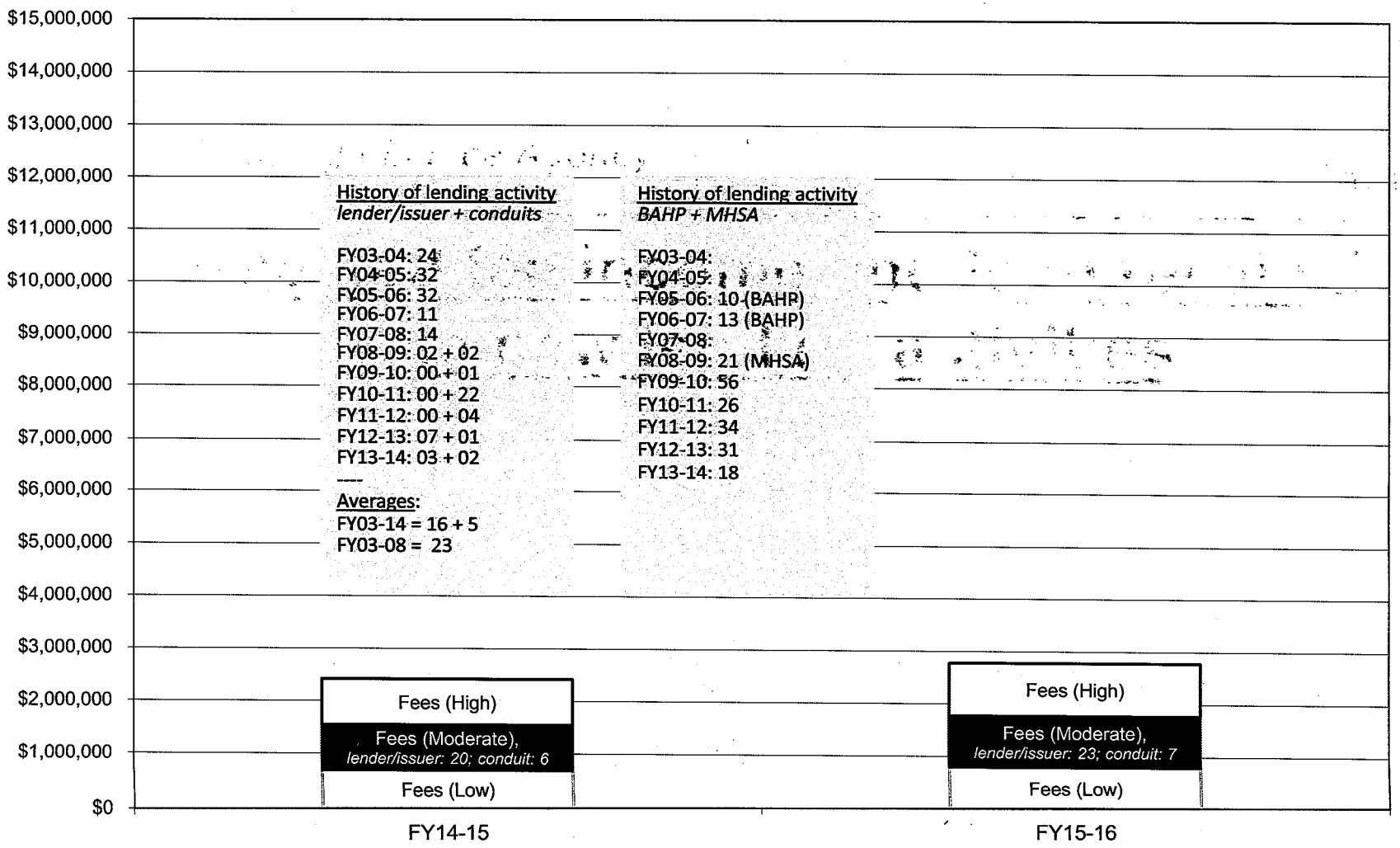
SF: projected fee income from new lending activities



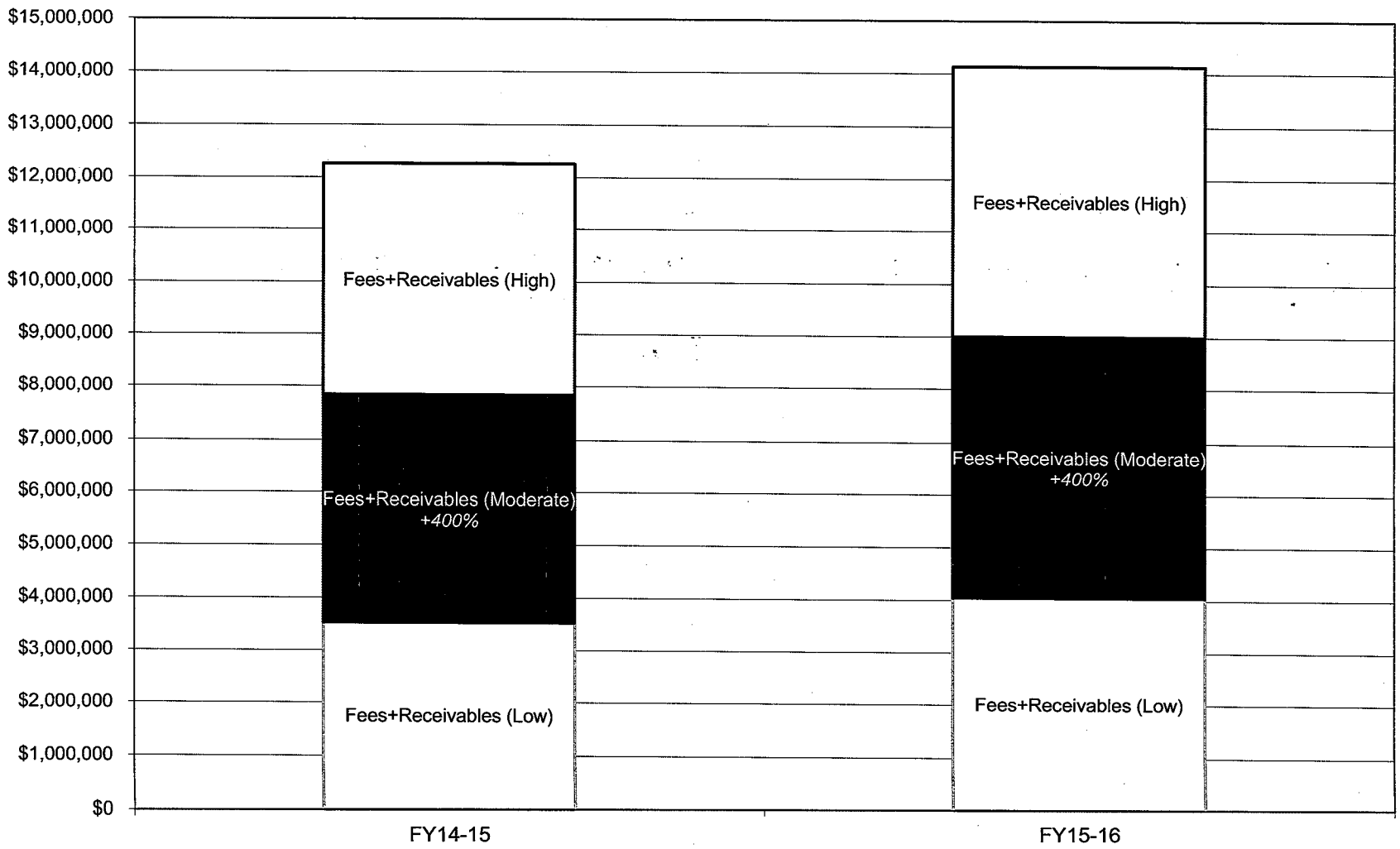
SF: projected fee income and loan receivables from new lending activities



MF: projected fee income from new lending activities

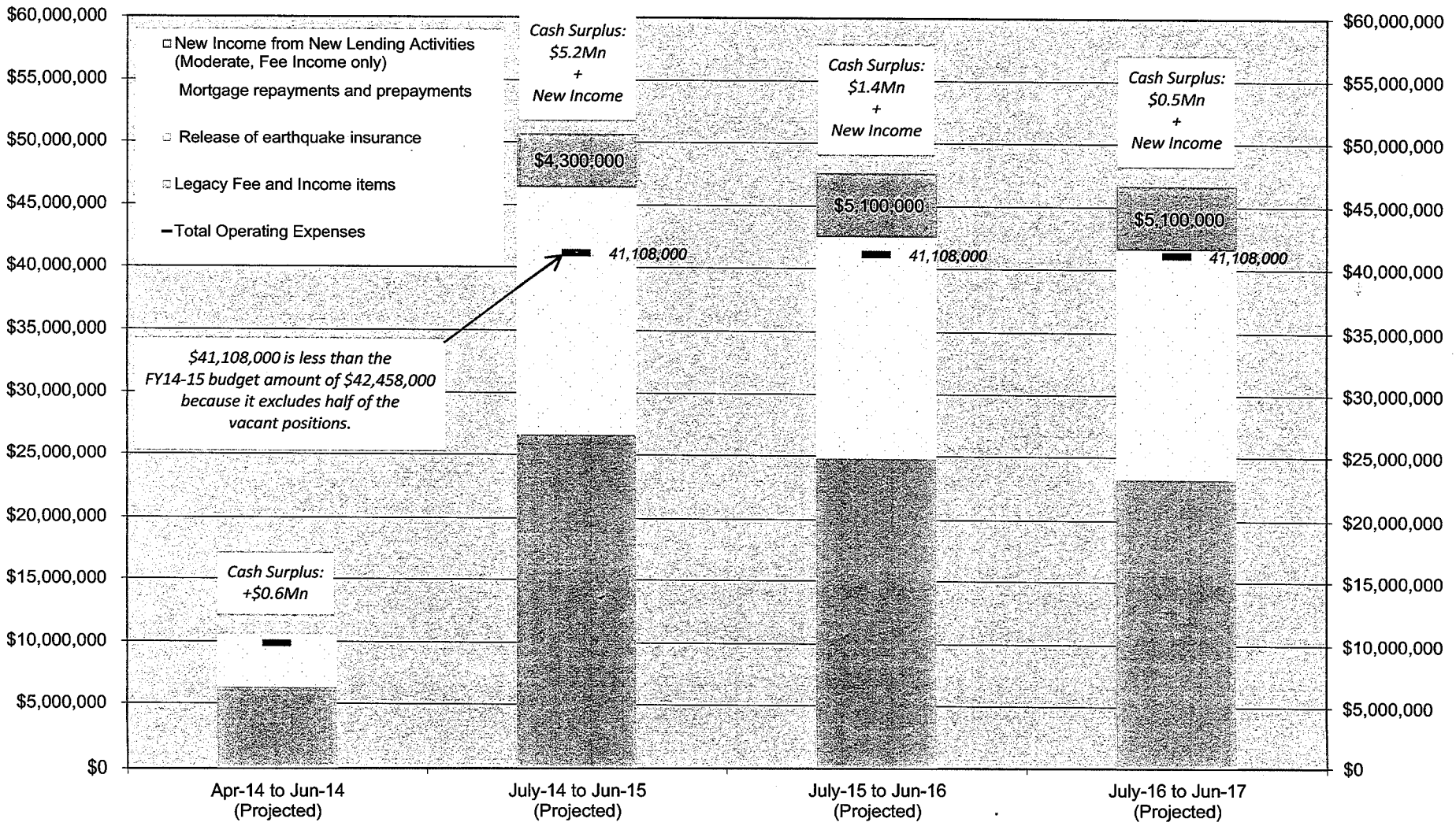


MF: projected fee income and loan receivables from new lending activities



Projected FY14-17 cash activities for non-bond assets and liabilities

Declining cash surplus can be offset by increasing income from new lending activities



Brief history of new loan production and balance sheet restructuring efforts since 2009

New loan production since 2009

	2009	2010	2011	2012	2013	2014
Multifamily	U.S. Treasury announced the New Issuance Bond Program ("**NIBP**")	NIBP Conduit transactions: 20 projects ($287Mn)		NIBP Lender/ Issuer: 7 projects ($70Mn)	Lender/ Issuer: 3 projects ($39Mn)	*New Lending Initiatives*
Single Family		NIBP 2 deals: ($240Mn)	BoA terminated their Master Servicing business on 12/15/11		TBA: 39 loans purchased; 41 loans in the pipeline	*New Lending Initiatives*

Balance sheet restructuring efforts since 2009

	2009	2010	2011	2012	2013	2014
Multifamily	U.S. Treasury announced the Temporary Credit and Liquidity Program ("**TCLP**")	Sold $95Mn of multifamily whole loans to Citibank	Securitized $119Mn of uninsured multifamily loans into Fannie Maes	NIBP Refunded $92Mn of VRDOs Extension of TCLP	Initiated a new prepayment policy ($105Mn received to date)	*Under consideration* Replace TCLP with Letter of Credit from private banks
Single Family		Securitized $325Mn of FHA-insured loans into Ginne Maes	Saved $38Mn by re-purchasing $440Mn of discounted fixed-rate bonds	NIBP Refunded $466Mn of VRDOs Extension of TCLP	Re-purchased loan servicing rights from BoA (1,800 loans, $300Mn)	*Under consideration* Refund VRDOs with fixed-rate bonds
TCLP:	$3.5Bn	$3.3Bn	$2.8Bn	$1.8Bn	$1.3Bn	$932Mn