

**STATE OF CALIFORNIA
CALIFORNIA HOUSING FINANCE AGENCY**



BOARD OF DIRECTORS

PUBLIC MEETING



**Holiday Inn Capitol Plaza
300 J Street
Sacramento, California**

**Tuesday, September 16, 2014
10:00 a.m.**



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

March 17, 2015

Attest: 

Reported by: DANIEL P. FELDHAUS
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A P P E A R A N C E S**Board of Directors Present**

MATTHEW JACOBS
(*CalHFA Board Chair*)
Co-Managing Partner
Bulldog Partners, LLC

TIA BOATMAN PATTERSON
Executive Director
California Housing Finance Agency
State of California

ANNA CABALLERO
Secretary
Business, Consumer Services & Housing Agency
State of California

CLAUDIA CAPPIO
Director
Department of Housing and Community Development
State of California

KATIE CARROLL
for Bill Lockyer
State Treasurer
State of California

JANET FALK
formerly Vice President, Real Estate Development
Mercy Housing

THERESA GUNN
for Peter J. Gravett
Secretary
California Department of Veterans Affairs

MICHAEL A. GUNNING
Vice President
Personal Insurance Federation of California

JONATHAN HUNTER
Consultant
JCHunter Consulting

A P P E A R A N C E S**Board of Directors Present***continued*

TIENA JOHNSON-HALL
Vice President and Community Relations Officer
BBVA Compass

ERAINA ORTEGA
for MICHAEL J. COHEN, Director
Department of Finance

PRESTON PRINCE
CEO/Executive Director
Fresno Housing Authority

DALILA SOTELO
Principal
The Sotelo Group

**Participating CalHFA Staff**

SHERYL ANGST
Housing Finance Officer

KENNETH H. GIEBEL
Director of Marketing

TIMOTHY HSU
Director
Financing Division

VICTOR J. JAMES II
General Counsel
Legal Division

JAMES S.L. MORGAN
Chief
Multifamily Programs

JOJO OJIMA
Office of the General Counsel
Legal Division

A P P E A R A N C E S**Participating CalHFA Staff***continued*

DIANE RICHARDSON
Director
State Legislation Division
and California Mortgage Assistance Corporation

◆◆◆

Public Testimony

BILLIE JEAN CARTER
Alliance of Californians for Community Empowerment

JOSEPH TAIT
Raymond James

RICHARD TALIAFERRO

JOSE VEGA
Alliance of Californians for Community Empowerment

GENNY ZENTELLA
Alliance of Californians for Community Empowerment

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1 BE IT REMEMBERED that on Tuesday, September 16,
2 2014, commencing at the hour of 10:02 a.m., at Holiday
3 Inn Capitol Plaza, 300 J Street, Sacramento, California,
4 before me, DANIEL P. FELDHAUS, CSR #6949, RDR and CRR,
5 the following proceedings were held:

6 --oOo--

7 CHAIR JACOBS: I'm going to call to order
8 today's meeting of the California Housing Finance Agency
9 Board of Directors, September 16th, 2014.

10 *(Brief discussion off record)*

11 CHAIR JACOBS: Welcome, everybody.

12 Welcome to our new Board member, Tiena
13 Johnson-Hall.

14 If you'd like to wave to everybody.

15 I'm going to ask you to introduce yourself and
16 say a few remarks. If you'd like, you could do that now
17 or later, your pleasure.

18 MS. JOHNSON-HALL: Now would be great.

19 CHAIR JACOBS: Great.

20 MS. JOHNSON-HALL: While I'm fresh off coffee.

21 My name is Tiena Johnson-Hall, and I work for
22 BBVA Compass. I've been in the banking business for well
23 over 20 years now. I started out working with a small
24 nonprofit developer, now known as Abode Communities.

25 And I'm very grateful to those folks for getting me in

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1 this industry. I'm very passionate about housing, and
2 very specifically, about housing for the state of
3 California, for specifically working with underserved
4 communities.

5 So I'm very grateful that I was appointed by
6 the governor, Governor Brown, for this position. And
7 I look forward to working with the Committee.

8 Thank you.

9 CHAIR JACOBS: And we are glad to have you
10 here.

11 --oOo--

12 **Item 1. Roll Call**

13 CHAIR JACOBS: All right, let's start with the
14 roll call.

15 JoJo, Madam Secretary is here, so let's do it.

16 MS. OJIMA: Thank you.

17 Ms. Caballero?

18 MS. CABALLERO: Here.

19 MS. OJIMA: Thank you.

20 Ms. Cappio?

21 MS. CAPPPIO: Here.

22 MS. OJIMA: Ms. Falk?

23 MS. FALK: Here.

24 MS. OJIMA: Ms. Gunn for Mr. Gravett?

25 MS. GUNN: Here.

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1 MS. OJIMA: Mr. Gunning?
2 MR. GUNNING: Here.
3 MS. OJIMA: Ms. Johnson-Hall?
4 MS. JOHNSON-HALL: Here.
5 MS. OJIMA: Mr. Hunter?
6 MR. HUNTER: Here.
7 MS. OJIMA: Ms. Carroll for Mr. Lockyer?
8 MS. CARROLL: Here.
9 MS. OJIMA: Mr. Prince?
10 CHAIR JACOBS: He is here but had to leave
11 until 10:30.
12 MS. OJIMA: Okay.
13 Ms. Sotelo?
14 *(No response)*
15 MS. OJIMA: Mr. Alex?
16 *(No response)*
17 MS. OJIMA: Ms. Ortega for Mr. Cohen?
18 *(No response)*
19 MS. OJIMA: Ms. Patterson?
20 MS. BOATMAN PATTERSON: Here.
21 MS. OJIMA: Mr. Jacobs?
22 CHAIR JACOBS: Here.
23 MS. OJIMA: We have a quorum.
24 CHAIR JACOBS: Great. Thanks.
25 //

1 **Item 2 Approval of the minutes of July 8, 2014,**
2 **Board of Directors meeting**

3 CHAIR JACOBS: All right, July 8th meeting.

4 Any comments or corrections to the minutes?

5 *(No response)*

6 CHAIR JACOBS: Would anyone like to move to
7 approve the minutes?

8 MS. FALK: So moved.

9 MS. CABALLERO: Second.

10 MS. OJIMA: Thank you.

11 Ms. Caballero?

12 MS. CABALLERO: Aye.

13 MS. OJIMA: Ms. Cappio?

14 MS. CAPPIO: I believe I have to abstain.

15 MS. OJIMA: Thank you.

16 MS. CAPPIO: Even though I was here.

17 MS. OJIMA: Ms. Falk?

18 MS. FALK: Aye.

19 MS. OJIMA: Ms. Gunn?

20 MS. GUNN: I abstain.

21 MS. OJIMA: Thank you.

22 Mr. Gunning?

23 MR. GUNNING: Aye.

24 MS. OJIMA: Ms. Johnson-Hall?

25 MS. JOHNSON-HALL: I believe I have to abstain.

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1 MS. OJIMA: Thank you.

2 Mr. Hunter?

3 MR. HUNTER: Abstain.

4 MS. OJIMA: Mr. Prince?

5 *(No response)*

6 MS. OJIMA: Mr. Jacobs?

7 CHAIR JACOBS: Aye.

8 Are we short?

9 MS. OJIMA: We are short.

10 CHAIR JACOBS: We can take it back up when

11 Mr. Prince is back.

12 MS. BOATMAN PATTERSON: You know, we just have

13 some legal advice.

14 MS. CAPPPIO: Yes, we could switch. And I was

15 here, but I'm just acknowledging the minutes, I was

16 present at the meeting. So if you could switch my vote

17 to a "yes."

18 MS. OJIMA: Thank you.

19 CHAIR JACOBS: Very good.

20 MS. CAPPPIO: It's a great way to start off.

21 Anytime you need to do that, let me know.

22 MS. OJIMA: Okay, and then when Mr. Prince

23 comes...

24 CHAIR JACOBS: We can finish it off.

25 Okay, all right, so we'll hold on those.

1 **Item 3 Chairman/Executive Director Comments**

2 CHAIR JACOBS: Before we dig into the agenda,
3 I guess I'd like to ask our new Executive Director if
4 she's got some comments for the Board and staff, and
5 members of the public.

6 MS. BOATMAN PATTERSON: Well, I want to thank
7 you. It is nice to be here in a different capacity,
8 sitting next to my partner in housing, to my right here.

9 The last board meeting, you had asked about
10 a couple of thoughts, my immediate goals, in sitting in
11 this new capacity. And my primary goal -- I think
12 Claudia had laid out five essential goals when she was
13 departing, which are all very true and relevant now.

14 And they say imitation is the sincerest form of
15 flattery. So I will not change those goals. I will
16 be -- and her goals were raising the level of discourse
17 for housing. And that has continued to be the case. And
18 I think she has done a phenomenal job with that. And
19 we'll continue to work on that together collaboratively.

20 She wanted to increase the financial stability
21 of the Agency, and she worked tirelessly with staff to do
22 that, in which she increased our bond ratings. And so
23 that gave me a good opportunity to come in and then focus
24 on Goals 3 through 5, which her Number 3 goal was
25 increasing the number of affordable housing units. And

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1 I think by working collaboratively and utilizing both our
2 administrative resources and state resources together,
3 we will be able to work on that goal.

4 And 4 and 5, which was the organizational and
5 operational efficiencies of the actual agency, I want to
6 truly be able to focus on that. So for the next six
7 months, I have committed to staff to do a thorough
8 assessment organizationally. We won't be doing any new
9 hires or promotions, but we will be looking at the
10 internal efficiencies, our agency policies, and just
11 basically shoring up our walls internally, so that we
12 can be in the best position we can be in when we start
13 increasing our revenues and becoming the best housing
14 finance agency in the nation.

15 So, thank you.

16 CHAIR JACOBS: Thank you.

17 Before we get into our agenda, which is fairly
18 dense today, I guess I'd like to see if there's any
19 members of the public who would like to speak to the
20 Board?

21 *(No response)*

22 CHAIR JACOBS: You don't have to fill out a
23 card if you wish to speak. Anyone is welcome to raise
24 their hand.

25 *(No response)*

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1 CHAIR JACOBS: All right, seeing none, we'll
2 open the public comment later on in the meeting.

3 Are there speaker slips today?

4 MS. OJIMA: Yes.

5 CHAIR JACOBS: Okay, on the rear table, there
6 are speaker slips, so if anyone would like to speak.

7 The gentleman right by the front door has got
8 them.

9 All right, let's move on to Item Number 4, the
10 single-family --

11 MS. CARTER: Hello, everyone. We're with the
12 group ACCE.

13 CHAIR JACOBS: You're out of order, ma'am.

14 MS. CARTER: And we're here to specifically
15 refer to *Keep Your Home California*.

16 *(Gavel sounded)*

17 CHAIR JACOBS: You're out of order. We have
18 speaker cards if you'd like -- if you'd fill out --

19 MS. CARTER: Okay, we have --

20 *(Gavel sounded)*

21 MS. CARTER: We have California citizens losing
22 their --

23 CHAIR JACOBS: You need to fill out a speaker
24 card.

25 MS. CARTER: -- homes while *Keep Your Home*

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1 California is holding funds that are supposed to be used
2 to keep Californians in their home. They're receiving
3 payroll --

4 (Gavel sounded)

5 MS. CARTER: -- while people are losing their
6 homes.

7 Over one billion --

8 CHAIR JACOBS: Mr. Jose Vega --

9 MS. CARTER: -- dollars is being held and not
10 distributed. And we are here to demand that *Keep Your*
11 *Home California* release these funds to homeowners, to
12 keep people in their homes.

13 CHAIR JACOBS: All right, Mr. Jose Vega has
14 filled out a speaker card.

15 MS. CARTER: We have a list of demands here.

16 CHAIR JACOBS: Mr. Vega?

17 MS. CARTER: And they are very simple demands,
18 okay.

19 ACCE is calling on California. California --
20 *Keep Your Home California* to make the following changes.

21 CHAIR JACOBS: All right, ma'am --

22 MS. CARTER: Increase relief for homeowners --

23 CHAIR JACOBS: Ma'am, you need to fill out a
24 speaker card.

25 MS. CARTER: -- most in need.

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1 CHAIR JACOBS: You need to -- you need to fill
2 out a speaker card.

3 MS. CARTER: Increase the total amounts --

4 CHAIR JACOBS: We're not going to listen to
5 you, until you follow the rules of this meeting.

6 MS. CARTER: -- of homeowners are eligible for
7 in each program based on homeowner needs.

8 Please don't try to talk louder than me. We
9 are human beings here.

10 We're not talking about inanimate objects.
11 We're talking about Americans losing their homes. And
12 there are monies available to keep people in their homes;
13 and these monies are not being given to U.S. citizens,
14 human beings.

15 Please don't try to talk louder than me. I
16 won't allow it.

17 Increase direct outreach to potentially
18 eligible borrowers.

19 CHAIR JACOBS: All right, we're going to
20 adjourn the meeting.

21 *(Gavel sounded)*

22 *(Recess from 10:10 a.m. to 10:16 a.m.)*

23 --oOo--

24 **Item 9. Public Testimony**

25 CHAIR JACOBS: All right we're going to resume

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1 the meeting. And, please, everyone, just respect for
2 everyone.

3 We are going to advance to public comment,
4 Item Number 9. We're going to take two speakers, as I
5 understand it.

6 Is it Jose Vega and -- the two speakers who
7 filled out cards. And Director Patterson is going to
8 read this paper.

9 MS. BOATMAN PATTERSON: So this is part of the
10 public comment period, and I want to respond to ACCE
11 appropriately, that on -- Di, do you have a copy of the
12 letter that they originally sent?

13 MR. GUNNING: Right here.

14 MS. BOATMAN PATTERSON: Okay, so on August 19,
15 2014, the organization ACCE, which is the Alliance of
16 Californians for Community Empowerment --

17 AUDIENCE MEMBER: That's us.

18 MS. BOATMAN PATTERSON: -- sent a letter.

19 They're a statewide community organization made
20 up of low- and moderate-income Californians, organized to
21 fight for social, economic, and racial justice.

22 And if I could read and summarize a portion of
23 their letter. But they are, the Home Defenders League is
24 a statewide group of homeowners working to save homes
25 from foreclosure and protect our neighborhoods, our

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1 members, and have a strong concern about policies of the
2 California Housing Finance Agency's *Keep Your Home*
3 *California Program*.

4 And so this letter came in on August 19th. We
5 will make this letter available to the public by making
6 it a part of our official record. And this will be
7 published on the Web site.

8 We responded to ACCE's letter, which was dated
9 August 19th, on September 12th. My first day in the
10 Agency in this new capacity was August 11th. We sent
11 this letter out on September 12th, which would have been
12 Friday. And we are setting up a meeting with ACCE to
13 review our response to ACCE's demands. And so ACCE, as
14 part of the public comment, asked that I read a list of
15 their demands. And so I will read that. But it is also
16 going to be part of the public record, which will be
17 published as part of our minutes. And we will be making
18 that available to the public, and the Agency's response
19 to that letter.

20 And we'll make sure that you get that for
21 the minutes and the public piece.

22 So I'm going to summarize the list of demands,
23 because it will be available in writing for the entire
24 public.

25 ACCE is calling on *Keep Your Home California* to

1 make the following changes:

2 They would like to increase relief for
3 homeowners most in need.

4 They would like to increase direct outreach to
5 potentially eligible borrowers.

6 They would like to change the loan-to-value
7 ratio requirement.

8 They would require that loan modifications
9 accompany all principal reductions.

10 They would like us to allow delegated authority
11 by allowing batch-servicing and much of the initial
12 screening and processing to be done by the servicer.

13 They would like to facilitate participation by
14 public entities and CDFIs in the principal-reduction
15 program.

16 And they would like us to create a retroactive
17 program.

18 And so these are a list of a summary of the
19 demands that they are making. It is all laid out in the
20 letter of August 19th that they had written. And our
21 response -- staff response to those will also be made
22 available. And so at this time, we're going to ask two
23 homeowners who have filled out speaker's cards, to come
24 up. This allows us to respect the public process and the
25 public-comment period, to hear those needs; and that all

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1 of this information will be available to the public, so
2 that we can resume with our meeting and take care of the
3 State's business.

4 Thank you.

5 CHAIR JACOBS: We actually have three speaker
6 cards.

7 So go ahead, Mr. Vega.

8 MR. VEGA: Right here.

9 Hello. My name is Jose Vega. I am a homeowner
10 in Pittsburg, California, Contra Costa County, which is
11 one of the hardest-hit areas in Northern California, in
12 the Bay Area.

13 My house went from \$500,000 to \$228,000 by the
14 time it hit bottom. It's come up a little bit by now.

15 Anyway, after five and a half years of fighting
16 my bank -- by the way, it finally took its toll on my
17 family. I'm going through a divorce right now.

18 Okay, these are real stories here. We have
19 real people. I have worked my entire life, since I was
20 15 years old. And I'm about to lose everything, while
21 the very same entities that caused this chaos are
22 reporting record profits.

23 Now, we all know, and we fought very hard to
24 get the banks to pay back some of that money they stole
25 from us. And it came to you guys to help us.

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1 After three modification attempts, one
2 foreclosure, one rescission, and countless hours of work
3 and sending documents and talking to the bank people, and
4 then trying to take my house over and over again last
5 year, they -- referred me to you guys for a program
6 called the Hardest Hit Fund, which as I understand, it
7 gives \$100,000 towards my principal so I can keep my
8 house.

9 I was on the phone for almost two hours,
10 getting an interview with the Hardest Hit Fund people,
11 okay. And after that telephone call, they said, "Okay,
12 you qualify. You have to send us all these documents,"
13 which, by the way, are even more than the bank requires.
14 About 60 pages' worth.

15 A week later, they called me and said, "You
16 know what? You don't qualify for the Hardest Hit Fund
17 because you are too hard hit. You are too far
18 underwater. We cannot help you."

19 Now, I would like somebody to explain to me,
20 how dare you call it the Hardest Hit Fund if it's not
21 going to help the hardest-hit communities.

22 AUDIENCE MEMBER: Yeah.

23 AUDIENCE MEMBER: Yes, that's right.

24 MR. VEGA: I am a human being. I have worked
25 my entire life. Like I said, I put all my savings into

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1 that house. And it's not fair that the money is there to
2 help me after years of fighting and trying to get to some
3 kind of agreement with the banks, just for you guys to
4 say, "Oh, guess what? You don't qualify. You're too far
5 underwater."

6 You know, these are lives that are being
7 destroyed. My children are traumatized by all this.
8 This is some form of emotional torture that we're put
9 through. I just want you to know that, and keep it very
10 clear in your minds when you're making decisions about
11 us, okay. Emotional torture, which finally has taken
12 its toll on my family as I am filing for divorce.

13 You know, I don't know what else to say,
14 people. I really don't. But I am so angry that this
15 money is out there to help us. And it -- this seems to
16 me another political stunt, just like the HAMP program
17 was.

18 The HAMP program, which was put in by
19 President Obama when he first took office, was designed
20 to keep millions of people in their house. And its
21 success ratio -- percentage, in case you don't know, is
22 less than 10 percent -- less than 10 percent of those
23 people that they are supposed to help, they have helped.

24 How can you call that a success?

25 I don't know what your percentage is for all

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1 those people; but, you know, we -- there's a lot of
2 people out there still losing our homes -- their homes,
3 regardless of what the media says. You know, there's a
4 lot of us going through this hell that they put us
5 through when they ask us for the same things over and
6 over and over again.

7 So I ask you to please reconsider these rules
8 that have been instituted to just make it so difficult
9 for us to qualify for any kind of program.

10 The money is there. It needs to be used for
11 what it was meant to be, not to go back to the State.

12 AUDIENCE MEMBER: Yes.

13 MR. VEGA: So please use that money.

14 Thank you so much.

15 CHAIR JACOBS: Sir, if I can have you fill out
16 your address.

17 MR. VEGA: I'm sorry?

18 CHAIR JACOBS: Your address. It would be
19 helpful if you could fill out --

20 MR. VEGA: You need my address?

21 CHAIR JACOBS: Yes, just so we can research it.

22 Genny Zentella.

23 And, if you can, we've got a fairly heavy
24 agenda; so if you could keep your comments to
25 three minutes, we'd appreciate that.

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1 MS. ZENTELLA: Hi.

2 CHAIR JACOBS: Hi.

3 MS. ZENTELLA: Right here?

4 CHAIR JACOBS: Yes.

5 MS. CARTER: Take your time. It's over a
6 billion dollars, so take all the time you need to get
7 this money distributed.

8 MS. ZENTELLA: My name is Genny Zentella. I
9 purchased my home in San Pablo in 1989.

10 AUDIENCE MEMBER: Louder.

11 MS. ZENTELLA: My name is Genny Zentella. I
12 live in the San Pablo area. I purchased my home in 1989.

13 I've been paying all that time. And then in
14 2005, I refinanced with a broker.

15 And what happened was, he put me in a loan that
16 was an adjustable interest rate, basically a predatory
17 loan with World Savings, Wachovia.

18 These loans later went to Wells Fargo; and they
19 were deemed -- there was a class-action lawsuit against
20 these loans and they were deemed predatory.

21 So they went to court. And as a result, these
22 loans were supposed to be modified. So I have not gotten
23 my modification.

24 At the time, I told them, "This isn't going to
25 work." These were -- the loan was too hard for me to

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1 pay. I was paying the minimum payment. The loan kept
2 increasing. They wouldn't help me modify, so the equity
3 just went up. My home devalued more than half of what,
4 you know, my house was worth.

5 And then I tried to apply for a modification.
6 "No, you have too much money," so they wouldn't give me a
7 modification.

8 Later on, I found out about *Keep Your Home*
9 *California*, so I tried to apply with them, like the third
10 time.

11 So the first time, they denied me. Then the
12 second time, they said my income's too low, so now I
13 don't have enough money. So either way, something is
14 always -- there's always some excuse.

15 There's this money sitting there that would --
16 should be given to us. \$1 billion by 2017, it won't be
17 available anymore. You won't be able to apply.

18 So I don't know what the situation is with me;
19 but I just want to get a modification. I want to stay in
20 my house. I've been paying all this time. And I just
21 urge you to let these funds -- get these funds to the
22 people that need them.

23 They've approved me for the principal-reduction
24 program, and the bank is refusing to take the money. And
25 that's all. That's my story, you know.

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1 I've been doing this for the last three
2 years -- three or four years, working with the bank; they
3 give me the runaround, nobody knows anything, and they
4 just refuse to help me. So I just want a modification so
5 I can stay in my home that I've been paying since 1989.

6 I'm a single person, and I don't have any other
7 bills except payment on my home. I don't want to lose my
8 home.

9 It's just -- that's my story.

10 Thank you.

11 CHAIR JACOBS: Thank you.

12 Can we get your address also?

13 MS. ZENTELLA: Sure.

14 CHAIR JACOBS: David Shou or Shoe *[phonetic]*?

15 DAVID SHOE: Pass. Pass.

16 CHAIR JACOBS: Okay, all right, we appreciate
17 the comments. We will look into your individual cases.
18 You guys have been heard. We will look into this.

19 We have an agenda item coming up, a review of
20 where the program is. It's been improving considerably,
21 but there's still work to do. We understand that, and we
22 appreciate your attendance today.

23 Thank you.

24 MS. CARTER: Okay, so thank you so much.

25 CHAIR JACOBS: Ma'am?

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1 MS. CARTER: Could you publicly then comment
2 and commit to meeting with ACCE? Can you do that?

3 MS. BOATMAN PATTERSON: We reached out to ACCE
4 on Friday to set up that meeting. And I know my
5 assistant, Kris O'Daly, is working with -- is it
6 Mr. Weeks? -- on setting that appointment up. And so we
7 hope to have that meeting scheduled within the next two
8 weeks.

9 MS. CARTER: Within the next two weeks?

10 MS. BOATMAN PATTERSON: Yes.

11 MS. CARTER: I thought you had said within the
12 next week?

13 MS. BOATMAN PATTERSON: I have to check my
14 schedule. And so Kris O'Daly is my office assistant and
15 controls my schedule, and so I have not met with any
16 members of the public. You will be the absolute first
17 member of the public that I will be meeting with. And --

18 MS. CARTER: And it will be no later than two
19 weeks, and not within a week?

20 MS. BOATMAN PATTERSON: And we're going to get
21 it scheduled -- we're going to get it scheduled for the
22 next two weeks.

23 MS. CARTER: Okay. And also we would like the
24 Board to discuss this issue today, of getting these funds
25 released.

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1 MS. BOATMAN PATTERSON: Ma'am, this is during
2 the public-comment period. And so we're getting ready to
3 close the public-comment period --

4 MS. CARTER: That's all I'm saying, though. I
5 understand.

6 MS. BOATMAN PATTERSON: And in order for an
7 item to be on the agenda --

8 CHAIR JACOBS: Ma'am? Ma'am?

9 MS. CARTER: We do very much want the Board to
10 be aware --

11 MS. BOATMAN PATTERSON: -- we have to follow
12 the Brown Act in a public process.

13 MS. CARTER: -- of this and discuss this issue.

14 MS. BOATMAN PATTERSON: And so --

15 ACCE AUDIENCE MEMBERS: Spend the funds. Spend
16 the funds. Spend the funds.

17 CHAIR JACOBS: All right, public comment is
18 closed. The meeting is going to adjourn for a
19 five-minute recess.

20 *(Gavel sounded)*

21 *(Recess was taken from 10:31 to 10:33 a.m.)*

22 CHAIR JACOBS: All right, we're going to resume
23 the meeting.

24 Thank you, ACORN, for an interesting
25 presentation.

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1 MS. BOATMAN PATTERSON: Claudia, was that in
2 the job description?

3 You failed to tell me about that part.

4 MS. CAPPPIO: No comment.

5 --o0o--

6 **Item 4 Discussion, recommendation, and possible**
7 **action to modify terms of CalHFA Single-Family**
8 **loan products**

9 CHAIR JACOBS: Let's jump to agenda Item
10 Number 4, the single-family loan program modification.

11 Ken?

12 MR. GIEBEL: Good morning, Chairman Jacobs,
13 Members of the Board. We're here to talk to you today
14 about some adjustments we'd like to make to the
15 single-family program; hopefully, to just simplify it
16 a little bit for borrowers in this day and age of
17 complexity.

18 Just FYI, I'm trying to buy a house, and we're
19 on page 250. And we have to sign the papers this week.
20 So it's not like it used to be.

21 So let me take you through -- Sheryl and I are
22 going to take you through what we've done over the last
23 year. Because our first -- our lending program started
24 on August 26th of last year.

25 Here's what we've done with your approval over

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1 the last year. On the 26th, as I said, we started with
2 our FHA first mortgage released.

3 On 2/10, we permitted manual underwriting on
4 FHA loans at the request of our lenders.

5 And on 3/24, we increased the debt-to-income
6 ratios from 43 to 45.

7 We had -- originally, when we set up some of
8 these standards, they were based on the Consumer
9 Financial Protection Bureau's regulations. Those were
10 released in October, November of last year. And then the
11 FHAs, nonprofits, and localities received exemptions.

12 One of those exemptions was the ability to go
13 to 45 DTI's, which -- debt-to-income ratios -- which you
14 approved.

15 On May 19th, we received approval for
16 conventional products, first mortgages -- that's a
17 Fannie Mae product, and we'll talk to you some more about
18 that -- and the California -- what we call our EEM, our
19 Energy Efficient Mortgage.

20 On 6/16 we extended our program to
21 non-first-time home buyers. We have four, okay.

22 And we also, in June, permitted our lender fees
23 to increase from 2 percent to 3 percent, with a \$3,000
24 ceiling on them.

25 So those are the updates.

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1 No doubt, Michael, you'll be interested in
2 this.

3 When we talk about the blue line at the top,
4 we refer to those as stand-alone CHDAP 3 percent
5 down-payment assistance with first mortgages that are not
6 CalHFA's.

7 So you can see, the last two weeks it's been a
8 little soft. But we can tell you in the last five days,
9 it's back up into the high twenties. So yesterday, we
10 received 28 of them.

11 The red line is our first mortgages since the
12 beginning of the fiscal year. And you can see, they
13 continue to climb a little bit. They were soft over the
14 Labor Day week; and then last week -- what did we do last
15 week? -- we did 12, or something like 12.

16 And then we do mortgage-credit certificates.
17 And they've continued to -- they're always about the
18 same, except we just increased the income limits. So we
19 should see a bump in MCCs. They increased, while home
20 prices -- the sales-price limits went down considerably
21 from 2012's numbers to 2014.

22 So our first-mortgage purchases, you can see in
23 July we didn't have many; but in August, we are almost at
24 35.

25 What does that translate to in dollars? Ten?

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1 MS. ANGST: Right, it's \$10 million.

2 MR. GIEBEL: \$10 million.

3 And you can see the stand-alone purchases. In
4 July and August, they went up. In September, they're
5 probably back down to July's numbers right now.

6 Sheryl is going to take you through this chart
7 so you get a feel for what the loans look like.

8 MS. ANGST: This chart is basically just a
9 comparison of our current conventional -- CalHFA
10 conventional first mortgage, our CalHFA FHA first
11 mortgage, and the CHDAP stand-alone.

12 As you can see, the CHDAP stand-alone actually
13 has a lower first-mortgage loan amount. The down-payment
14 assistance is lower. And the borrower's income is
15 basically the same as a regular FHA.

16 The FICO score is significantly lower, and
17 the debt-to-income ratio is equal.

18 The counties remain basically the same, other
19 than the conventional product, which happens to go into
20 Placer County, Orange County, and Contra Costa, which
21 with the higher loan amount, is getting into a little bit
22 higher areas.

23 Our Hispanic population is mainly in the CHDAP
24 stand-alone; however, it is still pretty high on both the
25 other two products. And our African-American population

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1 has increased with our first mortgages over the CHDAP
2 stand-alones.

3 MR. GIEBEL: One thing to consider on the CHDAP
4 stand-alones, the Hispanic number will tend to be higher
5 because some of that business is broker business. We
6 can't, right now, do broker business through U.S. Bank,
7 our master servicer. But we are in the process of
8 releasing an RFP, so we can get a master servicer that
9 will handle the broker business for us. In California,
10 it's about 20 percent of the mortgage business is done.

11 But in the ethnic groups, they tend to be a
12 little higher on the broker side of the business. So
13 that's why, on the stand-alones, you'll see that the
14 makeup of the demographics is a little bit different
15 because of how the loans are originated.

16 CHAIR JACOBS: Do we break down numbers for
17 Asian Americans?

18 MS. ANGST: It's less than 2 percent.

19 MR. GIEBEL: Okay, so we want to look at kind
20 of easing the ability on our first mortgages to do
21 business with CalHFA. Let me just tell you a couple
22 things.

23 These are all our overlays. We also have
24 overlays from US Bank, our master servicer, and from
25 Fannie Mae.

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1 I'll just give you an example.

2 So we have put in a manufactured -- we will
3 accept manufactured FHA -- manufactured home loans from
4 FHA.

5 FHA's FICO score, they don't have FICO scores,
6 per se, on their regular first-mortgage business; but on
7 manufactured homes, it's 640.

8 US Bank's is 660. So there are overlays that
9 we have to deal with our master servicer and Fannie. So
10 that's an issue; and we're trying to make -- reduce the
11 number of overlays we have.

12 So that's one.

13 The other thing is, we've been looking at all
14 our affidavits. And CalHFA requires a number of
15 affidavits. And we've combined a bunch of them.

16 On the CHDAP stand-alones, we're down to four.
17 But on a CalHFA first mortgage, you have to have seven
18 affidavits. So when you're a loan officer -- these are
19 all requirements by statute on our loans. So when you
20 look at all the overlays of doing business with CalHFA,
21 it gets -- it's a little bit more burdensome. Some
22 probably my two-hundred-some-odd loan documents would be
23 maybe 280.

24 Anyway, so here's some of the things we'd like
25 to do.

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1 On the first one, we'd like to increase the
2 loan-to-value from the current 103 to 105. And there's
3 two primary reasons. We're going to talk to you a little
4 bit about adding some down-payment assistance to our
5 CalPLUS products, that's the ones that have the ZIP
6 attached to them, 3 percent; and two, on the Fannie Mae
7 conventional preferred products, they permit 105. So
8 that's the standard for Fannie on our conventional
9 product that is one-of-a-kind. It's the only 97. And
10 it's a very competitive product.

11 Half of our business right now is on the
12 conventional side of the business, that they're
13 conventional loans.

14 We want to eliminate the borrower contribution.
15 If you remember, if your FICO score is 640, we ask for
16 \$1,500. If it was 680, we asked for \$1,000.

17 So, for example, on a \$250,000 loan -- which
18 is about our loan amount, as you saw -- we're giving you
19 \$15,000 in down-payment assistance, 3 percent from the
20 ZIP loan on the first, on the CalPLUS; and then CHDAP is
21 another 3 percent. And we're going to ask you -- we have
22 a pool of money that Sheryl is going to talk to you
23 about, which will add about another 2 percent to the ZIP
24 loan.

25 So in the end, we're asking you for -- we're

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1 giving the borrowers \$20,000 on a \$250,000 loan. And
2 then on the back side, we're asking them for either
3 \$1,000 or \$1,500.

4 We can tell you -- and Sheryl can explain this
5 to you -- it gets lost in the closing costs, in the
6 transaction. Basically, it becomes a wash. They kind of
7 get the money back. Because what they'll do is, they'll
8 work with the first, and they'll give them -- what's it
9 called? -- they'll give them some money back in the
10 closing, and it will cover that.

11 So in the end, when it's all said and done,
12 we're just asking them to do extra stuff that's not going
13 to make a difference to them. You know, they give them
14 rebates, and the rebate comes back. And it's all covered
15 in the end.

16 I mean, I'm kind of going through that now; and
17 it's like: Well, if you put this up-front, you get it in
18 the back -- in the end, so...

19 MS. ANGST: It follows the GSE guidelines.

20 MR. GIEBEL: Yes, it follows the GSE
21 guidelines.

22 So that's one. That's the second one.

23 We want to reduce the home warranty to one year
24 for first-time home buyers. They can't buy a two-year.
25 So we're asking -- and for us to track the two-year is

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1 very -- I mean, we'd have to assign a couple people, to
2 call the people and go, "Can you send us your warranty
3 for two years?"

4 So we're good with them being covered for one
5 year.

6 And we do want to eliminate the home-buyer
7 education for the non-first-time home buyers. So that's
8 just an add-on. We don't -- these people have already
9 owned a loan, and they're already coming in for their
10 second loan.

11 Now, effective in January 2015, we're going
12 to change our rules a little bit, in that we're going
13 to ask all CalHFA-approved lenders -- we have over
14 90 CalHFA-approved lenders, we have 43 who have submitted
15 a reservation on a CalHFA first, and we have 25 who have
16 actually done a purchase loan. Reservations count but
17 they can get canceled, and they pay \$250, and they're out
18 of the deal. So we really count the purchase, and that's
19 what our number is built against.

20 So we're going to ask them to do four firsts --
21 CalHFA firsts -- in six-month periods. This is not
22 atypical of what we've done in the past.

23 So we are now accepting FHA loans for
24 manufactured homes. So we started that on September 1st.

25 Also, as you know, the CHDAP money is bond

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1 money. We have two loans: The manufactured-home loan,
2 which I mentioned a little earlier; and our
3 energy-efficient. And we want to just make sure that
4 they use our loans so they can get the CHDAP on that.
5 We added a 4 percent grant, which gets you to 9 percent
6 total grant on the Energy-Efficient program. We have
7 a loan, and we have a lot of interest in that loan. We
8 have FHA behind us, and we have a number of the people
9 who specialize in these loans.

10 And on the manufactured-home side, they are
11 riskier. So, I mean, Fannie won't do them and a lot of
12 banks won't do them. These manufactured homes are on
13 foundations. Permanent foundations, so..

14 CHAIR JACOBS: Would the manufactured include
15 multifamily that's made from prefabricated? Or is it
16 just single-family?

17 MR. GIEBEL: No. I think it's a single-family
18 for an FHA loan; right?

19 MS. ANGST: Yes.

20 MR. GIEBEL: Yes.

21 And the last thing is, on the MCCs, we have a
22 provider who does all that work. They have upped their
23 costs.

24 Our cost, when you do an MCC with a CalHFA
25 first, is 350. And we were charging the same amount if

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1 it was just an MCC one-off, what we would call an "MCC
2 stand-alone."

3 Because of the added costs by the provider and
4 the added costs of doing the stand-alones, if you're
5 going to do a stand-alone, we're going to charge \$500.
6 It's just more work for us. When it's built into the
7 CalHFA first, we just -- we see it in the loan package.
8 The other ones, we don't see.

9 Sheryl, all yours.

10 MS. ANGST: As Ken mentioned, we're going to
11 augment the Zero Interest Program, or the ZIP, on the
12 CalPLUS loans. And this will be on the CalPLUS
13 conventional loan only.

14 At present, we cannot augment the ZIP on an
15 FHA loan. There are subordination issues; and it
16 requires legislation approval, which I believe it's 2016
17 before we'll be able to go in front of it for an FHA.

18 MR. GIEBEL: Just to follow up, though, I am
19 sending a letter to our contact in Santa Ana at HUD FHA
20 to ask them for a waiver while we get the legislation.

21 That has to go to Washington, so we all know
22 how long that could -- we'll have the legislation first.

23 MS. ANGST: The augmentation of the ZIP on a
24 conventional loan will significantly enhance the program.
25 It enables the borrower to pay the mortgage insurance as

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1 a single-family premium up-front versus their monthly
2 mortgage insurance.

3 This is going to save the borrower, on an
4 average \$250,000 sales price, \$260 a month-plus. And the
5 "plus" is depending on their credit score. 120 -- I'm
6 sorry, I was going to say 120, and that is based on
7 having a 700 FICO score.

8 So if they have a 680, it's going to save them
9 \$160. And it goes up from there.

10 This screen here is a sample of different loan
11 amounts using the augmented ZIP, or the ZIP-plus loan. It
12 just shows how, as you're augmenting the ZIP loan, the
13 actual LTV on the first is going to go down slightly to
14 stay within the 105 CLTV. And it shows what the payments
15 are.

16 And the sales prices, we used four samples.
17 The \$150,000 is 21 percent of our total volume of loans.
18 The 250 is around 20 percent. So you can see where our
19 volume is.

20 Down on the bottom, it does show this closing
21 cost and what the borrower's out-of-pocket is.

22 MR. GIEBEL: Any questions on that?

23 It is a little bit of a --

24 MS. ANGST: It's a lot of data.

25 MR. GIEBEL: It's a lot of data, but we just

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1 wanted to show you that --

2 CHAIR JACOBS: We have one question.

3 MR. GIEBEL: Sure.

4 MS. CABALLERO: Okay. So, a really good
5 presentation.

6 Just for future reference, if you would do the
7 modification that you have in our packet, relate to the
8 diagram. It's a little bit easier to follow.

9 MR. GIEBEL: Okay.

10 MS. CABALLERO: Because you have some new
11 things on here that weren't part of the report.

12 So one of the questions I had -- and I'm just
13 trying to -- I'm assuming that most of these goals -- or
14 most of these changes are to make the program more
15 usable.

16 MR. GIEBEL: Yes.

17 MS. CABALLERO: And to reduce, for lack of a
18 better word, a bureaucratic obstacle that doesn't add any
19 value either to the loan or to the process. And I
20 appreciate that, because that's really where I think we
21 need to go.

22 Sometimes we have these rules, and nobody is
23 really sure why they were there in the first place.

24 So I had a question, and now I'm all -- okay,
25 so on page number 7, in the first bullet, it talks about

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1 requiring all the CalHFA-approved lenders to originate
2 for CalHFA first mortgages within a six-month period.
3 And I'm not exactly sure what purpose you're trying to
4 get there. Is it, to distill down the number of lenders
5 to a manageable number? And if so, why is that
6 important?

7 I'm just trying to understand how this fits in
8 with some of the other proposals that you've suggested.

9 MR. GIEBEL: Again, lenders, like I said, we
10 have 90 of them, and we train them. We have a whole
11 outreach department, and we go around the state, and we
12 meet with them. And we train them on how to use an MCC,
13 how to use a CHDAP, how to use our first program.

14 In reality, we want them to use our product,
15 use those products with our firsts. And for all the
16 extra work we have to do the CHDAP compliance, we have to
17 look at all those loans, period. And then again, we pay
18 someone to look at the MCCs.

19 We want to tie the -- get them to use our
20 first-mortgage products because it's a better deal for --
21 especially on the conventional side -- for our borrowers.
22 It saves them a considerable amount of money.

23 If you compare this conventional -- CalPLUS
24 conventional -- loan with an FHA loan, they're saving a
25 considerable amount of money, well over \$200 a month,

1 because they're not having to pay the mortgage-insurance
2 premium on an FHA loan.

3 FHAs have a huge problem right now; and we
4 haven't really started to promote the products that start
5 this month. We haven't done much; and already 50 percent
6 of our business is on the conventional side. We think
7 this is going to be 60 to 75 percent of our business with
8 this added down-payment money, because this is a
9 way-better deal.

10 First of all, you're paying probably \$120 to
11 \$160 more a month with an FHA; and that never goes away.
12 So --

13 MS. CABALLERO: So is it fair to say that the
14 reason you're trying -- you're making this requirement,
15 is to force them to use a product where they'll recognize
16 the value for their -- their --

17 MR. GIEBEL: We're trying to incentivize them.

18 MS. CABALLERO: Okay, that's fine.

19 MR. GUNNING: A follow-up. One follow-up.

20 I guess, Ken, I'm just struggling with that
21 because, you know, right now, less than 50 percent even
22 make reservations, and less than that actually go to
23 loans.

24 So how are you going to require them? I mean,
25 that seems anti-competitive to me.

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1 MR. GIEBEL: Well, right, we've checked with
2 the legal department; and we are --

3 MR. GUNNING: Which legal department?

4 MR. GIEBEL: Ours.

5 MR. GUNNING: Victor?

6 MR. GIEBEL: Our department.

7 And starting in April until December 31st --
8 because we had just introduced this -- we asked them to
9 do one, one loan.

10 And going forward, we're going to need them to
11 do more of our firsts. And this way, because of the
12 products are better, we don't believe we have an issue
13 with that. And we can ask them to perform because they
14 get -- we train them, and we spend lots of time with the
15 loan officers, and we give them leads.

16 So when we advertise and promote, we put our
17 800-number on there. A borrower calls us, we take that
18 lead, we send it to a CalHFA-preferred loan officer, and
19 they get that lead, and they have 48 hours to get in
20 contact with that borrower. And we track that lead for
21 six months.

22 And last year, we probably sent out -- we do
23 about 400 leads a month. So we're sending out to loan
24 officers, you know, over 4,000 loans. So we are
25 providing a service to them and a benefit.

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1 MR. GUNNING: So what's the penalty? If the --

2 MR. GIEBEL: Oh, the penalty is, those failing
3 to do the four loans have to come in to be recertified.
4 And we will ask them why they didn't do it, what the
5 issues are; and we'll recertify them and give them
6 another six months to perform.

7 MR. GUNNING: Ken, I'm a little frustrated here
8 because as Anna has said, I know we're tweaking this to
9 make the program work, but it seems there is just a
10 fundamental flaw if, with these, we've got to be doing
11 these types of tweaks. I mean, eliminating the
12 down-payment contribution, which I think we all -- even
13 if it's symbolic, it's skin in the game for a borrower.
14 And it seems like these are too little, too late.

15 MS. ANGST: In the last several years, we have
16 been in and out of the first-mortgage lending business,
17 as you all know.

18 Most of our lenders today find it very easy.
19 They get a loan. They don't think of CalHFA as a
20 first-mortgage lender. They think of us as a CHDAP.
21 I mean, how many times I pick up the phone: "This is
22 CHDAP?" I mean, I think that our name is CHDAP, not
23 CalHFA.

24 What we want to do is convince them that we are
25 a first-mortgage lender again by asking them to do one,

1 or now four loans, a year, they are getting used to us as
2 a first-mortgage lender again. We're giving them their
3 appetite.

4 Of the lenders who are actually doing our
5 program currently, they aren't doing one; they're doing
6 five, they're doing four. You know, I mean they're doing
7 multiple loans. Once they do it, I get the phone call:
8 "That was easy."

9 So we're trying to convince them that we're not
10 trying to eliminate the CHDAP, but we're trying to
11 convince them to use us, and to see how we are back in
12 the first-mortgage business again.

13 MS. BOATMAN PATTERSON: If I could respond to
14 the Board members, too, on the improving the
15 efficiencies. And I think staff tried to get at this.

16 When you are -- we're trying to leverage our
17 funding and our product with our down-payment assistance,
18 and the staff time and resources that goes along with
19 that is the same staff time and resources that goes just
20 with the down-payment assistance alone. And so if you're
21 trying to incentivize and maximize your staff time and
22 resources, you're incentivizing it to work with your
23 money. And it's a leveraging opportunity to get your
24 funds out the door.

25 And when we visited Idaho, the single-family

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1 and the TBA model came up repeatedly amongst the housing
2 finance agencies in the state. And I think we have some
3 folks that will testify about how that program works.
4 And many states require that their down-payment
5 assistance go along with their lending. So we're not
6 making it a requirement, but we're trying to incentivize
7 it. But there's many of the housing finance agencies
8 that require that their state down-payment assistance go
9 along with their first mortgages.

10 MR. GUNNING: But it seems like if they already
11 know about the down-payment program, because that's what
12 everyone knows. So what our goal there is to make them
13 look at the first-mortgage program. So, I mean, that's
14 the push.

15 MR. GIEBEL: Right. And we've been working on
16 that for the last year. And it's getting a loan officer
17 to change their behavior. Because all they do is go --
18 on their original amortization system, "I'm putting the
19 CHDAP on this," because it's easy for them. And to get
20 us into their system to say, "Push a different button";
21 and, two, we've just developed a calculator that we will
22 send them, because you're going to see something on the
23 next page that put our numbers in and put your numbers
24 in, and see where you come at the bottom.

25 And you know, to get a loan officer to do that,

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1 it takes a while.

2 CHAIR JACOBS: How much more work is our loan
3 product for the loan officer and for the borrower,
4 compared to just going through a regular FHA loan?

5 MS. ANGST: There's, right now, we have the
6 affidavits, which we're in the process of combining and
7 making into one larger affidavit versus the seven
8 affidavits. And we have the income -- our income limits,
9 which we do incomes totally different than any other
10 lender. But other than that, it's the same process. It
11 is the exact, same process.

12 CHAIR JACOBS: Is there a way to reconcile the
13 income-limit determination, or not really?

14 MR. GIEBEL: No, you have to -- it's a formula.
15 We just did these. We were using 2012; now, we're using
16 2014. And you have to do the formula for the CHDAPs that
17 we work with HCD on, because you have to do the federal
18 guidelines on those income limits. And they're low. You
19 know, they're 80. They're 80 percent AMI.

20 CHAIR JACOBS: Claudia?

21 MS. CAPPIO: So I appreciate the willingness
22 to sort of tweak this and make it more competitive. The
23 balancing act is who is a good borrower. And I know that
24 we have previously discussed feedback mechanisms and
25 statistical and data collection. Because the market is

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1 really different; and we're trying to find our place in
2 that market. It's iterative. So we're getting close to
3 the edge of: What is it?

4 I mean, I'm all for being competitive, but what
5 is it that will distinguish us, that will make us, "Oh,
6 that's a CalHFA -- let's go for that CalHFA loan," beyond
7 increasing the loan-to-value ratio?

8 MR. GIEBEL: Well, if --

9 MR. GUNNING: That's exactly the point I made.

10 MR. GIEBEL: Right.

11 MR. GUNNING: We haven't figured it out.

12 MR. GIEBEL: Right. If we're going to add
13 money to the -- the 2 percent to the ZIP product on the
14 CalHFA conventional, as you can see from -- well, let me
15 go back here.

16 As you can see, you're going to get to --
17 Scott, can you fix this?

18 MS. ANGST: I've got it.

19 MR. GIEBEL: You're going to get, what are the
20 LTVs here across the board?

21 MS. ANGST: 94, 95, 96, 96.

22 MR. GIEBEL: Yes. And then what are the --
23 what's the DTIs?

24 MS. ANGST: You can't do a DTI.

25 The CLTVs are all under 105.

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1 MR. GIEBEL: They are all at -- we would have
2 to get to 105.

3 You can see the CLTVs, the combineds are 104.9,
4 107 -- just to add the money.

5 Additionally, if a locality wants to add money
6 and they can't get this money, it gives them another
7 2 percent to add money in the locality. I mean,
8 localities, they have a lot more money than 2 percent.
9 So that would permit us.

10 But when you get down to the loan-to-value, the
11 double-asterisk, you can see when it gets down, that
12 takes the loan-to-values way down, and that permits them
13 to get a lower MI rate. And when you can pay the MI --
14 you can see the mortgage insurance. There isn't any
15 payment across, because we've covered that up-front.

16 MS. CAPPPIO: So just as a -- one last
17 follow-up. So what research and data collection and
18 analysis are you doing to make sure that we know this is
19 a good idea?

20 MR. GIEBEL: Well, we've been watching -- we
21 watch our DTIs on --

22 MS. CAPPPIO: After the loan closes?

23 MR. GIEBEL: We can look at them with
24 reservations, if we need to.

25 MS. ANGST: No, we can't.

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1 MR. GIEBEL: You can't?

2 MS. ANGST: No. We look at them at approval.
3 I mean, we have our maximums that we look at.

4 The conventional first mortgage is being
5 underwritten by a mortgage insurer, in addition to us
6 looking at it.

7 MS. CAPPPIO: Okay.

8 MS. ANGST: So it definitely has -- and if it's
9 above 95 LTV, it's also being underwritten by our master
10 servicer. So the risk is actually going away on that
11 one, even with the higher LTV in the CLTV.

12 MS. CAPPPIO: Okay.

13 CHAIR JACOBS: Preston, did you have any
14 comments or questions? Because I know you raised this a
15 couple meetings ago about the risks.

16 MR. PRINCE: Well, I think I'm following up on
17 Claudia's concerns.

18 So there's going to be a report that shows our
19 delinquencies are, like, over 10 percent; right?

20 So my question is, how do we know we're not
21 going to create another pool of loans that are going
22 to -- I think your same question, right? How do we know
23 we're going to --

24 MS. CAPPPIO: Well, but we don't own the pool.

25 MR. GIEBEL: We don't own the loans.

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1 MS. CAPPPIO: That's a big one.

2 But the degree of scrutiny is pretty layered.

3 MR. PRINCE: Right.

4 MS. ANGST: There's three.

5 MS. CAPPPIO: Thank you. I hadn't realized
6 there was...

7 MR. GIEBEL: Right. There's three of us,
8 looking at every conventional loan.

9 And HFAs, there's two: There's us and there's
10 the master servicer.

11 And as Sheryl said, when there's conventional,
12 it's the MI company. In this case, it's Genworth is
13 looking at that.

14 And right now, if you just look at make-up of
15 our loans from a FICO and a DTI, our conventionals are
16 721, and our HFAs are 686. And we go down on an FHA to
17 640. And even the stand-alones are at 680 -- almost 680.
18 And we're not even close on our DTIs to 45.

19 MS. CAPPPIO: Yes, I guess the comment I'm left
20 with is, we need a new characterization of who is a good
21 bet. And we're shooting somewhat, trying to refine the
22 factors. But the data and analysis that's required to
23 come to some conclusion in short order, so that we can
24 know our place in the market, is what I'm after.

25 MR. GIEBEL: Okay. Well, we can --

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1 MS. CAPPPIO: So the data you're collecting is
2 great, and it's just a matter of what is it that sets us
3 apart in this financial environment. It's tough, I
4 realize that.

5 MR. GIEBEL: Yeah. And, Claudia, for sure,
6 it's going to be the conventional product.

7 MS. CAPPPIO: So we just need a little more
8 record of that, and see how that --

9 MR. GIEBEL: Yes. And the other thing is, we
10 do finance -- Tim and Tony's group has access to the
11 pools of the loans. We can't look at individual loans
12 because they're not our loans; but we can look at how the
13 pools are performing as they buy it.

14 MS. CAPPPIO: Got it.

15 MR. GIEBEL: Okay, so that's the other thing
16 we'll watch. And we haven't any issues with that at all,
17 so...

18 CHAIR JACOBS: Jonathan?

19 MR. GIEBEL: The other thing is, if on a Fannie
20 product, on the 97, if it goes delinquent in six months,
21 the master servicer is responsible for that loan. They
22 have to buy it, so...

23 MS. ANGST: Yes. There's no buy-back.

24 MR. GIEBEL: There's no buy-back.

25 MR. HUNTER: I'm following up a little bit on

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1 something that Michael touched on briefly. And this may
2 be just, you know, my methodology from the past, but that
3 the only one -- the only one of these tweaks that stood
4 out to me was the no longer requiring financial
5 participation by the borrower. Because I -- my lessons,
6 even in sliding-scale counseling for alcohol and drug
7 addiction, is that that's a mistake.

8 So I was concerned about that.

9 But then I looked at this chart, and you have
10 down here, borrower out-of-pocket, still having a
11 significant amount of money.

12 Is that because of closing costs?

13 MS. ANGST: That is closing costs, correct.

14 MR. HUNTER: So we're not -- so the buyer is
15 still putting some financial --

16 MS. ANGST: It is. We are also assuming the
17 seller is not paying any of the closing costs. But based
18 on a 4 percent closing cost standard across the board,
19 the CHDAP being used for both a combination down -- the
20 CHDAP and the ZIP being used for a combination down
21 payment to pay the mortgage insurance, they will have
22 some money still in the game.

23 MR. GIEBEL: But, again, as Sheryl said, you
24 can get a rebate from the --

25 MS. ANGST: Down on the first mortgage.

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1 MR. GIEBEL: Yeah, but you can get back from
2 the seller.

3 MR. HUNTER: Yes, I understood. I caught that
4 comment about the pragmatic difference, so...

5 MR. GIEBEL: Okay, and then the last slide is
6 some of the things on the -- go ahead.

7 CHAIR JACOBS: Before you jump, there's just
8 one.

9 MS. GUNN: Sorry. I wanted to go back and
10 follow up on page 7 with just a couple more questions,
11 where requiring lenders to originate for first mortgages,
12 and you said that you're disbursing 400 leads a month.

13 MR. GIEBEL: Yes, about.

14 MS. GUNN: What's the lead conversion rate to a
15 loan?

16 MR. GIEBEL: Here's the issue with the leads:
17 Typically, the vast majority of the borrowers who come in
18 are not prepared to buy yet.

19 MS. GUNN: Okay.

20 MR. GIEBEL: So they come in; and, you know,
21 they have their credit issues, they've already -- a lot
22 of them have looked at a property and don't know how they
23 have to qualify. So that process can take anywhere from
24 six months to a year to a year and a half. We track them
25 for six. It has a very low rate of converting into

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1 either a CHDAP stand-alone or a CalHFA. Because most of
2 those buyers are not ready yet. But it does get them
3 prepared, and it keeps the loan officers at least looking
4 at one of our products with them.

5 We're getting more calls for MCCs, mortgage
6 credit certificates: "How do I do that?" And then we
7 tell them. That one's an easy one. The other two get
8 more difficult. Because, again, it's all about their
9 credit and their ability to source a loan.

10 MS. GUNN: So how did you determine that four
11 loans every six months is the right number, or an
12 achievable number?

13 MR. GIEBEL: Well, in the old days, it was no
14 problem.

15 MS. ANGST: It was three a month.

16 MR. GIEBEL: Plus, it's like one month, we
17 looked at, like, one -- if they could do four in six
18 months, and we also looked at our goal of 927, and based
19 this on how many lenders we think we're going to have
20 December 31st. Because not all of them are going to do
21 our first mortgage. They have to -- with 45 days to
22 close that loan, they have to have those loans in by
23 about the end of the first week in November for them to
24 get processed through our system, our compliance, and
25 then the master servicer.

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1 MS. GUNN: Okay.

2 CHAIR JACOBS: Ms. Johnson-Hall.

3 MS. JOHNSON-HALL: Thank you.

4 Going back to the \$1,500, the \$1,500, does that
5 come in from the applicants up-front? Are you at all
6 concerned that -- I mean, back in the old days, once you
7 put money down, you tend to stay with the deal longer
8 than you would if you weren't putting anything down. So
9 are you concerned that we might lose perspective as far
10 as not putting in money up-front?

11 MS. ANGST: No. What's happening is, it's
12 still the initial deposit that is required when they sign
13 a contract. It goes into escrow. But what happens on
14 most transactions, by the time they use the CHDAP --
15 particularly the lower loan amounts. But by the time
16 they use the CHDAP, the seller credits, the buyer
17 rebates -- because I'm looking at my CHDAP only on this
18 particularly -- the borrowers are getting that \$1,000 or
19 \$1,500 back at the close. They cannot get anything over
20 and above what they've put into the transaction per the
21 GSE or government-sponsored enterprises guidelines. So
22 if they put \$1,500 in, they're allowed to get the \$1,500
23 back.

24 MS. JOHNSON-HALL: I understand that. But I'm
25 not sure that you understood -- that I'm understanding

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1 you. So I want to repeat it again.

2 At the start of this process, the prospective
3 borrowers put their \$1,500 into the --

4 MS. ANGST: And they still are still are,
5 through --

6 MS. JOHNSON-HALL: And they still --

7 MS. ANGST: They are still putting the \$1,500
8 in.

9 MS. JOHNSON-HALL: Okay.

10 MS. ANGST: They're just getting it back.

11 MR. GIEBEL: Later.

12 MS. ANGST: At the close of escrow. They're
13 putting it in at the signing of the contract. They're
14 still putting their earnest money --

15 MS. JOHNSON-HALL: They're still putting it in?

16 MS. ANGST: Yes.

17 MS. JOHNSON-HALL: Thank you.

18 MS. ANGST: Thank you.

19 MR. GIEBEL: All right. So we are a little
20 bit -- so we have been watching the CHDAP stand-alones.
21 And as you can see, the volume is considerable. It's,
22 you know, 90 percent of our work right now, and we wish
23 it was 50-50.

24 So we want to take a look at that, because we
25 do not see those firsts. They're not our firsts.

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1 They're not our master servicer, per se. We don't know
2 very much about them. We just look for the compliance on
3 the CHDAP loans.

4 So right now, the combined loan-to-value is
5 103. We're asking for -- on CalHFA to go to 105. We
6 want to keep it at 103 because that's an industry
7 standard.

8 We have an exemption to go to 105. The HFAs
9 have an exemption.

10 We want to put their debt-to-income ratio at
11 43. Ours is 45. We have -- okay, we don't want to pass
12 our exemption on to the whole marketplace.

13 They have to conform to all other CalHFA first
14 mortgage requirements. So, again, that would be the
15 home-buyer education -- we make them do that on CHDAP --
16 and the home warranty. So we want to stick with that.
17 That's a requirement right now.

18 And also, what we're doing, again, we want to
19 make sure the loan officers certify that they have shown
20 the potential first-mortgage borrower a CalHFA loan
21 versus what they've got. We're going to ask them to run
22 the numbers. We're going to give them the calculator and
23 say, "Put this number in" -- that's the CalHFA loan --
24 "against a loan that you have on your piece of paper,"
25 so at least they can see.

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1 Our reviewers are in the process now when we
2 get a CalHFA stand-alone come in and we know our product
3 is better, we try to convert them to the CalHFA loan
4 because it saves the borrower money.

5 So we're doing it. That's a one-off. But we
6 just want the loan officers to start looking at this.
7 And we've developed a tool for them to do that.

8 So, again, helping them to get to the four.
9 We're going to give them all the tools and train them to
10 get to the four.

11 And we wouldn't be doing it if we didn't think
12 our product was better. And we can prove that on paper.

13 CHAIR JACOBS: Sheryl, just one underwriting
14 question for condominiums. Are we making -- are we doing
15 special underwriting to make sure that the building is
16 not going to have special assessments or anything like
17 that?

18 MS. ANGST: Special assessments?

19 CHAIR JACOBS: Yes.

20 MS. ANGST: No.

21 CHAIR JACOBS: In addition to the HOA, there's
22 no sort of risk assessment on that or...?

23 MS. ANGST: Well, on the conventional product,
24 the maximum LTV is 95, versus the 97 percent. But
25 there's nothing over then having to be approved by FHA,

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1 on the FHA product.

2 CHAIR JACOBS: Okay, Madam Secretary did bring
3 up the point that the four-loan requirement isn't in the
4 resolution as written.

5 MR. GIEBEL: No, it's not.

6 MS. CABALLERO: And to that end, I'm assuming
7 it's a policy that you'd want to be able to use. And,
8 obviously, if it's working well, we'd like to hear about
9 in the future. If it's not, just come back and tell us.

10 MR. GIEBEL: We will.

11 MS. CABALLERO: I think it's -- the way you've
12 explained it, it makes a lot of sense to me. And it's a
13 training opportunity, I think.

14 MR. GIEBEL: Right, right.

15 MS. CABALLERO: And we'll hear about it if it's
16 not -- it's burdensome or it doesn't work.

17 MR. GIEBEL: Oh, trust us. We'll hear about
18 it.

19 MS. CABALLERO: Right. I know we will.

20 MR. GIEBEL: Well, the first shock treatment
21 will come on December 31st, when -- of the nineties-plus,
22 they go, "Well, I didn't know about that."

23 We tell them every month. We tell them through
24 social media. We tell them in letters. We tell them
25 every way we can -- in training. And, you know, people

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1 don't get things until there's a consequence.

2 MS. CABALLERO: Just like teenagers.

3 CHAIR JACOBS: Do we have a resolution?

4 MR. HUNTER: Yes, I'll move adoption of
5 Resolution 14-08.

6 CHAIR JACOBS: Do we have a second?

7 MS. FALK: Second.

8 CHAIR JACOBS: Janet.

9 Okay, is there any public comment before we
10 vote on this?

11 *(No response)*

12 CHAIR JACOBS: Seeing none, let's go to the
13 roll.

14 MS. OJIMA: Ms. Caballero?

15 MS. CABALLERO: Aye.

16 MS. OJIMA: Ms. Cappio?

17 MS. CAPPPIO: Aye.

18 MS. OJIMA: Ms. Falk?

19 MS. FALK: Aye.

20 MS. OJIMA: Ms. Gunn?

21 MS. GUNN: Aye.

22 MS. OJIMA: Mr. Gunning?

23 MR. GUNNING: Aye.

24 MS. OJIMA: Ms. Johnson-Hall?

25 MS. JOHNSON-HALL: Aye.

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1 MS. OJIMA: Mr. Hunter?
2 MR. HUNTER: Aye.
3 MS. OJIMA: Ms. Carroll?
4 MS. CARROLL: Aye.
5 MS. OJIMA: Mr. Prince?
6 MR. PRINCE: Aye.
7 MS. OJIMA: Mr. Jacobs?
8 CHAIR JACOBS: Aye.
9 MS. OJIMA: Resolution 14-08 has been approved.
10 CHAIR JACOBS: Good luck with the changes.
11 MR. GIEBEL: Thank you.
12 MS. ANGST: Thank you.
13 CHAIR JACOBS: Before we jump to the next item,
14 I wanted want to recognize that Mr. Prince did return to
15 the room before that item came.
16 --oOo--
17 **Item 2 Approval of the minutes of July 8, 2014,**
18 **Board of Directors meeting** *continued*
19 CHAIR JACOBS: Can we reopen the minutes?
20 We're just waiting on your vote to approve the
21 prior.
22 MR. PRINCE: So, I vote "aye."
23 CHAIR JACOBS: Okay, there we go. Now they're
24 approved.
25 //

1 **Item 5.A Reports - Update on SEC Municipalities**

2 **Continuing Disclosure Cooperation**

3 CHAIR JACOBS: We've got some informational
4 reports.

5 Does anyone want to actually have a discussion
6 on -- I know there was a SEC reporting matter. It didn't
7 seem to be anything significant.

8 Does anyone want to have discussion of that?

9 *(No response)*

10 --o0o--

11 **Item 5.B Reports - Homeownership Loan Portfolio Update**

12 **as of July 31, 2014**

13 CHAIR JACOBS: All right, seeing none, let's go
14 to 5.B, the loan portfolio update on delinquencies.

15 Did anyone have any questions or want to call
16 that for discussion?

17 *(No response)*

18 CHAIR JACOBS: All right.

19 MR. PRINCE: You know, what I think might be
20 helpful -- I mean, it's a lot of data there to read, but
21 it would be nice to know, what should we be looking for;
22 right?

23 I mean, as I go through it, I get a little
24 overwhelmed by it, so it would be nice if there's somehow
25 a little bit of a summary of "here's either a trend" or

1 "here's something important." Just an idea.

2 MS. CABALLERO: Right.

3 CHAIR JACOBS: That 30-day trend did tick up
4 actually recently, which was interesting, which was sort
5 of surprising.

6 MR. PRINCE: Right. But looking at -- I mean,
7 it's kind of being left for us to find something there.
8 It would just be nice for you all to be able to say,
9 "Here's what you should note within this, Board."

10 CHAIR JACOBS: Actually, a discussion of that,
11 I think just a brief memo, an analysis of the trends,
12 maybe at the next meeting, and just going forward, just
13 to sort of brief what we're seeing.

14 Okay, great.

15 --o0o--

16 **Item 5.C Reports - Agency Bond, Interest Rate Swaps,**
17 **and Financing Risk Factors Report**

18 CHAIR JACOBS: Swaps and financing. Does
19 anyone have any questions on that?

20 MR. PRINCE: I have the same kind of thing.

21 I mean, there's a lot of information there. It
22 would be nice just to say, "Here's what you should be
23 paying attention to, Board."

24 I mean, I know we have this training later on
25 today; right? And our role is not to be staff. So I

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1 would love for us to be able to not have to analyze it,
2 yes.

3 CHAIR JACOBS: Okay, any questions?

4 MR. PRINCE: Especially, because I don't
5 understand most of it. So help me understand it.

6 MS. CABALLERO: I agree. I agree 100 percent.

7 For me, what's really helpful is to understand
8 what the trends are. You know, where is there something
9 to be worried about, if anything.

10 MS. BOATMAN PATTERSON: Is Tim here?

11 Tim, can I have you come up?

12 One of the most important things that I think
13 out of these reports, was the item that -- in one of
14 Tim's reports regarding the disclosure. So if you want
15 to just give them kind of the brief update on the
16 disclosure requirements and the things that were --
17 during our window of amnesty period. I thought that was
18 out of our reports. To me, that was one of the most
19 salient pieces that probably we need to discuss with the
20 Board. And it will fit in --

21 MR. PRINCE: That was actually the one that I
22 understood.

23 MS. BOATMAN PATTERSON: Okay, well, you
24 understood. That's important.

25 MR. PRINCE: Yes, but it's like, when I look at

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1 the data is when I get a little confused. I still think
2 talking about findings makes sense. Oh, yes.

3 MS. BOATMAN PATTERSON: Okay.

4 MR. HSU: Well, actually, why don't we talk
5 about delinquencies a little bit before we talk about
6 disclosure?

7 In general, I know there's a lot of information
8 there; but I think the take-away is that our total
9 delinquency ratio is actually less than 10 percent for
10 the first time for quite some time.

11 Our REO inventory is way down. We used to be
12 up at about 1,100 or so. Now, it's in the -- it's less
13 than a hundred. I think it's about in the 50 or 60
14 range.

15 Our recovery ratio is way up. I think that in
16 the depth of the real-estate crisis, our recovery ratio
17 before all the credit enhancements hit -- meaning, that
18 before all the MI insurance hit -- it used to be about
19 45 cents to the dollar. And now, it's closer to, like,
20 high seventies, or possibly low eighties.

21 So losses are down, inventory is down, total
22 delinquencies are down.

23 The number of loans that go from current to
24 30-day delinquent, because you were trying to stave off
25 loans from becoming delinquent at all, is also down.

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1 I think in the last nine months or so, seven out of nine
2 months we're below trend; and one month out of that
3 nine-month period we spiked because of the transfer that
4 we did with BofA. That would be effected about the early
5 part of this year.

6 So I think in terms of delinquencies, we could
7 do a one-page summary. But in general, everything looks
8 better.

9 As for the disclosure: I'm glad that the memo
10 makes sense. I did spend some time writing that.

11 In short, what this effort is from the
12 standpoint of SEC, is to get people to voluntarily --
13 my word is, confess that if they have, in the past,
14 represented that they were compliant with their
15 disclosure obligations but they were not in compliance.
16 Meaning, that you did a bond transaction and in your
17 disclosure documents you said you were in compliance,
18 where you were actually not in compliance.

19 So this obligation is placed both on the
20 underwriters and also on the issuer.

21 So we've been in conversation with the
22 underwriters about what they have found; and we also have
23 done our process, our diligence of what we have found.

24 So in general, most of them -- no, all of
25 them -- I shouldn't say "most." In general, all of them

1 have not found anything that we have not found, meaning,
2 that they're not reporting on anything that we're not
3 reporting ourselves. So because of the nature of the
4 program, that kind of created a little bit of incentive
5 for the underwriters to over-report, because they gave
6 them a cap on their liabilities on everything they
7 report.

8 So they have sort of these incentives to --
9 they have an incentive to over-report.

10 And Katie knows all about this, and please
11 correct me if I'm at any time wrong in that. And we have
12 two bond counsels behind me, too.

13 So they have a tendency to over-report, whereas
14 we don't really have any incentives to over-report.

15 So in that light, they have not found anything
16 they want to report that we wouldn't report ourselves.
17 So we haven't reported yet.

18 They have reported -- all the underwriters
19 reported last week. So we're in the process of gathering
20 their reports, to make sure that they follow through on
21 what they told us on the phone, that they wouldn't report
22 on anything that we wouldn't report ourselves. And then
23 before the next board meeting, we are going to report
24 ourselves, which is before the deadline -- I believe the
25 deadline is the year-end -- so that we can share that,

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1 what we report to SEC with the Board.

2 And then we're also going to bring to the Board
3 something that we've been working on for some time, which
4 is the best practices of disclosure. These are sort of
5 a set of internal agency procedures that we are going
6 through the process of adopting, so that we can also
7 bring to the Board that we now have this set of best
8 practices, disclosure practices that we've adopted
9 internally, that we will enforce going forward.

10 CHAIR JACOBS: Thanks, Tim.

11 Any other questions on these items?

12 John?

13 MR. HUNTER: On any of the reporting?

14 CHAIR JACOBS: No. Well, I think I do want to
15 bring up "F," Item F, and just sort of track on how we've
16 been working on the maturing loans and what we're doing
17 to keep those rolling forward, the affordability.

18 --o0o--

19 **Item 5.E Reports - Keep Your Home California**

20 CHAIR JACOBS: *Keep Your Home California*,
21 should we do an update on that?

22 MS. BOATMAN PATTERSON: We had one.

23 CHAIR JACOBS: I think we --

24 MR. PRINCE: I missed it, so maybe -- that
25 actually is the one place where I had a comment --

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1 question, wax poetic, whatever -- on the report.

2 I really appreciated -- I just wanted to say, I
3 really appreciate the *Keep Your Home California* update,
4 particularly these wonderful geographic maps. It
5 actually was very helpful in terms of getting a picture
6 of where the products are going.

7 I just have one comment on the notion of
8 ranking. These counties are ranked from one to ten, in
9 terms of sheer numbers. And so LA County is always going
10 to be number one because it has the most people, the most
11 options that fail.

12 But I think it's worth looking at sometimes,
13 you know, how would the counties rank if we looked at the
14 percentage of loans that are in foreclosure, compared to
15 the number of loans out in that county, or number of
16 foreclosures -- number of households foreclosed as a
17 percentage of all households in the county.

18 And the reason I bring that up is that when
19 targeting resources, sometimes it's the percentage of
20 need that is going to be the bigger indicator, the more
21 important indicator of where the greatest need is.

22 Now, I don't think it's particularly a
23 problem -- one of the things that I looked at, is that
24 I went back and looked at our own portfolio. So, for
25 instance, our county, where we have the biggest problem

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1 in terms of the highest percentage of foreclosures, is
2 Riverside, followed closely by Kern. And so, you know,
3 if we looked at the percentage of loans that we have
4 trouble with, it's more, you know, Riverside, Kern,
5 Fresno -- some of the counties that don't have the sheer
6 volume but have a much higher percentage of need.

7 And the other thing I did one time, when we
8 were looking at these reports, was to look at the
9 counties by their unemployment data. And the
10 unemployment data also skews how we look at need.

11 So I'm not suggesting that the staff do a lot
12 more work and a lot more mapping. I just kind of wanted
13 to -- particularly, since I did kind of try to do a
14 couple of those other applications of the ranking, and
15 they weren't all that far off.

16 So I think really looking at all the factors,
17 I'm actually pretty impressed with how well we're doing
18 with the *Keep Your Home California* program in terms of
19 geographic distribution, household distribution, income
20 distribution, et cetera.

21 But I would just have us keep in mind that
22 sometimes sheer numbers -- volume, doesn't equate with
23 level of need.

24 That's it.

25 CHAIR JACOBS: Any other questions or comments

1 about *Keep Your Home California*?

2 (No response)

3 --oOo--

4 **Item 5.F Reports - Update on Multifamily Portfolio**

5 **Projects maturing on or before September 2019**

6 CHAIR JACOBS: Jim Morgan, do you want to talk
7 about the projects maturing?

8 MS. MORGAN: Good morning.

9 So what we -- as requested from the last board,
10 we had discussed our projects maturing within the last
11 five years.

12 What are the -- what is the composite of those
13 projects? You know, ownership project type, Section 8,
14 regulatory, affordability, subordinate loans.

15 And so we could just have apples to apples. We
16 did September of this year to September 2019, and you
17 came up with about 34 projects.

18 So what you see out of those 34 projects, and
19 what I forgot to put, is a summation of what the outcome
20 was.

21 You have about 60 -- almost 70 percent of those
22 are nonprofit. 30 percent -- 30 percent are for-profit
23 ownerships.

24 The project types, you have 60 almost -- you're
25 pushing 60 percent at family, 30 percent at senior, the

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1 rest at special needs. You have 12 projects that have
2 Section 8.

3 And then you have a subordinate debt total of
4 around \$26 million.

5 As far as affordability is concerned,
6 71 percent are at 50 percent AMI and below, with the --
7 I'm sorry, 75 percent.

8 71 percent of that 75 is at 50 percent AMI.
9 The rest are at 35 and 30.

10 So for us, what we plan to do is, we're going
11 to do some pre-work with our Asset Management folks, get
12 together, obtain that partnership structure, contact
13 information; get our most recent inspections, operating
14 statements, debt service -- get all the data we can, and
15 develop a process, strategy to do a direct marketing
16 campaign.

17 What we've decided as a group is, we're going
18 to commence that come November 1st.

19 There's a new financing product that's coming
20 out for the HFAs that is due out by the beginning of
21 October. And we're going to be meeting back at the
22 National Council of State Housing Agencies, their annual
23 conference, NCSHA, on October 18th, to meet with HUD
24 D.C., with the Treasurer's office, and also with
25 MassHousing, New York Housing Finance Agency to discuss

1 this product.

2 And the preliminary indication is, if we are
3 able to go out in the marketplace with this product, it's
4 pretty -- "favorable financing" is quite the adjective.
5 Although that's two words. But it looks really good.

6 So we want to get our arms around that
7 structure, and we feel it will be very favorable as far
8 as interest rate, to the tune of about 75 basis points,
9 a hundred base points. Very favorable. So get that --
10 get our arms around that, and then commence with our
11 campaign with those projects, and then also new projects
12 as well.

13 In anticipation of that, we also met with our
14 Marketing Department, have had a brainstorming session to
15 kind of re-brand who we are, what we do in Multifamily.

16 So we're putting that process and that product
17 together as well.

18 CHAIR JACOBS: Any questions on this?

19 *(No response)*

20 CHAIR JACOBS: A good starting place.

21 MS. MORGAN: Absolutely. Thank you.

22 --o0o--

23 **Item 5.G Reports - Results from Fannie Mae Document**

24 **Custodian Audit**

25 CHAIR JACOBS: We had a couple of audit items.

1 Does Lori Hamahashi want to do a bit on those?

2 (No response)

3 CHAIR JACOBS: Does anyone have any questions
4 for her?

5 (No response)

6 CHAIR JACOBS: Any questions?

7 (No response)

8 CHAIR JACOBS: It's fairly self-explanatory.

9 --o0o--

10 **Item 6 Informational workshop discussing the role**
11 **and responsibilities of the Audit Committee**

12 CHAIR JACOBS: Let's go to the workshop.

13 Just because of sort of the delay this morning,
14 I'm going to not do a recess. If anybody needs to duck
15 out for a minute, we will understand.

16 But let's get into the training then.

17 Is there a presentation?

18 MS. HAMAHASHI: Good morning, everyone.

19 At the request of Mr. Gunning, our current
20 chair of the Audit Committee, CliftonLarsonAllen is here
21 to provide a general overview of board governance and the
22 role and the responsibilities of the Audit Committee.

23 Seated next to me is Nancy Jones. She is the
24 current audit principal on our audit engagement. And we
25 have Clifton here today because they offer training for

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1 clients and their respective boards.

2 And I just thought that I'd also mention that
3 today's training is free of charge.

4 So at this time, I will turn over the mike to
5 Nancy, and then she can begin.

6 MS. JONES: Okay, and hopefully worth every
7 penny.

8 I'm not sure if I even know how to change these
9 slides.

10 Well, here. We'll do this.

11 Okay. Okay, obviously, I'm failing at the
12 technology, but that's okay, because I don't have to be
13 technologically competent. Thank goodness, I have
14 excellent support.

15 So one of the things that we're going to talk
16 about today is the role of the board and the role of the
17 audit committee, and what it means to be a board member.

18 Having also been a board member myself, I know
19 I would have appreciated some background information
20 before I took on my role. I understand that a lot of
21 you already have a great amount of experience. And
22 hopefully, this just reinforces what you already know and
23 what you're already doing.

24 But we're going to talk about understanding
25 your fiduciary duty. Because as a board member, you do

1 have a fiduciary duty to the organization. And then
2 understanding how you're going to govern your agency and
3 the accountability and responsibility that you have for
4 California HFA with specifics added in as we talk this
5 morning.

6 So our overall goal is to just set a knowledge
7 base. And forgive me if you already have that knowledge
8 base, but reinforcement sometimes really helps.

9 Having sat in the back of the room this morning
10 and heard some of the questions that you all asked and
11 the discussion over the presentations, I'm not sure how
12 useful you're going to find this because you're already
13 very engaged and very involved. And so you may already
14 be very comfortable with this.

15 Now, you know the role of California HFA and
16 the three active lines of business that you're currently
17 managing: the single-family, multifamily, and the
18 contract-administered programs. And we've heard some of
19 the reports in on how that's going, this morning.

20 One of the things that we want to talk about is
21 determining the different roles. Your role is a role of
22 governance. So you ultimately have the responsibility
23 to ensure that the organization is governed effectively.
24 Then management -- management is on a day-to-day basis.

25 So I haven't had the pleasure of meeting Tia

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1 yet in person. But as the new executive director, you'll
2 be working with her, evaluating her performance. And she
3 is responsible for day-to-day operations, while you're
4 responsible for the overall governance and oversight.

5 Now, typically, what you've done is, you have
6 enacted measures so that the operations can go on, on an
7 annual basis. You set the budget. You work to determine
8 what's going to be available so that the programs can go
9 on. And then you're going to review and look at that
10 business plan that goes right along with that operating
11 budget, and ensure that that business plan is set so that
12 it actually meets the objectives of the budget and the
13 funding that you have available. And then you review and
14 approve any contracts.

15 So this is all refresher. You all know what
16 you do.

17 The purpose, though, is that you're going to
18 provide organizational oversight. And you're going to
19 maintain the accountability of the agency to the public
20 and to the law. And we saw some of that in action,
21 again, this morning. This is the first board meeting
22 I've had where members of the public have actually come
23 in and had a presentation, so that was unexpected. So
24 that was very edifying for me. So thank you all for that
25 experience.

1 But your responsibility is to ensure the
2 future, the mission of the agency, that the governance
3 of the agency is effective, so that it is doing what it
4 is supposed to be doing with the funds that have been
5 entrusted to it; and that it's doing it effectively, so
6 that the operations that you've approved are actually
7 meeting those objectives and furthering the purpose.

8 So one of the questions that you ask yourself,
9 as you go through this process, is not so much how do we
10 do this, how do we make this work, but should we be doing
11 this, what is it we should be doing with these funds to
12 make the most difference.

13 When we talk about governance responsibilities,
14 you establish the mission and the philosophy. You plan
15 to meet that mission. You're going to supervise the
16 executive director; and you're going to ensure that you
17 have the resources that are adequate to meet your
18 responsibilities, and that you manage the resources that
19 you have.

20 So in this instance, your agency is
21 self-supporting. And so you raise the revenue that then
22 is available to meet your objectives.

23 And then you need to set those policies to
24 guide those operations and the programs, and make sure
25 that the monies that are available are used appropriately

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1 based on what it is that you're trying to accomplish.

2 And then one of the key roles as well, is then
3 to evaluate how well that's coming together. So you know
4 what you're trying to do, but then you have an evaluation
5 process where you say, "Okay, now, did we do it? Did
6 this work out the way we thought it should work out?"

7 Okay, and I skipped right past a slide on
8 "organizing the board to work effectively."

9 So within your group, you have to delegate some
10 of the responsibilities, because not everybody can do
11 everything.

12 For example, I know that you have committees
13 that then report back to the Board. So you have to work
14 within, to organize how everything will get done.

15 A couple of committees we'll talk about in a
16 little bit are the Audit Committee and the Executive
17 Committee -- the Executive Evaluation Committee.

18 And then you have to ensure the legal and
19 ethical integrity of the organization. So this requires
20 certain duties from you. And we consider those fiduciary
21 duty. And you'll hear that mentioned a lot, that the
22 board members have a fiduciary duty.

23 One of the duties within that is the duty of
24 care. That is to come to the meetings, to know when
25 those meetings are, and to actually use good judgment

1 when you're at those meetings. So it's a diligence to
2 actually be there and to participate and to have a voice
3 in what you're charged with.

4 The duty of loyalty. And that's to put the
5 interest of the agency ahead of any personal interests,
6 or anyone else that -- another person or any other
7 organization. You serve on this board. This board
8 should be your primary source of loyalty; that you should
9 be loyal to this board.

10 Then you have to act with fidelity in order to
11 ensure that you are meeting the organization's mission.

12 Now, when we talk about duty of care, that
13 is attending the board meetings, that's actively
14 participating in the work of the Board, that's actually
15 hearing the reports back in from the committees, asking
16 questions from the committees, not giving blanket
17 approvals, but to really understand what it is that
18 you're approving; and then participating in any board
19 actions. So making sure that you have a quorum, and that
20 your quorum actually takes action.

21 And then to know the books and the records of
22 the agency that you're on the board for.

23 So what is the financial position of the
24 agency? What are the results during the course of the
25 current year? What are the trends that you've seen in

1 the current -- in the past years? Know what's happening
2 with the financial information.

3 And one thing is that Lori and her group are
4 here to help you, to assist you if you have questions
5 on the books and records of the organization and on the
6 financial results. They're an excellent resource for
7 you, and they can provide insight and analysis, if
8 necessary.

9 And then the next thing that you need to do in
10 your duty of care, is to protect the organization's
11 assets.

12 And then when you're authorizing activities or
13 programs or income-generating activities, you want to
14 make sure that what you're doing is going to provide an
15 adequate resource and not cost more than the benefit it
16 provides. So that's part of that.

17 And then another thing that you have to do, is
18 to investigate and report any theft, or potential theft,
19 or mismanagement.

20 So sometimes an employee may come to you to
21 say, "Hey, I've noticed something that doesn't seem quite
22 right to me." That, as a board, you really have a duty
23 to assess that risk, and to investigate and report on
24 that.

25 And as your auditors, if we happen to notice

1 those things, we're required to also present that to you,
2 and to bring that to your attention. And then your part
3 of that is to then take action and do further
4 investigation.

5 Clear, so far?

6 Claudia, did you have a question?

7 MS. CAPPPIO: No.

8 MS. JONES: Oh, you're just waving to me.

9 Good. Okay, all right.

10 Okay, and then when we talk about ensuring the
11 financial accountability, one is the oversight of the
12 agency's executive director and verifying that those
13 resources were used prudently.

14 There are many demands on the resources that
15 you have. We saw today that you have money in the bank,
16 and there are demands on that money. And individuals
17 from outside the agency may think it's available because
18 it is in the bank. But there are restraints and
19 constraints that you have to use to utilize those funds;
20 and it's your responsibility to ensure that those
21 restraints and constraints are observed, and that you use
22 that money prudently.

23 And then, working with the accounting
24 individuals -- your controller -- ensure that you have
25 adequate, accurate financial information from which to

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1 make decisions. Because if you make decisions from the
2 wrong financial information, or information that is not
3 correct, you could potentially make the wrong decisions.

4 Yes, did you have a question?

5 MS. FALK: Yes. How are we supposed to know
6 that? That it's accurate --

7 MS. JONES: How are you supposed to know if the
8 records are accurate?

9 MS. FALK: Yes, without -- you know, we're not
10 looking at the books, we're not getting in the weeds.
11 How do we know that?

12 MS. JONES: Sure, okay.

13 Now, at the end of each year, you're going to
14 get an audit report on the external financial statements.
15 And those external financial statements we're going to
16 present to you in accordance with generally accepted
17 accounting principles. And then the basis of accounting
18 that's used throughout those, should be presented
19 faithfully throughout the year.

20 So you'll get quarterly financial information.
21 And as you have seen from the end-of-the-year financial
22 information that has been audited and that we've been
23 able to say whether or not it is materially correct, then
24 as long as those quarterly statements follow those same
25 basis, and you don't see large swings and changes in the

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1 way that the amounts are presented, then you should be
2 able to somewhat rely on that.

3 However, it's up to you to say, "This doesn't
4 look quite right. Why has this changed? Why does this
5 not look quite appropriate given what we knew at the end
6 of last year?"

7 And so that's kind of a large task.

8 But Lori is here to help you with that as you
9 go through the year. So be sure to ask questions.

10 If you see that the financial -- the results of
11 revenues and expenditures do not appear to align with the
12 budget, that's the time you say: "Okay, why isn't this
13 aligning with the budget?" "What are the differences?"
14 "Does the budget need to be amended or adjusted because
15 of changing conditions?" Or, "Are there possibilities
16 that the information is not being rolled into the
17 appropriate areas, and being representationally faithful
18 to the actual expending of funds?"

19 Did that answer the question?

20 MS. FALK: Yes. Although I don't -- have we
21 been getting quarterly budgets?

22 MS. HAMAHASHI: Quarterly budgets? No. The
23 quarterly financial statements are produced; and
24 they're posted.

25 MS. FALK: Do they just go to the Audit

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1 Committee?

2 MS. HAMAHASHI: No, no. It actually does not
3 go out to the Board members. It's produced and placed on
4 our Web site.

5 MS. CAPPIO: So it's available.

6 MS. HAMAHASHI: So it's available on the
7 Web site, right.

8 MS. FALK: There's no Board presentation or
9 discussion?

10 MS. CAPPIO: Not historically.

11 MS. HAMAHASHI: Not historically. It's been at
12 the end of the year.

13 MS. FALK: So once a year, we get to see
14 whether we were -- how we're doing?

15 MS. CAPPIO: So it's within our power to change
16 that up.

17 MS. CABALLERO: That's right.

18 MS. FALK: So we've got to ask questions.

19 MS. JONES: Uh-huh. Now, certainly the
20 information is posted and available, but a presentation
21 of the information is not outside the realm.

22 MS. HAMAHASHI: No.

23 CHAIR JACOBS: It would be simple enough to do
24 that as an informational item.

25 MS. FALK: Well, I would like to see at least a

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1 midyear --

2 MS. CAPPIO: We do have a midyear report.

3 MS. HAMAHASHI: We do have a midyear review
4 when we're discussing the May.

5 MS. FALK: Income, revenue.

6 MS. JONES: Okay, so one piece of that, is that
7 the financial information that you see throughout the
8 year is accurate; that you'd want to be looking at that
9 financial information to see if anything looks like it
10 possibly is inaccurate.

11 Another piece of information that you need to
12 be aware of is, are the duties that you have within the
13 accounting and financial reporting group, are they
14 adequately segregated so that you have protected the
15 assets of the entity?

16 For example, you don't want the same person to
17 have responsibility for both initiating a transaction,
18 authorizing a transaction, recording it in the books and
19 records, and then having access to those assets to
20 actually transact the business. So those duties really
21 need to be separate.

22 And so the notification that you get at
23 year-end, as part of your audit process, we do look at
24 the internal control structure and the actual internal
25 controls that were in place during the year, and we will

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1 notify you if there is an issue in this area.

2 But additionally, as you're adding programs and
3 as you're changing roles, you need to be aware that
4 that's something that really falls to you to monitor and
5 oversee, so that you can be sure that the information
6 that you have is, again, representationally faithful, but
7 that your assets are also protected, so that someone
8 could not walk away with them.

9 And then the internal controls that you have in
10 place are appropriate in order to ensure that.

11 And remember, it's always a cost benefit. So
12 you have to realize that if you have the option of --
13 you see that you have an inadequate segregation of
14 duties. One way to fix that might be to add a person to
15 that role. But another way may be to change the way that
16 the activity is undertaken, and a different level of
17 oversight, so that you don't have to add a person. You
18 have to balance the costs and the benefits of internal
19 controls.

20 And so that is part of the role of the Board,
21 partly as an oversight of the daily operations.

22 So Tia, herself, will also be actively involved
23 in making sure that this structure is appropriate. Lori
24 and her group are actively involved in designing the
25 controls and ensuring that they're appropriate to what

1 needs to be done. Your role is the oversight, to follow
2 up to see if those controls are adequate and actually
3 functioning.

4 And then as you make decisions, you need to
5 ensure that any decisions that you've made are documented
6 in your board minutes. And I've reviewed your
7 board minutes, and they're very meticulous. So I don't
8 think you have a problem with that.

9 The duty of loyalty is to avoid conflicts of
10 interest, or what might appear to be a conflict of
11 interest.

12 If you have a question on that, certainly the
13 burden of proof goes to you. But you have staff
14 available to assist you in answering any questions on
15 this.

16 And then there is a written policy on avoiding
17 conflicts of interest. Use that written policy to guide
18 your actions. And that's the duty of loyalty.

19 And then also, this agency, like many others,
20 administers a larger amount of funds. You have a duty
21 not to divert any corporate business opportunities for
22 your own personal gain. You need to look at the IRS
23 rules for self-dealing, to see whether or not there is
24 a -- whether or not you might be making that diversion.
25 So use that as your guideline.

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1 And then one thing we want to emphasize is,
2 the agency itself has some policies in place. You have a
3 limit of \$440 a year on gifts. And then you are required
4 to disclose any gifts from any individual source if
5 they're more than \$50.

6 And so that Form 700, I believe, is the filing
7 that you make on an annual basis.

8 Now, additional requirements: You have an Open
9 Meeting Act requirement, which goes not just for the
10 board but also for the committees of the board. And then
11 you have duty of disclosure of your economic interests.

12 When we talk about the Open Meeting
13 requirement, you have to have ten days' advance notice,
14 you can only vote on those items that were in that
15 published agenda, a majority of board members cannot
16 convene and communicate except in an open meeting.
17 And your audit committee, which consists of three
18 members, cannot discuss and convene and make decisions
19 without being in an open meeting.

20 Now, you can have closed sessions, and I
21 believe you're going to have one today. Those are
22 authorized by law, and they have to be on your agenda in
23 order to hold a closed session.

24 If there is an emergency and you do need to
25 meet, there is a caveat that you can have an emergency

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1 meeting with less than ten days' public notice, but there
2 are special circumstances for that.

3 Okay, the duty of disclosure of economic
4 interest, the agency's Form 700. It's a yearly
5 disclosure requirement that you need to complete. And
6 then if you do have any financial interests, you need to
7 disclose that. If there is going to be a vote that's
8 involved in your financial interest, then you need to
9 recuse yourself from those deliberations.

10 And you're required to report your potential
11 conflicts if you knew about them or if you should have
12 known about them. So if a reasonable person would have
13 known that that was an investment that they held, then
14 you should have disclosed that also.

15 When we talk about the financial reporting,
16 there are three groups that participate in that process
17 of ensuring that you have materially correct financial
18 information: The governing body, financial management
19 of the institution, and your independent auditors.

20 And the governing body is the top in that
21 group. So you all have the oversight and governance to
22 ensure that the financial information is appropriate.

23 And then you will work with financial
24 management, who will make those day-to-day decisions, and
25 help put in policies and procedures, and administer those

1 programs, and account for things appropriately.

2 And then your independent auditors, what we
3 will do is, we're available for consultation if you have
4 questions. Obviously, my phone number is in here if you
5 need to call me. I'm also backed by a large pool of
6 individuals within my firm. So it's not just me.

7 But then also, we're going to report to you on
8 an annual basis, before we start your audit, what the
9 scope of the audit is.

10 And I met with Mr. Gunning a couple of months
11 ago, I guess it was now, to go over the scope of the
12 audit, as head of the Audit Committee. And then we'll
13 report back to you as a full board in November, to give
14 you the results of the audit.

15 So one of the things is, when we present those
16 financial statements at the end of the year, be sure that
17 you ask questions, if you have questions on what the
18 information is relaying, and how they -- the financial
19 statements are laid out; because you need to understand
20 the content of those financial statements in order to
21 make sure that you're making appropriate decisions based
22 on those.

23 Again, you need to ensure the protection and
24 the appropriate use of the organization's assets. When
25 we talk about "protection," we mean protection from

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1 theft, protection from misuse, ensuring that they're used
2 appropriately, and also, that the accounting for those is
3 appropriate, clear, and open.

4 You need to have objectives as for revenues and
5 expenditures. And that's part of your budgeting process.

6 And one thing we'd like you to know, is that
7 when you are budgeting, you're a self-supporting entity,
8 so you need to use income-based spending, meaning that
9 you don't spend more than what you have, okay.

10 Typically, if you have reserves, those reserves
11 you wouldn't want to dig into on a regular basis. Those
12 reserves are there for a reason.

13 And then you want to thoroughly discuss that
14 annual budget, and understand that you know that the
15 decisions that you make are based on the strategies that
16 you have in place. And so they should be consistent with
17 those strategies. And the way that you're going to use
18 the money should actually be representational of the
19 decisions that you've made on what you're going to be
20 undertaking for the year.

21 Regular review of the financial statements:
22 They're posted online. Definitely, I would say that a
23 quarterly basis, that's -- the typical is that you should
24 be reviewing the financial statements throughout the
25 year. If they're available quarterly, then certainly

1 look at those quarterly. And if you have questions, then
2 bring those up to management to help address those.

3 And then if you have questions on the internal
4 controls that are in place and if there are risks that
5 the organization is undertaking, you need to know what
6 those risks are, and ensure that that's something that
7 you're comfortable with the organization taking for those
8 risks: Risks in internal controls, risks from external
9 entities that might want to defraud the entity. That's
10 part of your responsibilities, is to ensure that you have
11 a grasp on what those risks are.

12 And then to establish appropriate policies
13 from which the organization can manage the day-to-day
14 activities. And, where possible, have an operating
15 reserve, which in this instance, you have a significant
16 operating reserve.

17 When we report to you the results of the audit,
18 we will tell you if there are internal-control
19 weaknesses, whether there are significant deficiencies
20 or material weaknesses. And we'll go over what level of
21 concern that you should have with that. But you'll
22 review then what management's comments are, and how
23 they're going to address those issues, if there are any
24 issues. And it's your job then to say: "We agree with
25 that plan. That seems to be something that would be a

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1 reasonable response to this finding.”

2 And then we'll report to you whether or not
3 there are any areas where we had issues of
4 non-compliance. We do a single audit for the
5 organization, meaning, that you're administering federal
6 funds, and compliance is a big part of that audit. We'll
7 report on that to you. And it's your responsibility as a
8 board to make sure that any findings that we have, that
9 you respond appropriately to.

10 Okay, let's see. The risk assessment. As I
11 mentioned, you can be at risk from outside forces or
12 internal forces; and about annually, you want to update
13 that risk assessment. And I know Claudia had started a
14 risk-assessment program. And that's in its first full
15 year, I think, at this point.

16 Your two committees are the Audit Committee and
17 the Evaluation Committee.

18 The Audit Committee, what you have on the Audit
19 Committee responsibilities are, the Audit Committee is
20 responsible for selecting the audit firm, defining the
21 service expectations, ensuring that the audit firm works
22 within those service expectations. We talk about the
23 scope and the timing of the work. And we need to ensure
24 that the Audit Committee is comfortable with the scope
25 and the timing of the work.

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1 As I mentioned, you have a single audit, which
2 is performed in accordance with three levels of
3 standards. And so the Audit Committee needs to ensure
4 that the auditors are aware of those standards, and that
5 we are planning our audit to meet those standards.

6 The Audit Committee then presents information
7 to us if they have concerns that we need to be aware of
8 as we perform our audit. And then, of course, to respond
9 to any audit findings or recommendations. To present
10 those annual financial statements, so the Audit Committee
11 may go into great detail in reviewing the financial
12 information, and then present that financial information
13 to the Board for approval.

14 If there are conflicts between management and
15 the auditors, an audit committee would normally resolve
16 those conflicts. They would be the person that referees
17 and ensures that the interests of the agency are observed
18 and that we have worked through conflicts; and you agree
19 with the resolution of any issues.

20 And then any audit letters that go along with
21 the report, that those have been reviewed and approved.

22 You make the recommendations for the selection
23 and retention of the auditors. You review those audit
24 findings, and you report those to the board.

25 Now, the Government Finance Officers

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1 Association has put out an article on best practices for
2 audit committees, that came out in about 2008. And I
3 highly encourage you, if you want more information, to
4 take a look at those best practices.

5 What they say for audit committees, really, is
6 that everybody on the audit committee should possess a
7 basic understanding of governmental financial reporting
8 and auditing. Because, remember, this is the
9 governmental group. So they're saying a basic
10 understanding of governmental financial reporting and
11 auditing. That you should have access to at least one
12 expert on your group. And you should have enough members
13 to ensure meaningful discussion, but not so many that you
14 just spend a lot of time discussing. So they've
15 recommended about three members, basically.

16 CHAIR JACOBS: Though, we wouldn't object to a
17 fourth member.

18 MS. JONES: Yes, they just -- it wouldn't make
19 sense to have the full board be the audit committee. But
20 they say three, at least.

21 And then one other thing that you need to do is
22 to exercise professional skepticism.

23 As your auditors, we hear that we need to
24 exercise professional skepticism, and we're cognizant of
25 that when we perform our procedures. But in addition,

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1 the audit committee itself should be skeptical of the
2 information that it receives, and ask those follow-up
3 questions.

4 So you're going to provide an independent
5 review and oversight of the financial reporting
6 processes; the internal controls that the organization
7 has in place; you will look at the risks that the
8 organization faces, and whether those controls are
9 appropriate; and you'll look at whether or not the
10 independent auditors are meeting the needs of the
11 organization.

12 You also are responsible for establishing
13 procedures for individuals to make complaints or to bring
14 issues forward; to say if something doesn't seem quite
15 right. So that's the receipt, retention, and treatment
16 of complaints about accounting, internal control, or
17 auditing matters.

18 And then annually, to present to the full
19 board, a written report of how the audit committee
20 discharged its duties to meet its responsibility during
21 the year.

22 Now, granted, those are best practices. Some
23 will be practical for you; some will not. So it's up to
24 you to determine those practices that you make part of
25 your planning and operations. But certainly, these are

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1 in place and accepted practices for audit committees.

2 So I appreciate everybody's attention. I know
3 it's not exactly the most exciting topic.

4 Do you have any questions for me?

5 MS. CAPPIO: What's the difference between
6 "professional skepticism" versus "amateur skepticism"?

7 Do you have to be more polite when you're
8 professional?

9 MS. JONES: Yes, I think so. I don't think you
10 can call names when you're being professionally skeptic.

11 CHAIR JACOBS: All right, any other questions?

12 MR. GUNNING: I have a comment, Michael.

13 Nancy, thank you.

14 MS. JONES: You're welcome.

15 MR. GUNNING: I thought that was outstanding.

16 And as you mentioned when we talked about this at lunch,
17 I naturally said, "Wow, no one's ever talked to us. This
18 would be something of value." And it certainly has been
19 for the Board.

20 If you could, or Lori, get us a copy of those
21 best practices, because I saw a few people taking notes
22 on that. So I think that would be of interest.

23 MS. JONES: Sure. That's an easy thing to do.

24 They have published it on the Government Finance

25 Officers' Web site. I'm a member. I can easily download

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1 that and send it off to you.

2 MR. GUNNING: That would be perfect.

3 CHAIR JACOBS: Thank you very much for that.

4 MS. JONES: Thank you.

5 CHAIR JACOBS: All right, we've got a --

6 MR. PRINCE: Can I ask a question?

7 CHAIR JACOBS: A general question?

8 MR. PRINCE: Yes, it's around that same topic.

9 So I blindly jumped on the chance of becoming a
10 board member. I have no idea what our protections are.

11 MS. CAPPIO: None.

12 MR. PRINCE: So is that the truth?

13 So I assume under state law, there's protection
14 to Board members making decisions, unless we do something
15 that breaks the law.

16 CHAIR JACOBS: Egregious.

17 MR. PRINCE: Yes, but I have no idea, is there
18 a director's and officer's insurance?

19 CHAIR JACOBS: Victor can explain that. But
20 there's a certain degree of trust that we have in the
21 work product given to us by staff.

22 Victor, maybe you can address that.

23 MR. JAMES: Right.

24 *(Ms. Ortega entered the meeting room.)*

25 MR. JAMES: I guess two levels. I think the

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1 direct answer to your question, Preston, is, should any
2 member of the Board get sued by someone while performing
3 the duties of the Board while acting within the course
4 and scope --

5 MR. PRINCE: That is my question.

6 MR. JAMES: I kind of thought it might be.

7 Yes, you have immunity. You have both
8 prosecutorial immunity, as well as -- we have an
9 obligation to provide you with both financial-liability
10 immunity, indemnity, and also defense indemnity. So
11 it's a cost that gets picked up by the agency if you were
12 sued in your capacity as a Board member, or based on
13 performance of duties associated with your status as a
14 Board member.

15 So if you were individually named, there would
16 have to be a determination -- if you were named as an
17 individual, there would have to be a determination that
18 it was within the course and scope of your membership
19 status. And if it was -- and I'm sure it would be -- we
20 would offer you that defense and the indemnification from
21 damages.

22 MR. PRINCE: Thanks.

23 CHAIR JACOBS: Can the minutes reflect that
24 Ms. Ortega has entered the room?

25 MS. ORTEGA: Yes.

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1 CHAIR JACOBS: Thank you.

2 Just actually in time for a great
3 closed-session discussion of litigation.

4 MS. BOATMAN PATTERSON: Do you want to do 7 and
5 8, and then jump to closed session?

6 CHAIR JACOBS: Can we do that?

7 MR. JAMES: I'm sorry?

8 MS. BOATMAN PATTERSON: Can we take 8 and 9?

9 CHAIR JACOBS: And then just go into closed
10 session -- or adjourn the public meeting, go into closed
11 session?

12 MS. BOATMAN PATTERSON: Take 8 and 9.

13 MR. JAMES: No, we have -- I think we have to
14 wait and --

15 CHAIR JACOBS: Keep everybody --

16 MR. JAMES: -- and go back into open session
17 before we -- you have to go back into open session after
18 close, for adjournment.

19 CHAIR JACOBS: For adjournment? All right.

20 --oOo--

21 **Item 8 Discussion of other Board matters**

22 CHAIR JACOBS: Are there any other board
23 matters anyone wants to raise before we go with that?

24 //

25 //

1 **Item 9. Public testimony**

2 CHAIR JACOBS: Is there any member -- are there
3 any members of the public that wish to speak at this
4 time?

5 We have two members of the public.

6 MR. TAIT: I'll be brief. My name is Joe Tait.
7 I am representing my firm, Raymond James.

8 I just wanted to make a public comment with
9 regard to the single-family lending program adjustments
10 that you've mentioned today.

11 Obviously, you've voted "yes," so I'm not
12 trying to influence your decision. I just thought it
13 might be helpful to place your decision in context.

14 My firm runs 27 programs for -- programs for
15 27 HFAs, similar to the program that Cal Housing runs
16 using the TBA market. And I can tell you that of those
17 27 programs, the adjustments you have made are certainly
18 in line with, or bring you much closer to the 27 programs
19 that we run for our clients.

20 I can't really -- I don't have the details of
21 27 programs in my mind, but I can tell you that most of
22 them do have higher combined LTV thresholds. So the
23 steps you've taken today bring you much closer to the
24 large number of programs we run.

25 In addition, out of our 27 programs, there are

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1 no other clients that I have that provide down-payment
2 assistance exclusively away from the first-mortgage loan
3 product. And I find it interesting that Cal Housing
4 does.

5 There are -- HFAs get down-payment assistance
6 money from various sources. Sometimes it's through
7 premium pricing of mortgage loans. Sometimes it's
8 settlement monies from the Attorney General, and so
9 forth. But there are none that I can think of that run
10 programs to provide individual down-payment assistance
11 loans to homeowners.

12 So that concludes my comments.

13 CHAIR JACOBS: Thank you, Mr. Tait.

14 MR. PRINCE: Can I add on to that? Because I
15 eloquently had a question earlier about it.

16 So if we provide additional down-payment
17 assistance, \$6,500, if I read that right, and someone
18 saves \$130 a month, that's about five years, six years,
19 right, before they -- that net present value; right?

20 So my question is, are they going to take that
21 \$130 savings and actually keep it, right, and maybe spend
22 it towards their families? I think that's our
23 assumption. Maybe they'll put it towards principal.
24 Hopefully they'll buy school supplies. Hopefully,
25 they'll do something, or will they just get a larger

1 mortgage?

2 So that's where my question is, are we pushing
3 into something where people are going to be leading to
4 defaults? What are we doing that allows us -- whether
5 it's getting the right lender, or the right borrower --
6 you know, that process.

7 So that's why I didn't really quite say it very
8 well. But for me, it's really, are we pushing the
9 bubble, are we just getting into the mix just for the
10 heck of it; or are we actually targeting someone that
11 wouldn't have gotten helped otherwise? Are we finding
12 people who take the savings and put it towards education
13 or put it towards some other things that are important?
14 So that was my question.

15 And I'm glad to know that we're not out of line
16 of all of the other HFAs. So that's good to know. So I
17 actually appreciated those comments. It did make me --

18 CHAIR JACOBS: Yes, it comes back to the
19 underwriting question that Claudia raised.

20 MR. PRINCE: Yes, it really does.

21 CHAIR JACOBS: Another comment?

22 Sir, please come up.

23 MR. TALIAFERRO: My name is Richard Taliaferro.
24 I'm a homeowner. And I applied for *Keep Your Home*
25 *California* after being in a trucking accident and

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1 breaking my arm. And I was approved for that. And I had
2 been through divorce. And I was approved, I believe, for
3 the maximum amount; but my lender, Ocwen Loan Servicing,
4 simply refused on the basis that I hadn't given them
5 enough documentation.

6 To date, I've given them over a thousand pieces
7 of documentation: By mail, by fax, and by -- you know,
8 over the phone, scanning documents and e-mailing to them.

9 I have filed a complaint with the Consumer
10 Protection Financial Bureau. They got back to me, and I
11 got back to them. Basically, this has been going on for
12 about five months.

13 I filed another complaint when I found out that
14 the Department of Business Oversight -- I guess that's
15 the California Attorney General's office --

16 MS. CAPPPIO: Yes, it's a state agency.

17 MR. TALIAFERRO: -- is now taking action
18 specifically against Ocwen.

19 They were supposed to -- Ocwen was supposed to
20 get back to me by the first of this month. That's the
21 deadline.

22 I have a letter here dated September 10th, and
23 postmarked September 11th, telling me that -- from a
24 third ombudsman -- that's a hard word to say. But I am
25 still on disability, and my prospects for work, because

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1 I'm still -- you know, I'm suffering from post-traumatic
2 stress, still -- and I'm going to lose my house if
3 something isn't done here pretty soon. And I just don't
4 understand why it is.

5 In my complaint to the Department of Business
6 Oversight, the remedy that I sought was to have them go
7 back to the time that I was preapproved for the loan;
8 and they're also a part of the court order that they're
9 under, is that they have to pay out \$2 billion over the
10 next -- \$3 billion over the next two years to underwater
11 homeowners.

12 Well, I qualify on two fronts.

13 If this continues past November, I'm not going
14 to have a home anymore. And I want to know what can be
15 done; and if there's anything else that I can do, that I
16 haven't done already.

17 CHAIR JACOBS: Can we get your information and
18 try and follow up afterwards --

19 MR. TALIAFERRO: Sure, yes.

20 CHAIR JACOBS: -- just with them, and put a
21 little -- as much pressure as we can?

22 MR. TALIAFERRO: Should I talk to you after the
23 meeting?

24 CHAIR JACOBS: Fill out their --

25 MS. CAPPPIO: Di can get your information.

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1 CHAIR JACOBS: Di? Okay, you've got it.

2 All right, thank you.

3 Anyone else from the public?

4 *(No response)*

5 --oOo--

6 **Item 7 Closed Session**

7 CHAIR JACOBS: Okay, we're going to go into
8 closed session.

9 We'll reopen briefly before adjourning.

10 But thank you, everyone.

11 *(The gavel sounded.)*

12 *(The Board of Directors met in closed
13 session from 12:17 p.m. to 12:51 p.m.)*

14 CHAIR JACOBS: We're back in open session.

15 Any other matters, or members of the public who
16 wish to speak?

17 *(No response)*

18 **Item 10. Adjournment**

19 CHAIR JACOBS: Seeing none, we're going to
20 adjourn this meeting. Thank you.

21 *(The gavel sounded.)*

22 *(The meeting of the Board of Directors
23 concluded at 12:51 p.m.)*

24 **END**

25

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 October 2014.

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