BOARD OF DIRECTORS

California Housing Finance Agency
Board of Directors

March 17, 2015

Burbank Airport Marriott Hotel
& Convention Center
2500 Hollywood Way
Burbank, California
(818) 843-6000

10:00 a.m.

Bd.Table:#265410v1
BdMtg:03-17-15

B. Financing –

13. Closed session under Government Code section 11126(e)(1)(A); to confer with and receive advice from legal counsel regarding pending litigation (MortgageFlex Systems, Inc. vs. CalHFA; Sacramento Superior Court Case No. 34-2014-00164768.

14. Discussion of other Board matters.

15. Public testimony: Discussion only of other matters to be brought to the Board's attention.

16. Adjournment

17. Handouts

NOTES**

HOTEL PARKING: Cash @ $12.00 per car, per entry, pay at gate with no in and out.

FUTURE MEETING DATES: Next CalHFA Board of Directors Meeting will be May 14, 2015, at the Sacramento Housing & Redevelopment Agency, Sacramento, California.

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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.

Reported by: DANIEL P. FELDHAUS
California Certified Shorthand Reporter License #6949
Registered Diplomate Reporter, Certified Realtime Reporter

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

--oOo--

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

(Brief discussion off record)

CHAIR JACOBS: Welcome, everybody.

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

If you'd like to wave to everybody.

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

MS. JOHNSON-HALL: Now would be great.

CHAIR JACOBS: Great.

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

My name is Tiena Johnson-Hall, and I work for BBVA Compass. I've been in the banking business for well over 20 years now. I started out working with a small nonprofit developer, now known as Abode Communities. And I'm very grateful to those folks for getting me in this industry. I'm very passionate about housing, and very specifically, about housing for the state of California, for specifically working with underserved communities.

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

Thank you.

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

--o0o--

Item 1. Roll Call

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

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

MS. OJIMA: Thank you.

Ms. Caballero?

MS. CABALLERO: Here.

MS. OJIMA: Thank you.

Ms. Cappio?

MS. CAPPIO: Here.

MS. OJIMA: Ms. Falk?

MS. FALK: Here.

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

MS. GUNN: Here.

MS. OJIMA: Mr. Gunning?

MR. GUNNING: Here.

MS. OJIMA: Ms. Johnson-Hall?

MS. JOHNSON-HALL: Here.

MS. OJIMA: Mr. Hunter?

MR. HUNTER: Here.

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

MS. CARROLL: Here.

MS. OJIMA: Mr. Prince?

CHAIR JACOBS: He is here but had to leave until 10:30.

MS. OJIMA: Okay.

Ms. Sotelo?

(No response)

MS. OJIMA: Mr. Alex?

(No response)

MS. OJIMA: Ms. Ortega for Mr. Cohen?

(No response)

MS. OJIMA: Ms. Patterson?

MS. BOATMAN PATTERSON: Here.

MS. OJIMA: Mr. Jacobs?

CHAIR JACOBS: Here.

MS. OJIMA: We have a quorum.

CHAIR JACOBS: Great. Thanks.

//

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

CHAIR JACOBS: All right, July 8th meeting. Any comments or corrections to the minutes?

(No response)

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

MS. FALK: So moved.

MS. CABALLERO: Second.

MS. OJIMA: Thank you.

Ms. Caballero?

MS. CABALLERO: Aye.

MS. OJIMA: Ms. Cappio?

MS. CAPPIO: I believe I have to abstain.

MS. OJIMA: Thank you.

MS. CAPPIO: Even though I was here.

MS. OJIMA: Ms. Falk?

MS. FALK: Aye.

MS. OJIMA: Ms. Gunn?

MS. GUNN: I abstain.

MS. OJIMA: Thank you.

Mr. Gunning?

MR. GUNNING: Aye.

MS. OJIMA: Ms. Johnson-Hall?

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

MS. OJIMA: Thank you.

Mr. Hunter?

MR. HUNTER: Abstain.

MS. OJIMA: Mr. Prince?

(No response)

MS. OJIMA: Mr. Jacobs?

CHAIR JACOBS: Aye.

Are we short?

MS. OJIMA: We are short.

CHAIR JACOBS: We can take it back up when Mr. Prince is back.

MS. BOATMAN PATTERSON: You know, we just have some legal advice.

MS. CAPPIO: Yes, we could switch. And I was here, but I'm just acknowledging the minutes, I was present at the meeting. So if you could switch my vote to a "yes."

MS. OJIMA: Thank you.

CHAIR JACOBS: Very good.

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

Anytime you need to do that, let me know.

MS. OJIMA: Okay, and then when Mr. Prince comes…

CHAIR JACOBS: We can finish it off.

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

Item 3 Chairman/Executive Director Comments

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

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

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

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

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

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

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

So, thank you.

CHAIR JACOBS: Thank you.

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

(No response)

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

(No response)

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

Are there speaker slips today?

MS. OJIMA: Yes.

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

The gentleman right by the front door has got them.

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

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

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

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

(Gavel sounded)

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

MS. CARTER: Okay, we have --

(Gavel sounded)

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

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

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

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

(Gavel sounded)

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

Over one billion --

CHAIR JACOBS: Mr. Jose Vega --

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

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

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

CHAIR JACOBS: Mr. Vega?

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

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

CHAIR JACOBS: All right, ma'am --

MS. CARTER: Increase relief for homeowners --

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

MS. CARTER: -- most in need.

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

MS. CARTER: Increase the total amounts --

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

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

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

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

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

Increase direct outreach to potentially eligible borrowers.

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

(Gavel sounded)

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

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Item 9. Public Testimony

CHAIR JACOBS: All right we're going to resume the meeting. And, please, everyone, just respect for everyone.

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

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

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

MR. GUNNING: Right here.

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

AUDIENCE MEMBER: That's us.

MS. BOATMAN PATTERSON: -- sent a letter.

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

And if I could read and summarize a portion of their letter. But they are, the Home Defenders League is a statewide group of homeowners working to save homes from foreclosure and protect our neighborhoods, our members, and have a strong concern about policies of the California Housing Finance Agency's *Keep Your Home California Program*.

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

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

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

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

ACCE is calling on *Keep Your Home California* to make the following changes:

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

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

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

They would require that loan modifications accompany all principal reductions.

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

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

And they would like us to create a retroactive program.

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

Thank you.

CHAIR JACOBS: We actually have three speaker cards.

So go ahead, Mr. Vega.

MR. VEGA: Right here.

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

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

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

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

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

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

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

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

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

AUDIENCE MEMBER: Yeah.

AUDIENCE MEMBER: Yes, that's right.

MR. VEGA: I am a human being. I have worked my entire life. Like I said, I put all my savings into that house. And it's not fair that the money is there to help me after years of fighting and trying to get to some kind of agreement with the banks, just for you guys to say, "Oh, guess what? You don't qualify. You're too far underwater."

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

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

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

How can you call that a success?

I don't know what your percentage is for all those people; but, you know, we -- there's a lot of people out there still losing our homes -- their homes, regardless of what the media says. You know, there's a lot of us going through this hell that they put us through when they ask us for the same things over and over and over again.

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

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

AUDIENCE MEMBER: Yes.

MR. VEGA: So please use that money.

Thank you so much.

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

MR. VEGA: I'm sorry?

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

MR. VEGA: You need my address?

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

Genny Zentella.

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

MS. ZENTELLA: Hi.

CHAIR JACOBS: Hi.

MS. ZENTELLA: Right here?

CHAIR JACOBS: Yes.

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

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

AUDIENCE MEMBER: Louder.

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

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

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

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

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

At the time, I told them, “This isn’t going to work.” These were -- the loan was too hard for me to pay. I was paying the minimum payment. The loan kept increasing. They wouldn't help me modify, so the equity just went up. My home devalued more than half of what, you know, my house was worth.

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

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

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

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

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

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

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

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

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

Thank you.

CHAIR JACOBS: Thank you.

Can we get your address also?

MS. ZENTELLA: Sure.

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

DAVID SHOE: Pass. Pass.

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

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

Thank you.

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

CHAIR JACOBS: Ma'am?

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

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

MS. CARTER: Within the next two weeks?

MS. BOATMAN PATTERSON: Yes.

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

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

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

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

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

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

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

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

CHAIR JACOBS: Ma'am? Ma'am?

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

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

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

MS. BOATMAN PATTERSON: And so --

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

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

(Gavel sounded)

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

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

Thank you, ACORN, for an interesting presentation.

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

You failed to tell me about that part.

MS. CAPPIO: No comment.

--o0o--

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

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

Ken?

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

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

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

Here's what we've done with your approval over the last year. On the 26th, as I said, we started with our FHA first mortgage released.

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

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

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

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

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

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

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

So those are the updates.

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

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

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

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

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

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

What does that translate to in dollars? Ten?

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

MR. GIEBEL: $10 million.

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

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

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

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

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

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

Our Hispanic population is mainly in the CHDAP stand-alone; however, it is still pretty high on both the other two products. And our African-American population has increased with our first mortgages over the CHDAP stand-alones.

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

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

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

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

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

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

I'll just give you an example.

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

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

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

So that's one.

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

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

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

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

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

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

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

So in the end, we're asking you for -- we're giving the borrowers $20,000 on a $250,000 loan. And then on the back side, we're asking them for either $1,000 or $1,500.

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

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

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

MS. ANGST: It follows the GSE guidelines.

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

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

We want to reduce the home warranty to one year for first-time home buyers. They can't buy a two-year. So we're asking -- and for us to track the two-year is very -- I mean, we'd have to assign a couple people, to call the people and go, "Can you send us your warranty for two years?"

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

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

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

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

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

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

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

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

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

MS. ANGST: Yes.

MR. GIEBEL: Yes.

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

Our cost, when you do an MCC with a CalHFA first, is 350. And we were charging the same amount if it was just an MCC one-off, what we would call an "MCC stand-alone."

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

Sheryl, all yours.

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

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

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

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

MS. ANGST: The augmentation of the ZIP on a conventional loan will significantly enhance the program. It enables the borrower to pay the mortgage insurance as a single-family premium up-front versus their monthly mortgage insurance.

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

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

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

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

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

MR. GIEBEL: Any questions on that?

It is a little bit of a --

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

MR. GIEBEL: It's a lot of data, but we just wanted to show you that --

CHAIR JACOBS: We have one question.

MR. GIEBEL: Sure.

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

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

MR. GIEBEL: Okay.

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

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

MR. GIEBEL: Yes.

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

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

So I had a question, and now I'm all -- okay, so on page number 7, in the first bullet, it talks about requiring all the CalHFA-approved lenders to originate for CalHFA first mortgages within a six-month period. And I'm not exactly sure what purpose you're trying to get there. Is it, to distill down the number of lenders to a manageable number? And if so, why is that important?

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

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

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

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

If you compare this conventional -- CalPLUS conventional -- loan with an FHA loan, they're saving a considerable amount of money, well over $200 a month, because they're not having to pay the mortgage-insurance premium on an FHA loan.

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

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

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

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

MS. CABALLERO: Okay, that's fine.

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

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

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

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

MR. GUNNING: Which legal department?

MR. GIEBEL: Ours.

MR. GUNNING: Victor?

MR. GIEBEL: Our department.

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

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

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

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

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

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

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

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

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

What we want to do is convince them that we are a first-mortgage lender again by asking them to do one, or now four loans, a year, they are getting used to us as a first-mortgage lender again. We're giving them their appetite.

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

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

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

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

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

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

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

And you know, to get a loan officer to do that, it takes a while.

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

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

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

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

CHAIR JACOBS: Claudia?

MS. CAPPIO: So I appreciate the willingness to sort of tweak this and make it more competitive. The balancing act is who is a good borrower. And I know that we have previously discussed feedback mechanisms and statistical and data collection. Because the market is really different; and we're trying to find our place in that market. It's iterative. So we're getting close to the edge of: What is it?

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

MR. GIEBEL: Well, if --

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

MR. GIEBEL: Right.

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

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

As you can see, you're going to get to --

Scott, can you fix this?

MS. ANGST: I've got it.

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

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

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

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

The CLTVs are all under 105.

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

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

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

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

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

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

MS. CAPPIO: After the loan closes?

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

MS. ANGST: No, we can't.

MR. GIEBEL: You can't?

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

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

MS. CAPPIO: Okay.

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

MS. CAPPIO: Okay.

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

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

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

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

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

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

MS. CAPPIO: That's a big one.

But the degree of scrutiny is pretty layered.

MR. PRINCE: Right.

MS. ANGST: There's three.

MS. CAPPIO: Thank you. I hadn't realized there was…

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

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

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

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

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

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

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

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

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

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

MS. CAPPIO: Got it.

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

CHAIR JACOBS: Jonathan?

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

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

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

MR. HUNTER: I'm following up a little bit on something that Michael touched on briefly. And this may be just, you know, my methodology from the past, but that the only one -- the only one of these tweaks that stood out to me was the no longer requiring financial participation by the borrower. Because I -- my lessons, even in sliding-scale counseling for alcohol and drug addiction, is that that's a mistake.

So I was concerned about that.

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

Is that because of closing costs?

MS. ANGST: That is closing costs, correct.

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

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

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

MS. ANGST: Down on the first mortgage.

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

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

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

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

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

MR. GIEBEL: Yes, about.

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

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

MS. GUNN: Okay.

MR. GIEBEL: So they come in; and, you know, they have their credit issues, they've already -- a lot of them have looked at a property and don't know how they have to qualify. So that process can take anywhere from six months to a year to a year and a half. We track them for six. It has a very low rate of converting into either a CHDAP stand-alone or a CalHFA. Because most of those buyers are not ready yet. But it does get them prepared, and it keeps the loan officers at least looking at one of our products with them.

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

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

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

MS. ANGST: It was three a month.

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

MS. GUNN: Okay.

CHAIR JACOBS: Ms. Johnson-Hall.

MS. JOHNSON-HALL: Thank you.

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

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

MS. JOHNSON-HALL: I understand that. But I'm not sure that you understood -- that I'm understanding you. So I want to repeat it again.

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

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

MS. JOHNSON-HALL: And they still --

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

MS. JOHNSON-HALL: Okay.

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

MR. GIEBEL: Later.

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

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

MS. ANGST: Yes.

MS. JOHNSON-HALL: Thank you.

MS. ANGST: Thank you.

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

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

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

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

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

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

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

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

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

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

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

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

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

MS. ANGST: Special assessments?

CHAIR JACOBS: Yes.

MS. ANGST: No.

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

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

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

MR. GIEBEL: No, it's not.

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

MR. GIEBEL: We will.

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

MR. GIEBEL: Right, right.

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

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

MS. CABALLERO: Right. I know we will.

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

We tell them every month. We tell them through social media. We tell them in letters. We tell them every way we can -- in training. And, you know, people don't get things until there's a consequence.

MS. CABALLERO: Just like teenagers.

CHAIR JACOBS: Do we have a resolution?

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

CHAIR JACOBS: Do we have a second?

MS. FALK: Second.

CHAIR JACOBS: Janet.

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

(No response)

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

MS. OJIMA: Ms. Caballero?

MS. CABALLERO: Aye.

MS. OJIMA: Ms. Cappio?

MS. CAPPIO: Aye.

MS. OJIMA: Ms. Falk?

MS. FALK: Aye.

MS. OJIMA: Ms. Gunn?

MS. Gunn: Aye.

MS. OJIMA: Mr. Gunning?

MR. GUNNING: Aye.

MS. OJIMA: Ms. Johnson-Hall?

MS. JOHNSON-HALL: Aye.

MS. OJIMA: Mr. Hunter?

MR. HUNTER: Aye.

MS. OJIMA: Ms. Carroll?

MS. CARROLL: Aye.

MS. OJIMA: Mr. Prince?

MR. PRINCE: Aye.

MS. OJIMA: Mr. Jacobs?

CHAIR JACOBS: Aye.

MS. OJIMA: Resolution 14-08 has been approved.

CHAIR JACOBS: Good luck with the changes.

MR. GIEBEL: Thank you.

MS. ANGST: Thank you.

CHAIR JACOBS: Before we jump to the next item, I wanted want to recognize that Mr. Prince did return to the room before that item came.

--oOo--

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

CHAIR JACOBS: Can we reopen the minutes?

We're just waiting on your vote to approve the prior.

MR. PRINCE: So, I vote "aye."

CHAIR JACOBS: Okay, there we go. Now they're approved.

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Item 5.A Reports - Update on SEC Municipalities Continuing Disclosure Cooperation

CHAIR JACOBS: We've got some informational reports.

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

Does anyone want to have discussion of that?

(No response)

--o0o--

Item 5.B Reports - Homeownership Loan Portfolio Update as of July 31, 2014

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

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

(No response)

CHAIR JACOBS: All right.

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

I mean, as I go through it, I get a little overwhelmed by it, so it would be nice if there's somehow a little bit of a summary of "here's either a trend" or "here's something important." Just an idea.

MS. CABALLERO: Right.

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

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

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

Okay, great.

--o0o--

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

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

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

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

I mean, I know we have this training later on today; right? And our role is not to be staff. So I would love for us to be able to not have to analyze it, yes.

CHAIR JACOBS: Okay, any questions?

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

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

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

MS. BOATMAN PATTERSON: Is Tim here?

Tim, can I have you come up?

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

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

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

MR. PRINCE: Yes, but it's like, when I look at the data is when I get a little confused. I still think talking about findings makes sense. Oh, yes.

MS. BOATMAN PATTERSON: Okay.

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

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

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

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

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

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

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

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

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

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

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

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

So in general, most of them -- no, all of them -- I shouldn't say "most." In general, all of them have not found anything that we have not found, meaning, that they're not reporting on anything that we're not reporting ourselves. So because of the nature of the program, that kind of created a little bit of incentive for the underwriters to over-report, because they gave them a cap on their liabilities on everything they report.

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

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

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

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

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

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

CHAIR JACOBS: Thanks, Tim.

Any other questions on these items?

John?

MR. HUNTER: On any of the reporting?

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

--o0o--

Item 5.E Reports - Keep Your Home California

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

MS. BOATMAN PATTERSON: We had one.

CHAIR JACOBS: I think we --

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

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

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

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

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

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

Now, I don't think it's particularly a problem -- one of the things that I looked at, is that I went back and looked at our own portfolio. So, for instance, our county, where we have the biggest problem in terms of the highest percentage of foreclosures, is Riverside, followed closely by Kern. And so, you know, if we looked at the percentage of loans that we have trouble with, it's more, you know, Riverside, Kern, Fresno -- some of the counties that don't have the sheer volume but have a much higher percentage of need.

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

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

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

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

That's it.

CHAIR JACOBS: Any other questions or comments about *Keep Your Home California*?

(No response)

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Item 5.F Reports - Update on Multifamily Portfolio
Projects maturing on or before September 2019

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

MS. MORGAN: Good morning.

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

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

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

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

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

The project types, you have 60 almost -- you're pushing 60 percent at family, 30 percent at senior, the rest at special needs. You have 12 projects that have Section 8.

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

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

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

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

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

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

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

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

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

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

CHAIR JACOBS: Any questions on this?

(No response)

CHAIR JACOBS: A good starting place.

MS. MORGAN: Absolutely. Thank you.

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Item 5.G Reports - Results from Fannie Mae Document Custodian Audit

CHAIR JACOBS: We had a couple of audit items.

Does Lori Hamahashi want to do a bit on those?

(No response)

CHAIR JACOBS: Does anyone have any questions for her?

(No response)

CHAIR JACOBS: Any questions?

(No response)

CHAIR JACOBS: It's fairly self-explanatory.

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

CHAIR JACOBS: Let's go to the workshop.

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

But let's get into the training then.

Is there a presentation?

MS. HAMAHASHI: Good morning, everyone.

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

Seated next to me is Nancy Jones. She is the current audit principal on our audit engagement. And we have Clifton here today because they offer training for clients and their respective boards.

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

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

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

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

Well, here. We'll do this.

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

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

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

But we're going to talk about understanding your fiduciary duty. Because as a board member, you do have a fiduciary duty to the organization. And then understanding how you're going to govern your agency and the accountability and responsibility that you have for California HFA with specifics added in as we talk this morning.

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

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

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

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

So I haven't had the pleasure of meeting Tia yet in person. But as the new executive director, you'll be working with her, evaluating her performance. And she is responsible for day-to-day operations, while you're responsible for the overall governance and oversight.

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

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

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

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

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

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

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

And then you need to set those policies to guide those operations and the programs, and make sure that the monies that are available are used appropriately based on what it is that you're trying to accomplish.

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

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

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

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

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

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

One of the duties within that is the duty of care. That is to come to the meetings, to know when those meetings are, and to actually use good judgment when you're at those meetings. So it's a diligence to actually be there and to participate and to have a voice in what you're charged with.

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

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

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

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

So what is the financial position of the agency? What are the results during the course of the current year? What are the trends that you've seen in the current -- in the past years? Know what's happening with the financial information.

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

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

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

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

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

And as your auditors, if we happen to notice those things, we're required to also present that to you, and to bring that to your attention. And then your part of that is to then take action and do further investigation.

Clear, so far?

Claudia, did you have a question?

MS. CAPPIO: No.

MS. JONES: Oh, you're just waving to me. Good. Okay, all right.

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

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

And then, working with the accounting individuals -- your controller -- ensure that you have adequate, accurate financial information from which to make decisions. Because if you make decisions from the wrong financial information, or information that is not correct, you could potentially make the wrong decisions.

Yes, did you have a question?

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

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

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

MS. JONES: Sure, okay.

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

So you'll get quarterly financial information. And as you have seen from the end-of-the-year financial information that has been audited and that we've been able to say whether or not it is materially correct, then as long as those quarterly statements follow those same basis, and you don't see large swings and changes in the way that the amounts are presented, then you should be able to somewhat rely on that.

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

And so that's kind of a large task.

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

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

Did that answer the question?

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

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

MS. FALK: Do they just go to the Audit

Committee?

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

MS. CAPPIO: So it's available.

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

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

MS. CAPPIO: Not historically.

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

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

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

MS. CABALLERO: That's right.

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

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

MS. HAMAHASHI: No.

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

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

MS. CAPPIO: We do have a midyear report.

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

MS. FALK: Income, revenue.

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

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

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

And so the notification that you get at year-end, as part of your audit process, we do look at the internal control structure and the actual internal controls that were in place during the year, and we will notify you if there is an issue in this area.

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

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

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

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

So Tia, herself, will also be actively involved in making sure that this structure is appropriate. Lori and her group are actively involved in designing the controls and ensuring that they're appropriate to what needs to be done. Your role is the oversight, to follow up to see if those controls are adequate and actually functioning.

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

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

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

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

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

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

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

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

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

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

If there is an emergency and you do need to meet, there is a caveat that you can have an emergency meeting with less than ten days' public notice, but there are special circumstances for that.

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

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

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

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

And then you will work with financial management, who will make those day-to-day decisions, and help put in policies and procedures, and administer those programs, and account for things appropriately.

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

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

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

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

Again, you need to ensure the protection and the appropriate use of the organization's assets. When we talk about "protection," we mean protection from theft, protection from misuse, ensuring that they're used appropriately, and also, that the accounting for those is appropriate, clear, and open.

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

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

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

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

Regular review of the financial statements: They're posted online. Definitely, I would say that a quarterly basis, that's -- the typical is that you should be reviewing the financial statements throughout the year. If they're available quarterly, then certainly look at those quarterly. And if you have questions, then bring those up to management to help address those.

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

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

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

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

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

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

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

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

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

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

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

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

Now, the Government Finance Officers

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

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

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

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

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

As your auditors, we hear that we need to exercise professional skepticism, and we're cognizant of that when we perform our procedures. But in addition, the audit committee itself should be skeptical of the information that it receives, and ask those follow-up questions.

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

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

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

Now, granted, those are best practices. Some will be practical for you; some will not. So it's up to you to determine those practices that you make part of your planning and operations. But certainly, these are in place and accepted practices for audit committees.

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

Do you have any questions for me?

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

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

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

CHAIR JACOBS: All right, any other questions?

MR. GUNNING: I have a comment, Michael.

Nancy, thank you.

MS. JONES: You're welcome.

MR. GUNNING: I thought that was outstanding. And as you mentioned when we talked about this at lunch, I naturally said, "Wow, no one's ever talked to us. This would be something of value." And it certainly has been for the Board.

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

MS. JONES: Sure. That's an easy thing to do. They have published it on the Government Finance Officers' Web site. I'm a member. I can easily download that and send it off to you.

MR. GUNNING: That would be perfect.

CHAIR JACOBS: Thank you very much for that.

MS. JONES: Thank you.

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

MR. PRINCE: Can I ask a question?

CHAIR JACOBS: A general question?

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

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

MS. CAPPIO: None.

MR. PRINCE: So is that the truth?

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

CHAIR JACOBS: Egregious.

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

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

Victor, maybe you can address that.

MR. JAMES: Right.

(Ms. Ortega entered the meeting room.)

MR. JAMES: I guess two levels. I think the direct answer to your question, Preston, is, should any member of the Board get sued by someone while performing the duties of the Board while acting within the course and scope --

MR. PRINCE: That is my question.

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

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

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

MR. PRINCE: Thanks.

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

MS. ORTEGA: Yes.

CHAIR JACOBS: Thank you.

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

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

CHAIR JACOBS: Can we do that?

MR. JAMES: I'm sorry?

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

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

MS. BOATMAN PATTERSON: Take 8 and 9.

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

CHAIR JACOBS: Keep everybody --

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

CHAIR JACOBS: For adjournment? All right.

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Item 8 Discussion of other Board matters

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

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Item 9. Public testimony

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

We have two members of the public.

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

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

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

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

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

In addition, out of our 27 programs, there are no other clients that I have that provide down-payment assistance exclusively away from the first-mortgage loan product. And I find it interesting that Cal Housing does.

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

So that concludes my comments.

CHAIR JACOBS: Thank you, Mr. Tait.

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

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

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

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

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

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

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

MR. PRINCE: Yes, it really does.

CHAIR JACOBS: Another comment?

Sir, please come up.

MR. TALIAFERRO: My name is Richard Taliaferro. I'm a homeowner. And I applied for *Keep Your Home California* after being in a trucking accident and breaking my arm. And I was approved for that. And I had been through divorce. And I was approved, I believe, for the maximum amount; but my lender, Ocwen Loan Servicing, simply refused on the basis that I hadn't given them enough documentation.

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

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

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

MS. CAPPIO: Yes, it's a state agency.

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

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

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

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

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

Well, I qualify on two fronts.

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

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

MR. TALIAFERRO: Sure, yes.

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

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

CHAIR JACOBS: Fill out their --

MS. CAPPIO: Di can get your information.

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

All right, thank you.

Anyone else from the public?

(No response)

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Item 7 Closed Session

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

We'll reopen briefly before adjourning.

But thank you, everyone.

(The gavel sounded.)

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

CHAIR JACOBS: We're back in open session.

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

(No response)

Item 10. Adjournment

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

(The gavel sounded.)

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

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

State of California

M E M O R A N D U M

To: Board of Directors **Date:** March 1, 2015

Tim Hsu, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: ANNUAL SINGLE FAMILY BOND FINANCING AUTHORIZATION RESOLUTION 15-01

Resolution 15-01 would give the Agency the authority necessary to finance the business plan and manage outstanding single family debt obligations. Resolution 15-01 is comprised of three articles providing appropriate levels of authorization for each of the following: issuance of refunding bonds for debt management purposes, issuance of MBS Bonds and provisions applicable to all bonds issued under the resolution.

The following paragraphs summarize the main authorizations contained in each of the three articles.

ARTICLE I - AUTHORIZATION AND TERMS OF REFUNDING BONDS

Article I authorizes the sale and issuance of refunding bonds to be issued in one or more forms. This authorization specifically prohibits the purchase of loans or mortgage-backed securities with bonds issued for debt-management purposes. It also prohibits issuing floating rate bonds to refund fixed rate bonds.

Under Article I, the Executive Director shall determine with each issuance of refunding bonds, that the Agency and its General Fund are not expected to bear greater financial risk than prior to the issuance of the refunding bonds. Notwithstanding the immediately preceding sentence, any Debt-Management Supplemental Indenture may provide for the deposit and/or pledge of unpledged moneys or assets of the Agency, provided that the Executive director shall have determined that any such deposit and/or pledge is expected to result in a net economic benefit to the Agency. The pledge may not exceed 10% of the principal amount of the bonds thereby refunded and $50,000,000 in aggregate.

This resolution also authorizes staff to amend, modify or replace existing financial agreements originally entered into to hedge interest rate risks, to provide liquidity support or to provide credit enhancement. The resolution prohibits an increase in either the aggregate notional amount of interest rate swaps, the absolute amount of liquidity support or credit enhancement.

ARTICLE II – AUTHORIZATION AND TERMS OF MBS BONDS

Article II authorizes single family bonds to be issued to provide sufficient funds to finance the purchase of new single family mortgage-backed securities in an aggregate amount not to exceed the sum of the amount of private activity bond volume cap made available for the single family program by the California Debt Limit Allocation Committee (CDLAC) and up to $250 million for the combined amount of tax-exempt and federally-taxable single family bonds.

Bonds are authorized to be issued as MBS Bonds. MBS Bonds shall be issued only as fixed rate bonds, and no hedging Instrument shall be entered into with respect to MBS Bonds.

ARTICLE III – PROVISIONS APPLICABLE TO ALL BONDS ISSUED UNDER THIS RESOLUTION

Article III authorizes staff to circulate preliminary official statements and official statements relating to refunding bonds and MBS Bonds as necessary to prospective and actual bond investors. Bonds are authorized to be sold at negotiated or competitive sale as public offerings or as private placements depending on market conditions at the time of sale. The resolution also authorizes all documents and agreements required in connection with our homeownership lending programs.

The resolution further authorizes the Agency to conduct foreclosures of mortgages owned or serviced by the Agency and to enter into contracts necessary or convenient for the rehabilitation, listing and sale of foreclosed properties.

The resolution also authorizes the Agency to take further action related to prior bonds and related financial agreements that were authorized by prior resolutions of the Board and to amend, modify and replace those financial agreements deemed necessary in furtherance of the objectives of the single family lending program.

The resolution authorizes staff to enter into financial agreements that are related to the issuance of bonds as well as consulting services or information services related to the financial management of the Agency. This resolution also authorizes the payment of costs of issuance associated with the sale of all bonds and authorizes capital contributions from the Agency as necessary to issue such bonds.

In addition, the resolution reauthorizes short-term credit facilities in an aggregate amount not to exceed $200 million for operating capital and for the Homeownership Programs and Multifamily Programs.

Attachments

RESOLUTION NO. 15-01

RESOLUTION OF THE CALIFORNIA HOUSING FINANCE AGENCY AUTHORIZING THE AGENCY'S SINGLE FAMILY BOND INDENTURES, THE ISSUANCE OF SINGLE FAMILY BONDS, CREDIT FACILITIES FOR HOMEOWNERSHIP PURPOSES, AND RELATED FINANCIAL AGREEMENTS AND CONTRACTS FOR SERVICES

WHEREAS, the California Housing Finance Agency (the "Agency") has determined that there exists a need in California for providing financial assistance, directly or indirectly, to persons and families of low or moderate income to enable them to purchase or refinance moderately priced single family residences ("Residences");

WHEREAS, the Agency has determined that it is in the public interest for the Agency to assist in providing such financing by means of various programs, including whole loan and mortgage-backed securities programs (collectively, the "Program") to make loans to such persons and families, or to developers, for the acquisition, development, construction and/or permanent financing of Residences (the "Loans");

WHEREAS, pursuant to Parts 1 through 4 of Division 31 of the Health and Safety Code of the State of California (the "Act"), the Agency has the authority to issue bonds to provide sufficient funds to finance the Program, including the purchase of mortgage-backed securities ("MBSs") underlain by Loans, the payment of capitalized interest on the bonds, the establishment of reserves to secure the bonds, and the payment of other costs of the Agency incident to, and necessary or convenient to, the issuance of the bonds;

WHEREAS, the Agency, pursuant to the Act, has from time to time issued various series of its Home Mortgage Revenue Bonds (the "HMP Bonds"), its Housing Program Bonds (the "HP Bonds"), and its Residential Mortgage Revenue Bonds (the "RMR Bonds"), and is authorized pursuant to the Act to issue additional HMP Bonds, HP Bonds, and RMR Bonds (collectively with bonds authorized under this resolution to be issued under new indentures, the "Bonds") to provide funds to finance the Program;

WHEREAS, the Bonds may be issued for the primary purpose of purchasing MBSs ("MBS Bonds") or for debt management purposes of the Agency ("Debt-Management Bonds"); and

WHEREAS, pursuant to the Act, the Agency has the authority to enter into credit facilities for the purpose of financing the Program, including the making of Loans and the payment of other costs of the Agency incident to, and necessary or convenient to, the issuance of the bonds;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors (the "Board") of the California Housing Finance Agency as follows:

ARTICLE I
AUTHORIZATION AND TERMS OF DEBT-MANAGEMENT BONDS

Section 1. **Determination of Need and Amount of Debt-Management Bonds.** The Agency is of the opinion and hereby determines that the issuance of one or more series of Debt-Management Bonds in an aggregate amount not to exceed the aggregate amount of Bonds and/or other qualified mortgage bonds (including bonds of issuers other than the Agency) to be redeemed in connection with such issuance is necessary to provide sufficient funds for the management of the Agency's existing debt related to the Program. In no event may proceeds of or allocable to Debt-Management Bonds be used to purchase Loans or MBSs.

Section 2. **Authorization and Timing of Debt-Management Bonds.** The Debt-Management Bonds are hereby authorized to be issued in such aggregate amount at such time or times on or before the day 60 days after the date on which is held the first meeting of the Board on or after March 1, 2016 at which a quorum is present, as the Executive Director of the Agency (the "Executive Director") deems appropriate, upon consultation with the Treasurer of the State of California (the "Treasurer") as to the timing of each such issuance; provided, however, that if the bonds are sold at a time on or before the day 60 days after the date on which is held such meeting, pursuant to a forward purchase or drawdown agreement providing for the issuance of such Debt-Management Bonds on or before October 1, 2017 upon specified terms and conditions, such Debt-Management Bonds may be issued on such later date.

Section 3. **Approval of Forms of Indentures Related to Debt-Management Bonds.** The Executive Director and the Secretary of the Board of Directors of the Agency (the "Secretary") are hereby authorized and directed, for and on behalf and in the name of the Agency in connection with the issuance of Debt-Management Bonds, to execute and acknowledge and to deliver to the Treasurer as trustee and/or, if appropriate, to a duly qualified bank or trust company selected by the Executive Director to act, with the approval of the Treasurer, as trustee or co-trustee, fiscal agent or paying agent of the Agency (collectively, the "Trustees"), one or more new indentures, trust agreements or similar documents providing for the issuance of Debt-Management Bonds (the "New Debt-Management Indentures"), in one or more forms similar to one or more of the following (collectively, the "Prior Indentures"):

(a) those certain indentures pertaining to the HMP Bonds (the "HMP Indentures");

(b) that certain indenture pertaining to the HP Bonds (the "HP Indenture"); and/or

(c) that certain indenture relating to the RMR Bonds, as amended and supplemented (the "RMR Indenture"), other than Article XIII thereof.

Each such New Debt-Management Indenture may be executed, acknowledged and delivered with such changes therein as the officers executing the same approve upon consultation with the Agency's legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof. Changes reflected in any New Debt-Management Indenture may include provision for a supplemental pledge of Agency moneys or assets (including but not limited to, a deposit from the Supplementary Bond Security Account created under Section 51368 of the Act) and provision for the Agency's general obligation to additionally secure the Debt-Management Bonds if appropriate in furtherance of the objectives of the Program; *provided* that such provisions may be therein included with respect to such Debt-Management Bonds *only* if and to the extent any such provision was made with respect to the bonds thereby refunded, and *provided further* that in each such case the Executive Director shall have determined that the inclusion of such provisions with respect to the Debt-Management Bonds is not expected to result in greater financial risk to the Agency or its General Fund than existed with respect to the bonds thereby refunded. *Notwithstanding* the immediately preceding sentence, any New Debt-Management Indenture may provide for the deposit and/or pledge of unpledged moneys or assets of the Agency (which may include mortgage loans and/or mortgage-backed securities) to additionally secure Debt-Management Bonds if appropriate in furtherance of the objectives of the Program, in an amount not to exceed 10% of the principal amount of the bonds thereby refunded; *provided* that the Executive Director shall have determined that any such deposit and/or pledge is expected to result in a net economic benefit to the Agency; and *provided further* that the aggregate amount of all such deposits and/or pledges authorized pursuant to this sentence and the last sentence of Section 4 of this resolution shall not exceed $50,000,000.

Section 4. **Approval of Forms of Series and Supplemental Indentures Related to Debt-Management Bonds.** The Executive Director and the Secretary are hereby authorized and directed, for and on behalf and in the name of the Agency, to execute and acknowledge and to deliver with respect to each series of Debt-Management Bonds, if and to the extent appropriate, series and/or supplemental indentures (each a "Debt-Management Supplemental Indenture") under one of the Prior Indentures or a New Debt-Management Indenture and in substantially the form of the respective supplemental indentures previously executed and delivered or approved, each with such changes therein as the officers executing the same approve upon consultation with the Agency's legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof. Changes reflected in any Debt-Management Supplemental Indenture may include provision for a supplemental pledge of Agency moneys or assets (including but not limited to, a deposit from the Supplementary Bond Security Account created under Section 51368 of the Act) and provision for the Agency's general obligation to additionally secure the Bonds if appropriate in furtherance of the objectives of the Program; *provided* that such provisions may be therein included with respect to such Debt-Management Bonds *only* if and to the extent any such provision was made with respect to the bonds thereby refunded, and *provided further* that in each such case the Executive Director shall have determined that the inclusion of such provisions with respect to the Debt-Management Bonds is not expected to result in greater financial risk to the Agency or its General Fund than existed with respect to the bonds thereby refunded. *Notwithstanding* the immediately preceding sentence, any Debt-Management Supplemental Indenture may provide for the deposit and/or pledge of unpledged moneys or assets of the Agency (which may include mortgage loans and/or mortgage-backed securities) to additionally secure Debt-Management Bonds if appropriate in furtherance of the objectives of the Program, in an amount not to exceed 10% of the principal amount of the bonds thereby refunded; *provided* that the Executive Director shall have determined that any such deposit and/or pledge is expected to result in a net economic benefit to the Agency; and *provided further* that the aggregate amount of all such deposits and/or pledges authorized pursuant to this sentence and the last sentence of Section 3 of this resolution shall not exceed $50,000,000.

The Executive Director is hereby expressly authorized and directed, for and on behalf and in the name of the Agency, to determine in furtherance of the objectives of the Program those matters required to be determined under the applicable Prior Indenture or any New Debt-Management Indenture, as appropriate, in connection with the issuance of each such series, including, without limitation, any reserve account requirement or requirements for such series.

Section 5. **Approval of Forms and Terms of Debt-Management Bonds.** The Debt-Management Bonds shall be in such denominations, have such registration provisions, be executed in such manner, be payable in such medium of payment at such place or places within or without California, be subject to such terms of redemption (including from such sinking fund installments as may be provided for) and contain such terms and conditions as each Debt-Management Supplemental Indenture as finally approved shall provide. The Debt-Management Bonds shall have the maturity or maturities and shall bear interest at the fixed, adjustable or variable rate or rates deemed appropriate by the Executive Director in furtherance of the objectives of the Program; provided, however, that no Debt-Management Bond shall have a term in excess of the maturity of the bonds thereby refunded or bear interest at a stated rate in excess of fifteen percent (15%) per annum, or in the case of variable rate bonds a maximum floating interest rate of twenty-five percent (25%) per annum. Any of the Debt-Management Bonds and the Debt-Management Supplemental Indenture(s) may contain such provisions as may be necessary to accommodate an option to put such Bonds prior to maturity for purchase by or on behalf of the Agency or a person other than the Agency, to accommodate the requirements of any provider of bond insurance or other credit enhancement or liquidity support or to accommodate the requirements of purchasers of indexed floaters, *provided* that variable-rate Debt-Management Bonds may not be issued to refund fixed-rate bonds.

Section 6. **Authorization of Financial Agreements Related to Debt-Management Bonds.** Subject to the limitation set forth in the last sentence of this Section, the Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, any and all agreements and documents designed (i) to reduce or hedge the amount or duration of any payment, interest rate, spread or similar risk, (ii) to result in a lower cost of borrowing when used in combination with the issuance or carrying of bonds or investments, or (iii) to enhance the relationship between risk and return with respect to the Program or any portion thereof (each of the foregoing a "Hedging Instrument"). To the extent authorized by law, including Government Code Section 5922, such agreements or other documents may include (a) interest rate swap agreements; (b) forward payment conversion agreements; (c) futures or other contracts providing for payments based on levels of, or changes in, interest rates or other indices; (d) contracts to exchange cash flows for a series of payments; (e) contracts, including, without limitation, interest rate floors or caps, options, puts or calls to hedge payment, interest rate, spread or similar exposure; (f) contracts to obtain guarantees, including guarantees of mortgage-backed securities or their underlying loans; or (g) letters of credit, standby bond purchase agreements, or other similar arrangements; and in each such case may be entered into in anticipation of the issuance of bonds at such times as may be determined by such officers. Such agreements and other documents are authorized to be entered into with parties selected by the Executive Director, after giving due consideration for the creditworthiness of the counterparties, where applicable, or any other criteria in furtherance of the objectives of the Program. *Notwithstanding* anything herein to the contrary, a Hedging Instrument may be entered into only for the purposes of amending, modifying or replacing a then-existing Hedging Instrument and may in no event increase the notional amount outstanding under the Hedging Instrument so amended, modified or replaced.

ARTICLE II
AUTHORIZATION AND TERMS OF MBS BONDS

Section 7. **Determination of Need and Amount of MBS Bonds.** The Agency is of the opinion and hereby determines that the issuance of one or more series of MBS Bonds, in an aggregate amount not to exceed the sum of the following amounts, is necessary to provide sufficient funds for the Program:

(a) the aggregate amount available for the retirement of Bonds and/or other qualified mortgage bonds and deemed replaced for federal tax law purposes with proceeds of such issuance,

(b) the aggregate amount of private activity bond allocations under federal tax law heretofore or hereafter made available to the Agency for such purpose, and

(c) if and to the extent interest on one or more of such series of Bonds is determined by the Executive Director to be intended not to be excludable from gross income for federal income tax purposes, $100,000,000.

Section 8. **Authorization and Timing of MBS Bonds.** The MBS Bonds are hereby authorized to be issued in such aggregate amount at such time or times on or before the day 60 days after the date on which is held the first meeting of the Board on or after March 1, 2016 at which a quorum is present, as the Executive Director of the Agency (the "Executive Director") deems appropriate, upon consultation with the Treasurer of the State of California (the "Treasurer") as to the timing of each such issuance; provided, however, that if the bonds are sold at a time on or before the day 60 days after the date on which is held such meeting, pursuant to a forward purchase or drawdown agreement providing for the issuance of such Bonds on or before October 1, 2017 upon specified terms and conditions, such Bonds may be issued on such later date.

Section 9. **Approval of Forms of Indentures Related to MBS Bonds.** The Executive Director and the Secretary of the Board of Directors of the Agency (the "Secretary") are hereby authorized and directed, for and on behalf and in the name of the Agency in connection with the issuance of MBS Bonds, to execute and acknowledge and to deliver to the Trustees one or more new indentures, trust agreements or similar documents providing for the issuance of MBS Bonds (the "New MBS Indentures"), in one or more forms similar to Articles I through XII of the RMR Indenture.

Each such New MBS Indenture may be executed, acknowledged and delivered with such changes therein as the officers executing the same approve upon consultation with the Agency's legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof. Changes reflected in any New MBS Indenture may include provision for a supplemental pledge of Agency moneys or assets (including but not limited to a deposit from the

Supplementary Bond Security Account created under Section 51368 of the Act) to additionally secure the MBS Bonds if appropriate in furtherance of the objectives of the Program.

Section 10. **Fixed-Rate Bonds Only; No Hedging Instruments.** MBS Bonds shall be issued only as fixed-rate bonds, and no Hedging Instrument shall be entered into with respect to MBS Bonds.

Section 11. **Approval of Forms of Series and Supplemental Indentures Related to MBS Bonds.** The Executive Director and the Secretary are hereby authorized and directed, for and on behalf and in the name of the Agency, to execute and acknowledge and to deliver with respect to each series of MBS Bonds, if and to the extent appropriate, series and/or supplemental indentures (each an "MBS Supplemental Indenture"; together with the Debt-Management Supplemental Indenture, the "Supplemental Indenture") under either Articles I through XII of the RMR Indenture or a new MBS Indenture and in substantially the form of the respective supplemental indentures previously executed and delivered or approved, each with such changes therein as the officers executing the same approve upon consultation with the Agency's legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof. Changes reflected in any MBS Supplemental Indenture may include provision for a supplemental pledge of Agency moneys or assets (including but not limited to, a deposit from the Supplementary Bond Security Account created under Section 51368 of the Act) to additionally secure the Bonds if appropriate in furtherance of the objectives of the Program.

The Executive Director is hereby expressly authorized and directed, for and on behalf and in the name of the Agency, to determine in furtherance of the objectives of the Program those matters required to be determined under Articles I through XII of the RMR Indenture or any New MBS Indenture, as appropriate, in connection with the issuance of each such series, including, without limitation, any reserve account requirement or requirements for such series.

Section 12. **Approval of Forms and Terms of MBS Bonds.** The MBS Bonds shall be in such denominations, have such registration provisions, be executed in such manner, be payable in such medium of payment at such place or places within or without California, be subject to such terms of redemption (including from such sinking fund installments as may be provided for) and contain such terms and conditions as each MBS Supplemental Indenture as finally approved shall provide. The MBS Bonds shall have the maturity or maturities and shall bear interest at the fixed rate or rates deemed appropriate by the Executive Director in furtherance of the objectives of the Program; provided, however, that no MBS Bond shall have a term in excess of thirty-five (35) years or bear interest at a stated rate in excess of fifteen percent (15%) per annum.

ARTICLE III
PROVISIONS APPLICABLE TO ALL BONDS ISSUED UNDER THIS RESOLUTION

Section 13. **Authorization of Disclosure.** The Executive Director is hereby authorized to circulate one or more Preliminary Official Statements relating to the Bonds and, after the sale of the Bonds, to execute and circulate one or more Official Statements relating to the Bonds, and the circulation of such Preliminary Official Statements and such Official

Statements to prospective and actual purchasers of the Bonds is hereby approved. The Executive Director is further authorized to hold information meetings concerning the Bonds and to distribute other information and material relating to the Bonds. Circulation of Preliminary Official Statements and Official Statements and distribution of information and material as provided above in this Section may be accomplished through electronic means or by any other means approved therefor by the Executive Director, such approval to be conclusively evidenced by such circulation or distribution.

Section 14. **Authorization of Sale of Bonds.** The Bonds are hereby authorized to be sold at negotiated or competitive sale or sales, including but not limited to private placements and public offerings. The Executive Director is hereby authorized and directed, for and in the name and on behalf of the Agency, to execute and deliver one or more purchase contracts (including one or more forward purchase agreements) relating to the Bonds, by and among the Agency, the Treasurer and such underwriters or other purchasers as the Executive Director may select (the "Purchasers"), in the form or forms approved by the Executive Director upon consultation with the Agency's legal counsel, such approval to be evidenced conclusively by the execution and delivery of said purchase contract by the Executive Director.

The Treasurer is hereby authorized and requested, without further action of the Board and unless instructed otherwise by the Board, to sell each series of Bonds at the time and place and pursuant to the terms and conditions set forth in each such purchase contract as finally executed. The Treasurer is hereby further authorized and requested to deposit the proceeds of any good faith deposit to be received by the Treasurer under the terms of a purchase contract in a special trust account for the benefit of the Agency, and the amount of said deposit shall be retained by the Agency, applied at the time of delivery of the applicable Bonds as part of the purchase price thereof, or returned to the Purchasers, as provided in such purchase contract.

Section 15. **Authorization of Execution of Bonds.** The Executive Director is hereby authorized and directed to execute, and the Secretary is hereby authorized to attest, for and on behalf and in the name of the Agency and under its seal, the Bonds, in an aggregate amount not to exceed the amount authorized hereby, in accordance with the Prior Indenture(s), the Supplemental Indenture(s), the New Debt-Management Indenture(s) or the New MBS Indenture(s) and in one or more of the forms set forth in the Prior Indenture(s), the Supplemental Indenture(s), the New Debt-Management Indenture(s) or the New MBS Indenture(s), as appropriate.

Section 16. **Authorization of Delivery of Bonds.** The Bonds, when so executed, shall be delivered to the Trustees to be authenticated by, or caused to be authenticated by, the Trustees. The Trustees are hereby requested and directed to authenticate, or cause to be authenticated, the Bonds by executing the certificate of authentication and registration appearing thereon, and to deliver the Bonds when duly executed and authenticated to the Purchasers in accordance with written instructions executed on behalf of the Agency by the Executive Director, which instructions said officer is hereby authorized and directed, for and on behalf and in the name of the Agency, to execute and deliver. Such instructions shall provide for the delivery of the Bonds to the Purchasers upon payment of the purchase price or prices thereof.

<u>Section 17.</u> **<u>Authorization of Program Documents</u>.** The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, all documents they deem necessary or appropriate in connection with the Program, including, but not limited to, one or more mortgage purchase and servicing agreements (including mortgage-backed security pooling agreements) and one or more loan servicing agreements with such lender or lenders or such servicer or servicers as the Executive Director may select in accordance with the purposes of the Program, and any such selection of a lender or lenders or a servicer or servicers is to be deemed approved by this Board as if it had been made by this Board. The proceeds of MBS Bonds to be issued under the authority of this Resolution shall be used to purchase MBSs guaranteed by Fannie Mae, Freddie Mac, Ginnie Mae, or other appropriate guarantor and shall not be used to purchase whole loans. The MBSs to be purchased may be underlain by loans that have terms of 30 years or less.

The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, one or more mortgage sale agreements with such purchasers as the Executive Director may select in accordance with the objectives of the Program, including but not limited to such agreements with Fannie Mae, Freddie Mac or other government-sponsored enterprise or similar entity for such sales in bulk or otherwise. Any such sale of Loans may be on either a current or a forward purchase basis.

The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, contracts to conduct foreclosures of mortgages owned or serviced by the Agency with such attorneys or foreclosure companies as the Executive Director may select in accordance with the objectives of the Program.

The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, contracts for the sale of foreclosed properties with such purchasers as the Executive Director may select in accordance with the objectives of the Program. Any such sale of foreclosed properties may be on either an all cash basis or may include financing by the Agency. The Executive Director and the other officers of the Agency are also authorized to enter into any other agreements, including but not limited to real estate brokerage agreements and construction contracts necessary or convenient for the rehabilitation, listing and sale of such foreclosed properties.

The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, (i) contracts or agreements for the purchase or sale of mortgage-backed securities; (ii) servicing agreements, including master servicing agreements, in connection with the operation of a program of mortgage-backed securities; (iii) agreements with government-sponsored enterprises, or other secondary market issuers or guarantors of mortgage-backed securities; and (iv) such other program documents as are necessary or appropriate for the operation of a program of mortgage-backed securities.

<u>Section 18.</u> **<u>Authorization of Credit Facilities</u>.** The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, one or more short-term or long-term credit facilities, including but not limited to repurchase agreements, for the purposes of (i) financing the purchase of Loans and/or mortgage-backed securities on an interim basis, prior to the financing thereof with Bonds,

whether issued or to be issued; (ii) financing expenditures of the Agency incident to, and necessary or convenient to, the issuance of Bonds, including, but not limited to, Agency expenditures to pay costs of issuance, capitalized interest, redemption price of prior bonds of the Agency, costs relating to credit enhancement or liquidity support, costs relating to investment products, or net payments and expenses relating to interest rate hedges and other financial products; and (iii) enabling the Agency to restructure existing debt and related purposes, including, but not limited to, the redemption of existing bonds and the acquisition of bonds that have been put to liquidity providers as bank bonds. Any such credit facility may be from any appropriate source, including, but not limited to, the Pooled Money Investment Account pursuant to Government Code Section 16312; provided, however, that the aggregate outstanding principal amount of credit facilities authorized under this resolution or Resolution No. 14-02 (the multifamily financing resolution adopted at the same meeting), as amended from time to time, may not at any time exceed $200,000,000 (separate and apart from the amount of Bonds authorized by Sections 1 and 7 of this resolution).

The Executive Director and the other officers of the Agency are hereby authorized to use available Agency moneys (other than and in addition to the proceeds of bonds) (i) to make or purchase Loans and/or mortgage-backed securities to be financed by bonds (including bonds authorized by prior resolutions of this Board) in anticipation of draws on a credit facility, the issuance of Bonds or the availability of Bond proceeds for such purposes and (ii) to purchase Agency bonds to enable the Agency to restructure its debt and for related purposes as authorized under Resolution No. 08-42 and any future Board resolutions thereto amendatory or supplemental.

Section 19. **Ratification of Prior Actions; Not a Repeal of Prior Resolutions.** All actions previously taken by the Agency relating to the implementation of the Program, the issuance of the Bonds, the issuance of any prior bonds (the "Prior Bonds"), the execution and delivery of related financial agreements and related program agreements and the implementation of any credit facilities as described above, including, but not limited to, such actions as the distribution of the Agency's Lender Program Manual, Mortgage Purchase and Servicing Agreement, Servicing Agreement, Developer Agreement, Servicer's Guide, Program Bulletins and applications to originate and service loans, and the sale of any foreclosed property, are hereby ratified.

This resolution is not intended to repeal in whole or in part any prior resolution of the Agency with respect to the authority granted to the Executive Director and the other officers of the Agency in relation to Prior Bonds and related agreements, including but not limited to (i) the authority to determine in furtherance of the objectives of the Program those matters required to be determined in relation to Prior Bonds, whether under indentures or other related agreements, and (ii) the authority to amend, modify or replace financial agreements of the types described in Section 6 of this resolution.

Section 20. **Authorization of Related Actions and Agreements.** The Treasurer and any duly authorized deputy thereof and the Executive Director and the officers of the Agency and any other persons authorized in writing by the Executive Director are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all agreements and documents which they deem necessary or advisable in order to consummate the issuance, sale, delivery, remarketing, conversion and administration of Bonds and Prior Bonds and otherwise to effectuate the purposes of this resolution, including declaring the official intent of the Agency for purposes of U.S. Treasury Regulations Section 1.150-2, and including executing and delivering any amendment or supplement to any agreement or document relating to Bonds or Prior Bonds in any manner that would be authorized under this resolution if such agreement or document related to Bonds is authorized by this resolution. Such agreements may include, but are not limited to, remarketing agreements, tender agreements or similar agreements regarding any put option for the Bonds or Prior Bonds, broker-dealer agreements, market agent agreements, auction agent agreements or other agreements necessary or desirable in connection with the issuance of Bonds in, or the conversion of Bonds or Prior Bonds to, an indexed rate mode, agreements for the investment of moneys relating to the Bonds or Prior Bonds, reimbursement agreements, letters of credit, intercreditor agreements or other arrangements relating to any credit enhancement or liquidity support or put option provided for the Bonds or Prior Bonds, continuing disclosure agreements and agreements for necessary services provided in the course of the issuance of the bonds, including but not limited to, agreements with bond underwriters and placement agents, private placement purchasers, bond trustees, bond counsel and financial advisors and contracts for consulting services or information services relating to the financial management of the Agency, including advisors or consultants on interest rate swaps, cash flow management, and similar matters, and contracts for financial printing and similar services.

This resolution shall constitute full, separate, complete and additional authority for the execution and delivery of all agreements and instruments described in this resolution, without regard to any limitation in the Agency's regulations and without regard to any other resolution of the Board that does not expressly amend and limit this resolution.

The Executive Director and the officers of the Agency and any other persons authorized in writing by the Executive Director are hereby authorized and directed, jointly and severally, in connection with the issuance of bonds authorized under this resolution, to use funds of the Agency to purchase MBSs, make a capital contribution with respect to such bonds, establish reserves to secure such bonds, and pay other costs of the Agency incident to, and necessary or convenient to, the issuance of such bonds.

Section 21. **Additional Delegation.** All actions by the Executive Director approved or authorized by this resolution may be taken by the Chief Deputy Director of the Agency, the Director of Financing of the Agency, the Financing Risk Manager of the Agency or any other person specifically authorized in writing by the Executive Director, and except to the extent otherwise taken by another person shall be taken by the Chief Deputy Director during any period in which the office of the Executive Director is vacant.

SECRETARY'S CERTIFICATE

I, Victor James, Secretary of the Board of Directors of the California Housing Finance Agency, do hereby certify that the foregoing is a full, true, and correct copy of Resolution No. 15-01 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 17th day of March, 2015, of which meeting all said directors had due notice; and that at said meeting said Resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this 17th day of March, 2015.

[SEAL]

____
Victor James
Secretary of the Board of Directors of the
California Housing Finance Agency

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SECRETARY'S CERTIFICATE

I, Victor James, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of Resolution No. 15-01 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 17th day of March, 2015, of which meeting all said directors had due notice; and that at said meeting said Resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

I further certify that I have carefully compared the foregoing copy with the original minutes of said meeting on file and of record in my office; that said copy is a full, true, and correct copy of the original Resolution adopted at said meeting and entered in said minutes; and that said Resolution has not been amended, modified or rescinded in any manner since the date of its adoption, and the same is now in full force and effect.

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this ___ day of ________________, 2015.

[SEAL]

____
Secretary of the Board of Directors of the
California Housing Finance Agency

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State of California

M E M O R A N D U M

To: Board of Directors **Date:** March 1, 2015

Tim Hsu, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: ANNUAL MULTIFAMILY BOND FINANCING AUTHORIZATION RESOLUTION 15-02

This year the multifamily bond financing resolution focuses on financing the business plan and managing outstanding multifamily debt obligations. This year Resolution 15-02 is comprised of three articles providing appropriate levels of authorization for each of the following: issuance of refunding bonds and conduit bonds for debt management purposes, issuance of new money bonds and conduit bonds for new lending under the multifamily program, and provisions applicable to all bonds issued under the resolution.

The following paragraphs summarize the authorization contained in each of the three articles.

ARTICLE I - AUTHORIZATION AND TERMS OF REFUNDING BONDS

Article I authorizes the sale and issuance of refunding bonds and conduit bonds in an amount equal to the amount of bonds being redeemed or maturing in connection with such issuance. This authority provides staff with tools to manage multifamily bonds previously issued and outstanding. This authorization specifically prohibits issuing floating rate bonds to refund fixed rate bonds except for conduit bonds.

Such refunding bonds and conduit bonds are authorized to be issued until sixty days after the first date after March 1, 2017 on which is held a Board meeting at which there is a quorum. These bonds are authorized to be issued under forms of indentures that currently have bonds outstanding or under stand-alone conduit indenture.

In any event, the resolution prohibits an increase in either the aggregate notional amount of interest rate swaps, the absolute amount of liquidity support (in the form of standby bond purchase agreements) or credit enhancement (from bond insurance, TCLP and letters of credit).

ARTICLE II – AUTHORIZATION AND TERMS OF NEW MONEY BONDS

Article II authorizes multifamily bonds to be issued in the aggregate amount not to exceed the sum of the amount of private activity bond volume cap made available for the multifamily program by the California Debt Limit Allocation Committee

(CDLAC). Article II also authorizes up to $150 million for the combined amount of 501(c)(3) bonds, "governmental purpose" bonds, and federally-taxable multifamily bonds. Bonds are authorized to be issued under any of the previously-approved forms of indenture that require the loans to be insured. Also, the bonds are authorized to be issued under the stand-alone conduit indenture.

Other than conduit bonds, all bonds authorized to be issued would be subject to the following conditions:

1. New money bonds would bear interest at fixed or convertible rates deemed appropriate.
2. No new money bonds shall be issued bearing a variable rate of interest.
3. The Agency shall not enter into any swaps or other hedging agreements with respect to any new money bonds.
4. All mortgage loans securing new money bonds shall carry FHA risk sharing insurance or other comparable credit enhancement.

The authorization to issue bonds for new lending under the resolution does not expire until 60 days after the first date after March 1, 2017 on which is held a Board meeting at which there is a quorum.

ARTICLE III – PROVISIONS APPLICABLE TO ALL BONDS ISSUED UNDER THIS RESOLUTION

Article III authorizes staff to circulate official statements relating to refunding bonds, conduit bonds and/or new money bonds as necessary to prospective and actual bond investors. Bonds are authorized to be sold at negotiated or competitive sale as public offerings or as private placements depending on market conditions at the time of sale. The resolution also authorizes the Agency to enter into documents and agreements in connection with the Agency’s multifamily lending programs. The resolution further authorizes the Agency to conduct foreclosures of mortgages owned or serviced by the Agency and to enter into contracts for the sale of foreclosed properties.

Consulting services or information services related to the financial management of the Agency, including advisors or consultants on interest rate swaps, cash flow management, contracts for financial printing and other financial services are also authorized by Article III. In addition, the resolution reauthorizes short-term credit facilities in an aggregate amount not to exceed $200 million for operating capital, Homeownership Programs and Multifamily Programs. Finally, this authorization allows the Agency to continue to utilize our warehouse line from the State's Pooled Money Investment Board and other such facilities that may become available to the Agency.

Attachments

RESOLUTION NO. 15-02

RESOLUTION OF THE CALIFORNIA HOUSING FINANCE AGENCY AUTHORIZING THE FINANCING OF THE AGENCY'S MULTIFAMILY HOUSING PROGRAM, THE ISSUANCE OF MULTIFAMILY BONDS, THE AGENCY'S MULTIFAMILY BOND INDENTURES, CREDIT FACILITIES FOR MULTIFAMILY PURPOSES, AND RELATED FINANCIAL AGREEMENTS AND CONTRACTS FOR SERVICES

WHEREAS, the California Housing Finance Agency (the "Agency") has determined that there exists a need in California for the financing of mortgage loans for the acquisition, construction, rehabilitation, refinancing or development of multi-unit rental housing developments for the purpose of providing housing for persons and families of low or moderate income (the "Developments");

WHEREAS, the Agency has determined that it is in the public interest for the Agency to assist in providing such financing by means of an ongoing program (the "Program") to make or acquire, or to make loans to lenders to make or acquire, mortgage loans, or to act as a conduit bond issuer, for the purpose of financing such Developments (the "Loans");

WHEREAS, pursuant to Parts 1 through 4 of Division 31 of the Health and Safety Code of the State of California (the "Act"), the Agency has the authority to issue bonds to provide sufficient funds to finance the Program, including the making of Loans, the payment of capitalized interest on the bonds, the establishment of reserves to secure the bonds, and the payment of other costs of the Agency incident to, and necessary or convenient to, the issuance of the bonds; and

WHEREAS, pursuant to the Act, the Agency has the authority to enter into credit facilities and certain other agreements for the purpose of financing the Program, including the making of Loans and the payment of other costs of the Agency incident to, and necessary or convenient to, the issuance of the bonds;

NOW, THEREFORE, BE IT RESOLVED, by the California Housing Finance Agency as follows:

ARTICLE I
AUTHORIZATION AND TERMS OF REFUNDING BONDS

Section 1. **Determination of Need and Amount of Refunding Bonds.** The Agency is of the opinion and hereby determines that the offer, sale and issuance of one or more series of multifamily housing revenue bonds ("Refunding Bonds") in an aggregate amount not to exceed the aggregate amount of prior multifamily bonds of the Agency to be redeemed or maturing in connection with such issuance (the related "Refunded Bonds") is necessary to provide sufficient funds for the management of the Agency's existing debt related to the Program.

Section 2. **Authorization and Timing of Refunding Bonds.** The Refunding Bonds described in Section 1 are hereby authorized to be issued for the purpose of financing, refinancing or carrying existing Loans. Refunding Bonds may be issued at such time or times on or before the day 60 days after the first date after March 1, 2016 on which is held a meeting of the Board of Directors of the Agency (the "Board") at which a quorum is present, as the Executive Director of the Agency (the "Executive Director") deems appropriate, upon consultation with the Treasurer of the State of California (the "Treasurer") as to the timing of each such issuance; *provided, however*, that if the Refunding Bonds are sold at a time on or before the day 60 days after the date on which is held such meeting, pursuant to a forward purchase agreement providing for the issuance of such Refunding Bonds on a later date on or before October 1, 2017, upon specified terms and conditions, such Refunding Bonds may be issued on such later date.

Section 3. **Approval of Refunding Bond Indentures and Certain Other Financing Documents Related to Refunding Bonds.** (a) Refunding Bonds may be issued under and pursuant to any one or more of the following (collectively, the "Refunding Bond Prior Indentures"):

(1) the Affordable Multifamily Housing Revenue Bonds Indenture, dated as of December 1, 2009;

(2) the Multifamily Housing Revenue Bond III Indenture, dated as of March 1, 1997;

(3) Article XIII of the Residential Mortgage Revenue Bonds Indenture, dated as of December 1, 2009, or any successor provision; or

(4) any stand-alone conduit indenture or comparable document authorized pursuant to Section 10.

(b) The Executive Director and the Secretary of the Board (the "Secretary") are hereby authorized and directed, for and on behalf and in the name of the Agency, if appropriate, to execute and acknowledge and to deliver with respect to each series of Refunding Bonds, either a stand-alone conduit indenture (which may include a supplemental indenture) specified in subsection (a)(4) of this Section 3 (a "Refunding Bond Conduit Indenture") or a supplemental indenture (a "Refunding Bond Supplemental Indenture" and, collectively with the Refunding Bond Conduit Indentures, "Refunding Bond Indentures") under any other Refunding Bond Prior Indenture specified in this Section 3 in substantially the form of any supplemental indenture or series indenture executed or approved in connection with any of the Refunding Bond Prior Indentures, in each case with such changes therein as the officers executing the same approve upon consultation with the Agency's legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof.

The Executive Director is hereby expressly authorized and directed, for and on behalf and in the name of the Agency, to determine in furtherance of the objectives of the Program those matters required to be determined under the applicable Refunding Bond Indenture in connection with the issuance of each such series of Refunding Bonds.

(c) For each series of Refunding Bonds, the Executive Director is hereby authorized and directed to execute, and the Secretary is hereby authorized to attest, for and in the name and on behalf of the Agency and under its seal, if and to the extent appropriate, a reimbursement agreement, letter of credit agreement, standby bond purchase agreement, or other arrangement with respect to credit enhancement or liquidity support, and any intercreditor agreement related thereto, in substantially the forms of the reimbursement agreements, letter of credit agreements, standby bond purchase agreements, other such arrangements and intercreditor agreements contemplated under the Refunding Bond Indentures or used in connection with the Refunded Bonds.

(d) Any Refunding Bond Indenture, reimbursement agreement, letter of credit agreement, standby bond purchase agreement, or other arrangement with respect to credit enhancement or liquidity support, and any intercreditor agreement related thereto, executed in connection with the issuance of Refunding Bonds may include such modifications as the Executive Director may deem necessary or desirable in furtherance of the objectives of the Program, including, but not limited to, one or more of the following purposes:

(1) for the Agency's general obligation to pay any debt secured thereby, or

(2) for risk sharing provisions dividing between the Agency and any credit provider, mortgage lender, commercial bank or other financial institution and/or FHA, in such manner as the Executive Director may deem necessary or desirable in furtherance of the objectives of the Program, the credit and financing risks relating to Refunding Bonds and the Developments financed by such Refunding Bonds;

provided, however, that in each such case the Executive Director shall have determined that the inclusion of such provisions with respect to the Refunding Bonds is not expected to result in greater financial risk to the Agency or its General Fund than existed with respect to the related Refunded Bonds.

Section 4. **Approval of Forms and Terms of Refunding Bonds.** Refunding Bonds shall be in such denominations, have such registration provisions, be executed in such manner, be payable in such medium of payment at such place or places within or without California, be subject to such terms of redemption (including from such sinking fund installments as may be provided for) and contain such terms and conditions as each Refunding Bond Indenture as finally approved shall provide. Refunding Bonds shall have the maturity or maturities and shall bear interest at the fixed, adjustable or variable rate or rates deemed appropriate by the Executive Director in furtherance of the objectives of the Program; *provided, however*, that no Refunding Bond other than a Conduit Bond (as defined in Section 10, as to which the terms of such Section 10 shall apply) shall bear interest at a stated rate in excess of fifteen percent (15%) per annum or have a final maturity later than forty-five years from the earlier of the date of issuance of the Refunded Bonds or, if the Refunded Bonds were refunding bonds, the original bonds in the series of refunding.

Refunding Bonds and the related Refunding Bond Indenture(s) may contain such provisions as may be necessary to accommodate an option to put such Refunding Bonds prior to maturity for purchase by or on behalf of the Agency or a person other than the Agency, to accommodate the requirements of any provider of bond insurance or other credit enhancement or liquidity support or to accommodate the requirements of purchasers of indexed floating-rate bonds.

No Variable Rate Refunding of Fixed Rate Bonds. Other than Conduit Bonds, as to which the terms of Section 10 shall apply, variable rate Refunding Bonds may not be issued to refund fixed rate bonds.

Section 5. **Authorization of Other Financial Agreements Related to Refunding Bonds.** The Executive Director and the other employees of the Agency authorized pursuant to Section 19 (the “Authorized Employees”) are hereby authorized to enter into, for and in the name and on behalf of the Agency, any and all agreements and documents designed to amend, modify or replace existing agreements and documents that related to Refunded Bonds to (i) reduce or hedge the amount or duration of any payment, interest rate, spread or similar risk with respect to Refunding Bonds or related investments, (ii) result in a lower cost of borrowing when used in combination with the issuance or carrying of Refunding Bonds or related investments, or (iii) enhance the relationship between risk and return with respect to the existing debt of the Program or any portion thereof; *provided*, *however*, that the aggregate notional amount of such agreements related to the Program may not be increased. Such agreements and other documents are authorized to be entered into with parties selected by the Executive Director, after giving due consideration for the creditworthiness of the counterparties, when applicable, or any other criteria in furtherance of the objectives of the management of the debt of the Program.

ARTICLE II
AUTHORIZATION AND TERMS OF NEW MONEY BONDS

Section 6. **Determination of Need and Amount of New Money Bonds.** The Agency is of the opinion and hereby determines that the offer, sale and issuance of one or more series of multifamily housing revenue bonds (“New Money Bonds”) in an aggregate amount not to exceed the sum of the following amounts is necessary to provide sufficient funds for new lending under the Program:

(a) the aggregate amount of private activity bond allocations under federal tax law heretofore or hereafter made available to the Agency for such purpose; and

(b) if and to the extent the Bonds are "qualified 501(c)(3) bonds" under federal tax law, are not "private activity bonds" under federal tax law, or are determined by the Executive Director to be intended not to be tax-exempt for federal income tax purposes, $150,000,000.

Section 7. **Authorization and Timing.** The New Money Bonds described in Section 6 are hereby authorized to be issued for the purpose of financing, carrying or "warehousing" new Loans for the acquisition, construction, rehabilitation, refinancing or development of Developments. New Money Bonds may be issued at such time or times on or before the day 60 days after the first date after March 1, 2016 on which is held a meeting of the Board at which a quorum is present, as the Executive Director deems appropriate, upon consultation with the Treasurer as to the timing of each such issuance; *provided, however*, that if the New Money Bonds are sold at a time on or before the day 60 days after the date on which is held such meeting, pursuant to a forward purchase agreement providing for the issuance of such New Money Bonds on a later date on or before October 1, 2017, upon specified terms and conditions, such New Money Bonds may be issued on such later date.

Section 8. **Approval of New Money Bond Indentures and Certain Other Financing Documents.** (a) New Money Bonds may be issued under and pursuant to any one or more of the following (collectively, the "New Money Bond Prior Indentures"):

(1) the Affordable Multifamily Housing Revenue Bonds Indenture, dated as of December 1, 2009;

(2) the Multifamily Housing Revenue Bond III Indenture, dated as of March 1, 1997; or

(3) any stand-alone conduit indenture or comparable document authorized pursuant to Section 10.

(b) The Executive Director and the Secretary are hereby authorized and directed, for and on behalf and in the name of the Agency, if appropriate, to execute and acknowledge and to deliver with respect to each series of New Money Bonds, either a stand-alone conduit indenture (which may include a supplemental indenture) specified in subsection (a)(3) of this Section 8 (a "New Money Bond Conduit Indenture" and, collectively with the Refunding Bond Conduit Indentures, "Conduit Indentures") or a supplemental indenture (a "New Money Bond Supplemental Indenture," and, collectively with the New Money Bond Conduit Indentures, "New Money Bond Indentures") under any other New Money Bond Prior Indentures specified in this Section 8 in substantially the form of any supplemental indenture or series indenture executed or approved in connection with such New Money Bond Prior Indentures, in each case with such changes therein as the officers executing the same approve upon consultation with the Agency's legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof.

The Executive Director is hereby expressly authorized and directed, for and on behalf and in the name of the Agency, to determine in furtherance of the objectives of the

Program those matters required to be determined under the applicable New Money Bond Indenture in connection with the issuance of each such series of New Money Bonds.

Section 9. **Approval of Forms and Terms of New Money Bonds.** New Money Bonds shall be in such denominations, have such registration provisions, be executed in such manner, be payable in such medium of payment at such place or places within or without California, be subject to such terms of redemption (including from such sinking fund installments as may be provided for) and contain such terms and conditions as each New Money Bond Indenture as finally approved shall provide. New Money Bonds shall have the maturity or maturities and shall bear interest at fixed or convertible rates deemed appropriate by the Executive Director in furtherance of the objectives of the Program.

New Money Bonds and the related New Money Bond Indenture(s) may contain such provisions as may be necessary to accommodate an option to put such New Money Bonds prior to maturity for purchase by or on behalf of the Agency or a person other than the Agency, and/or to accommodate the requirements of any provider of bond insurance or other credit enhancement.

No Variable Rate Bonds or Hedges; Insurance or Credit Enhancement Required. Other than a Conduit Bond, as to which the terms of Section 10 shall apply, (a) no New Money Bond shall be issued bearing a variable rate of interest or have a term in excess of fifty years or bear interest at a stated rate in excess of fifteen percent (15%) per annum; (b) the Agency shall not enter into any swaps or other hedging agreements with respect to any New Money Bonds; and (c) all mortgage loans securing New Money Bonds shall carry FHA risk sharing insurance or other mortgage insurance or comparable credit enhancement.

Section 10. **Conduit Issuances.** The following provisions shall apply to limited obligation bonds (as described herein, "Conduit Bonds") issued on behalf of Development sponsors for which, by the terms of the documents providing for the issuance of such Conduit Bonds, (a) the Agency is not liable for payment of the principal of, premium or interest on such Conduit Bonds, except from revenues received from loans made with the proceeds of such Conduit Bonds ("Conduit Loans"), (b) the Agency has not contributed or pledged any funds or assets to such Conduit Bonds other than revenues derived from or related to such Conduit Loans, and (c) there is otherwise no obligation of or material financial risk to the General Fund of the Agency under the terms of such Conduit Bonds:

(1) Conduit Bonds may be issued under and pursuant to any Indenture or comparable document meeting the requirements for Conduit Bonds described in the first paragraph of this Section 10, including but not limited to the following:

(a) the form of Fannie Mae stand-alone conduit Indenture approved by Resolution No. 09-02;

(b) the form of Freddie Mac stand-alone conduit Indenture approved by Resolution No. 09-02;

(c) the form of stand-alone conduit Master Pledge and Assignment approved by Resolution No. 09-02; and

(d) the form of FHA/GNMA stand-alone conduit Indenture approved by Resolution No. 10-08.

(2) Conduit Bonds may be issued as drawdown bonds for which the bond purchaser purchases Bonds in installments as funds are needed by the Development sponsor. For purposes of Sections 2 and 7, the date of the initial draw for any issue of drawdown Conduit Bonds shall be considered the issue date of such issue.

(3) Conduit Bonds may be issued with variable rates of interest and have such maturity dates and other terms as set forth in the applicable Conduit Indenture.

(4) Conduit Bonds may otherwise have such commercially reasonable terms as may be approved by the Executive Director, such approval to be evidenced by the execution and delivery of the documents relating to such Conduit Bonds in accordance with this Resolution.

(5) For each series of Conduit Bonds, the Executive Director is hereby authorized and directed to execute, and the Secretary is hereby authorized to attest, for and in the name and on behalf of the Agency and under its seal, if and to the extent appropriate, any and all necessary documents, including but not limited to reimbursement agreements, letter of credit agreements or other arrangements with respect to liquidity or credit enhancement, and any intercreditor or subordination agreements related thereto.

ARTICLE III
PROVISIONS APPLICABLE TO ALL BONDS ISSUED UNDER THIS RESOLUTION

Section 11. **Authorization of Disclosure.** The Executive Director is hereby authorized to circulate one or more preliminary official statements relating to Refunding Bonds and/or New Money Bonds (collectively, "Bonds") and to execute and circulate one or more official statements relating to Bonds, and the circulation of such preliminary official statement and such official statement to prospective and actual purchasers of Bonds is hereby approved. The Executive Director is further authorized to hold information meetings concerning Bonds and to distribute other information and material relating to Bonds, including by posting of such information on one or more websites maintained by or at the direction of the Agency.

Section 12. **Authorization of Sale of Bonds.** Bonds are hereby authorized to be sold at negotiated or competitive sale or sales, including but not limited to private placements and public offerings. The Executive Director is hereby authorized and directed, for and in the name and on behalf of the Agency, to execute and deliver one or more agreements, by and among the Agency, the Treasurer, if applicable, and such purchasers or underwriters as the Executive Director may select (the "Purchasers"), relating to the sale of the Bonds, in such form as the Executive Director may approve upon consultation with the Agency's legal counsel, such approval to be evidenced conclusively by the execution and delivery of said agreements by the Executive Director.

The Treasurer is hereby authorized and requested, without further action of this Board and unless instructed otherwise by this Board, to sell the Bonds pursuant to the terms and conditions set forth in each such agreement as finally executed on behalf of the Agency. The Treasurer is hereby further authorized and requested to deposit the proceeds of any good faith deposit to be received by the Treasurer under the terms of such agreement in a special trust account for the benefit of the Agency, and the amount of such deposit shall be retained by the Agency, applied at the time of delivery of the applicable Bonds as part of the purchase price thereof, or returned to the Purchasers, as provided in such agreement.

Section 13. **Authorization of Execution of Bonds.** The Executive Director is hereby authorized and directed to execute, and the Secretary is hereby authorized and directed to attest, for and on behalf and in the name of the Agency and under its seal, the Bonds, in an aggregate amount not to exceed the amount authorized hereby, in accordance with each Refunding Bond Indenture or New Money Bond Indenture in one or more of the forms set forth in such indenture.

Section 14. **Authorization of Delivery of Bonds.** The Bonds when so executed shall be delivered to the trustee or other authenticating agent ("Trustee") to be authenticated or caused to be duly and properly authenticated. The Trustee is hereby requested and directed to authenticate, or cause to be authenticated, the Bonds by the execution of the certificate of authentication and registration appearing thereon, and to deliver or cause to be delivered the Bonds when duly executed and authenticated to the Purchasers in accordance with written instructions executed on behalf of the Agency by the Executive Director, which instructions said officer is hereby authorized and directed, for and on behalf and in the name of the Agency, to execute and deliver to the Trustee.

Section 15. **Authorization of Program Documents.** The Executive Director and the other Authorized Employees are hereby authorized and directed to execute all documents they deem necessary or appropriate in connection with the Program, including, but not limited to, regulatory agreements, loan agreements, origination and servicing agreements (or other loan-to-lender documents), servicing agreements, developer agreements, financing agreements, investment agreements, intercreditor agreements, subordination agreements, agreements to enter into escrow and forward purchase agreements, escrow and forward purchase agreements, refunding agreements and continuing disclosure agreements, in each case with such other parties as the Executive Director may select in furtherance of the objectives of the Program.

The Executive Director and the other Authorized Employees are hereby authorized to enter into, for and in the name and on behalf of the Agency, one or more mortgage sale agreements with such purchasers as the Executive Director may select in accordance with the objectives of the Program. Any such sale of Loans may be on either a current or a forward purchase basis.

The Executive Director and the Authorized Employees are hereby authorized to enter into, for and in the name and on behalf of the Agency, contracts to conduct foreclosures of mortgages owned or serviced by the Agency with such attorneys or foreclosure companies as the Executive Director may select in accordance with the objectives of the Program.

The Executive Director and the other Authorized Employees are hereby authorized to enter into, for and in the name and on behalf of the Agency, contracts for the sale of foreclosed properties with such purchasers as the Executive Director may select in accordance with the objectives of the Program. Any such sale of foreclosed properties may be on an all cash basis or may include financing by the Agency. The Executive Director and the other Authorized Employees are also authorized to enter into any other agreements, including but not limited to real estate brokerage agreements and construction contracts, necessary or convenient for the rehabilitation, listing and sale of such foreclosed properties.

Section 16. **Authorization of Credit Facilities.** In addition, the Executive Director and the other Authorized Employees are hereby authorized to enter into, for and in the name and on behalf of the Agency, one or more short-term or long-term credit facilities, including but not limited to repurchase agreements, for the purposes of (i) financing the purchase of Loans on an interim basis, prior to the financing of such Loans with Bonds, whether issued or to be issued; (ii) financing expenditures of the Agency incident to, and necessary or convenient to, the issuance of Bonds, including, but not limited to, Agency expenditures to pay costs of issuance, capitalized interest, redemption price of prior bonds of the Agency, costs relating to credit enhancement or liquidity support, costs relating to investment products, or net payments and expenses relating to interest rate hedges and other financial products; and (iii) enabling the Agency to restructure existing debt and related purposes, including, but not limited to, the redemption of existing bonds and the acquisition of bonds that have been put to liquidity providers as bank bonds. Any credit facility entered into pursuant to this Section 16 may be from any appropriate source, including, but not limited to, the Pooled Money Investment Account pursuant to Government Code Section 16312; *provided, however,* that the aggregate outstanding principal amount of credit facilities authorized under this Section 16 or the comparable sections of Resolution No. 15-01 (the single family financing resolution adopted at the same meeting) may not at any time exceed $200,000,000 (separate and apart from the amount of bonds authorized by Sections 1 and 6 of this resolution and such other resolutions).

The Executive Director and the other Authorized Employees are hereby authorized to use available Agency moneys (other than and in addition to the proceeds of bonds) (i) to make or purchase loans to be financed by bonds (including bonds authorized by prior resolutions of this Board) in anticipation of draws on a credit facility, the issuance of Bonds or the availability of Bond proceeds for such purposes and (ii) to purchase Agency bonds to enable the Agency to restructure its debt and for related purposes as authorized under Resolution No. 08-42 and any future Board resolutions thereto amendatory or supplemental.

The Executive Director and the other Authorized Employees are hereby authorized to use available Agency moneys to purchase Agency bonds to enable the Agency to restructure its debt and for related purposes. Any Agency bonds so purchased shall remain outstanding for all purposes except to the extent that the Executive Director or the other Authorized Employees expressly provide for the retirement or redemption, and cancellation, of such bonds. Any Agency bonds so purchased may be purchased and resold, in each case on such terms as may be determined by the Executive Director and the other Authorized Employees in the best interests of the Agency. The Agency may establish any account or accounts as may be necessary or desirable in connection with the purchase of such bonds.

Section 17. **Ratification of Prior Actions; Not a Repeal of Prior Resolutions.** (a) All actions previously taken by the officers of the Agency in connection with the implementation of the Program, the issuance of the Bonds, the issuance of any prior bonds (the "Prior Bonds"), the execution and delivery of related financial agreements and related program agreements and the implementation of any credit facilities as described above are hereby approved and ratified.

(b) This resolution is not intended to repeal in whole or in part any prior resolution of the Agency with respect to the authority granted to the Executive Director and the other Authorized Employees in relation to Prior Bonds and related agreements, including but not limited to (i) the authority to determine in furtherance of the objectives of the Program those matters required to be determined in relation to Prior Bonds, whether under indentures or other related agreements, and (ii) the authority to amend, modify or replace financial agreements of the types described in Section 5 of this Resolution.

Section 18. **Authorization of Related Actions and Agreements.** The Treasurer and any duly authorized deputy thereof, the Executive Director, any other persons authorized in writing by the Executive Director and the other Authorized Employees are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all agreements and documents which they deem necessary or advisable in order to consummate the issuance, sale, delivery, remarketing, conversion and administration of Bonds and Prior Bonds and otherwise to effectuate the purposes of this resolution, including declaring the official intent of the Agency for purposes of U.S. Treasury Regulations Section 1.150-2, and including executing and delivering any amendment or supplement to any agreement or document relating to Bonds or Prior Bonds in any manner that would be authorized under this resolution if such agreement or document related to Bonds authorized by this resolution. Subject in all cases to the express limitations set forth above in this resolution, such agreements may include, but are not limited to, remarketing agreements, tender agreements or similar agreements regarding any put option for Bonds or Prior Bonds, broker-dealer agreements, market agent agreements, auction agent agreements or other agreements necessary or desirable in connection with the issuance of Bonds in, or the conversion of Bonds or Prior Bonds to, an auction rate mode or an indexed rate mode, agreements for the investment of moneys relating to the Bonds or Prior Bonds, reimbursement agreements, letter of credit agreements, intercreditor agreements or other arrangements relating to any credit enhancement or liquidity support or put option provided for the Bonds or the Prior Bonds, continuing disclosure agreements and agreements for necessary services provided in the course of the issuance of the bonds, including but not limited to, agreements with bond underwriters, remarketing agents, placement agents, private placement purchasers, bond trustees, bond counsel and financial advisors and contracts for consulting services or information services relating to the financial management of the Agency, including advisors or consultants on interest rate swaps, cash flow management, and similar matters, and contracts for financial printing and similar services. The Executive Director, any persons authorized in writing by the Executive Director and the other Authorized Employees are hereby authorized and directed, jointly and severally, to provide as necessary for payment of costs of issuance related to Bonds and to provide for the Agency to contribute capital as necessary to facilitate the issuance of Bonds.

This resolution shall constitute full, separate, complete and additional authority for the execution and delivery of all agreements and instruments described in this resolution, without regard to any limitation in the Agency's regulations and without regard to any other resolution of the Board that does not expressly amend and limit this resolution.

Section 19. **Additional Delegation.** All actions by the Executive Director approved or authorized by this resolution may be taken by the Chief Deputy Director of the Agency, the Director of Financing of the Agency, the Financing Risk Manager of the Agency, the Director of Multifamily Programs of the Agency or, if the office of Director of Multifamily Programs of the Agency is vacant, the Housing Finance Chief for Multifamily Programs (but only with respect to Conduit Bonds issued in accordance with Section 10 hereof), or any other person specifically authorized in writing by the Executive Director, and except to the extent otherwise taken by another person shall be taken by the Chief Deputy Director during any period in which the office of the Executive Director is vacant.

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SECRETARY'S CERTIFICATE

I, Victor James, the undersigned, do hereby certify that I am the duly authorized Secretary of the Board of Directors of the California Housing Finance Agency, and hereby further certify that the foregoing is a full, true, and correct copy of Resolution No. 15-02 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 17th day of March 2015, of which meeting all said directors had due notice; and that at said meeting said resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this 17th day of March 2015.

[SEAL]

VICTOR JAMES
Secretary of the Board of Directors of the
California Housing Finance Agency

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SECRETARY'S CERTIFICATE

I, Victor James, the undersigned, do hereby certify that I am the duly authorized Secretary of the Board of Directors of the California Housing Finance Agency, and hereby further certify that the foregoing is a full, true, and correct copy of the Resolution No. 15-02 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 17th day of March 2015, of which meeting all said directors had due notice; and that at said meeting said resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

I further certify that I have carefully compared the foregoing copy with the original minutes of said meeting on file and of record in my office; that said copy is a full, true, and correct copy of the original resolution adopted at said meeting and entered in said minutes; and that said resolution has not been amended, modified, or rescinded in any manner since the date of its adoption, and the same is now in full force and effect.

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this ____ day of __________________, 2015.

[SEAL]

____
VICTOR JAMES
Secretary of the Board of Directors of the
California Housing Finance Agency

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State of California

M E M O R A N D U M

To: Board of Directors **Date:** March 1, 2015

Timothy Hsu, Director of Financing
From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: AUTHORIZATION TO MAKE APPLICATION TO THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
RESOLUTION 15-03

The California Debt Limit Allocation Committee ("CDLAC") is the State entity which, under California law, allocates the federal volume cap for "private activity bonds" to be issued each year by State and local bond issuers. Private activity bonds are federally tax-exempt bonds which are issued to benefit non-governmental borrowers such as first-time homebuyers or owners of affordable rental housing developments.

Resolution 15-03 would authorize application to CDLAC for a maximum of $250 million of single family allocation and $250 million of multifamily allocation. Such authorization would be in effect during the period of time in which Resolutions 15-01 and 15-02, which authorize the issuance of bonds for the Homeownership Program and Multifamily Program, are themselves in effect.

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RESOLUTION NO. 15-03

RESOLUTION OF THE CALIFORNIA HOUSING FINANCE AGENCY APPROVING APPLICATIONS TO THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE FOR PRIVATE ACTIVITY BOND ALLOCATIONS FOR THE AGENCY'S HOMEOWNERSHIP AND MULTIFAMILY PROGRAMS

WHEREAS, the California Housing Finance Agency (the "Agency") has determined that there exists a need in California for providing financial assistance to persons and families of low or moderate income to enable them to purchase moderately priced single family residences (the "Residences");

WHEREAS, the Agency has determined that it is in the public interest for the Agency to provide such financial assistance by means of ongoing programs (collectively, the "Homeownership Program") to make lower-than-market rate loans, and to issue Mortgage Credit Certificates for the permanent financing of Residences;

WHEREAS, pursuant to Parts 1 through 4 of Division 31 of the Health and Safety Code of the State of California (the "Act"), the Agency has the authority to issue bonds to provide sufficient funds to finance the Homeownership Program, and to issue Mortgage Credit Certificates for the permanent financing of Residences;

WHEREAS, the Agency has by its Resolution No.15-01 authorized the issuance of bonds for the Homeownership Program and desires to authorize application to the California Debt Limit Allocation Committee for private activity bond allocations to be used in connection with the issuance of all or a portion of such bonds in order for interest on such bonds to be excludable from gross income for federal income tax purposes;

WHEREAS, the Agency has also determined that there exists a need in California for the financing of mortgage loans for the acquisition, construction, rehabilitation, refinancing or development of multifamily rental housing developments (the "Developments") for the purpose of providing housing for persons and families of low or moderate income;

WHEREAS, the Agency has determined that it is in the public interest for the Agency to assist in providing such financing by means of an ongoing program (the "Multifamily Program") to make or acquire, or to make loans to lenders to make or acquire, mortgage loans, for the purpose of financing such Developments;

WHEREAS, pursuant to the Act, the Agency has the authority to issue bonds to provide sufficient funds to finance the Multifamily Program; and

WHEREAS, the Agency has by its Resolution No. 15-02 authorized the issuance of bonds for the Multifamily Program and desires to authorize application to the California Debt Limit Allocation Committee for private activity bond allocations to be used in connection with the issuance of all or a portion of such bonds in order for interest on such bonds to be excludable from gross income for federal income tax purposes, or for the issuance of Mortgage Credit Certificates;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors (the "Board") of the California Housing Finance Agency as follows:

Section 1. **Authorization to Apply to CDLAC for the Homeownership Program.** The officers of the Agency are hereby authorized to apply from time to time to the California Debt Limit Allocation Committee ("CDLAC") for private activity bond allocations in an aggregate amount of up to $250,000,000 per year to be used in connection with bonds issued under Resolution No. 15-01, or resolutions heretofore or hereafter adopted by the Agency for the Homeownership Program. In the alternative, subject to the approval of CDLAC and under such terms and conditions as may be established by CDLAC, any such allocation received is authorized by this Board to be used in connection with a mortgage credit certificate program.

Section 2. **Authorization to Apply to CDLAC for the Multifamily Program.** The officers of the Agency are hereby authorized to apply from time to time to CDLAC for private activity bond allocations in an aggregate amount of up to $250,000,000 per year, to be used in connection with bonds issued under Resolution No. 15-02 or other resolutions heretofore or hereafter adopted by the Agency for the Multifamily Program.

Section 3. **Authorization of Related Actions and Agreements.** The officers of the Agency, or the duly authorized deputies thereof, are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all agreements and documents which they may deem necessary or advisable in order to effectuate the purposes of this resolution, including but not limited to satisfying in the best interests of the Agency such conditions as CDLAC may establish for private activity bond allocation applications. Such officers and deputies are also hereby expressly authorized to accept on behalf and in the best interests of the Agency any private activity bond allocations offered by CDLAC, including but not limited to carryforward allocations, over and above those which may be granted pursuant to any application authorized hereinabove or in any prior resolution of the Board.

SECRETARY'S CERTIFICATE

I, Victor James, the undersigned, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of Resolution No. 15-03 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 17th day of March, 2015, of which meeting all said directors had due notice; and that at said meeting said Resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this 17th day of March, 2015.

[SEAL]

____
Victor J. James
Secretary of the Board of Directors of the
California Housing Finance Agency

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State of California

M E M O R A N D U M

To Board of Directors **Date:** March 1, 2015

Timothy Hsu, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: SECOND UPDATE ON SECURITIES AND EXCHANGE COMMISSION DIVISION OF ENFORCEMENT'S (SEC) – MUNICIPALITIES CONTINUING DISCLOSURE COOPERATION (MCDC) INITIATIVE

At the September 2014 Board meeting, the Agency indicated that it would report back to the Board regarding the filing made in regards to the SEC MCDC Initiative. Subsequent to the September 2014 Board meeting, the Agency concluded communications with the senior underwriters who served on CalHFA bond transactions during the previous five year time frame. The underwriters did not uncover any new or unknown findings regarding the Agency's compliance with its continuing disclosure obligations. Of the three underwriters affected, one underwriter did not file in connection with CalHFA bond issuances and two underwriters filed items that the Agency had already identified.

The MCDC questionnaire was filed on October 23, 2014 with the SEC and is presented as Report item B. The Disclosure Procedures and Policies "Disclosure Policy" mentioned in the last MCDC Initiative update to the Board is presented as Report item C. The Disclosure Policy is also mentioned in the SEC questionnaire (see page 2, item #5). While the Agency considers all of the findings reported on the SEC questionnaire immaterial, it was determined that it would be prudent to report the items.

Background:

Rule 15c2-12 (Rule) under the Securities Exchange Act of 1934 prohibits any underwriter from purchasing or selling municipal securities unless the issuer has committed to providing continuing disclosure regarding the security and the issuer, including information about its financial condition and operating data. The Rule also requires that any final official statement prepared in connection with a primary offering of municipal securities contain a description of any instances in the previous five years in which the issuer failed to comply, in all material aspects, with any previous commitment to provide such continuing disclosure.

In March of 2014, the Securities and Exchange Commission – Enforcement Division announced the MCDC Initiative to encourage issuers and underwriters to self-report certain violations of federal securities laws related to inaccurate statements regarding continuing disclosure rather than wait for these violations to be detected. Under the MCDC Initiative, the SEC – Enforcement Division will recommend standardized settlement terms to municipal issuers and underwriters who self-report that they have made inaccurate statements in bond offerings about their prior compliance with continuing disclosure obligations.

For eligible issuers, if the Enforcement Division determines to recommend enforcement action it will recommend that the SEC accept a settlement in which there is no payment of any civil penalty by the issuer and in which the issuer consents to a "cease-and-desist" order under the Securities Act of 1933 that neither admits nor denies the findings of the SEC. The settlement must include undertakings by the issuer regarding policies, procedures and training, disclosure of settlement terms and provision of a compliance certificate to the SEC on the one year anniversary of the date of the institution of proceedings.

U.S. SECURITIES AND EXCHANGE COMMISSION
DIVISION OF ENFORCEMENT

MUNICIPALITIES CONTINUING DISCLOSURE COOPERATION INITIATIVE
QUESTIONNAIRE FOR SELF-REPORTING ENTITIES

NOTE: The information being requested in this Questionnaire is subject to the Commission's routine uses. A list of those uses is contained in SEC Form 1662, which also contains other important information.

1. Please provide the official name of the entity that is self-reporting ("Self-Reporting Entity") pursuant to the MCDC Initiative along with contact information for the Self-Reporting Entity:

   Individual Contact Name: Tim Hsu
   Individual Contact Title: Director of Financing
   Individual Contact telephone: (916) 326-8658
   Individual Contact Fax number: (916) 324-1464
   Individual Contact email address: thsu@calhfa.ca.gov

   Full Legal Name of Self-Reporting Entity: California Housing Finance Agency
   Mailing Address (number and street): 500 Capitol Mall, MS 940
   Mailing Address (city): Sacramento
   Mailing Address (state): California
   Mailing Address (zip): 95814

2. Please identify the municipal bond offering(s) (including name of Issuer and/or Obligor, date of offering and CUSIP number) with Official Statements that may contain a materially inaccurate certification on compliance regarding prior continuing disclosure obligations (for each additional offering, attach an additional sheet or separate schedule):

   State: California
   Full Name of Issuing Entity: California Housing Finance Agency
   Full Legal Name of Obligor (if any):
   Full Name of Security Issue: Affordable Multifamily Housing Revenue Bonds 2009 A-21 and A-22
   Initial Principal Amount of Bond Issuance: $92,670,000
   Date of Offering: 12/13/2011
   Date of final Official Statement (format MMDDYYYY): 12192011
   Nine Character CUSIP number of last maturity: 13034PSJ7

3. Please describe the role of the Self-Reporting Entity in connection with the municipal bond offerings identified in Item 2 above (select Issuer, Obligor or Underwriter):

- [x] Issuer
- [ ] Obligor
- [ ] Underwriter

4. Please identify the lead underwriter, municipal advisor, bond counsel, underwriter's counsel and disclosure counsel, if any, and the primary contact person at each entity, for each offering identified in Item 2 above (attach additional sheets if necessary):

Senior Managing Underwriting Firm: N/A (privately placed with the U.S. Treasury)
Primary Individual Contact at Underwriter: N/A

Financial Advisor: N/A
Primary Individual Contact at Financial Advisor: N/A

Bond Counsel Firm: Orrick, Herrington & Sucliffe LLP
Primary Individual Contact at Bond Counsel: Justin Cooper, Esq.

Law Firm Serving as Underwriter's Counsel: N/A
Primary Individual Contact at Underwriter's Counsel: N/A

Law Firm Serving as Disclosure Counsel: N/A
Primary Individual Contact at Disclosure Counsel: N/A

5. Please include any facts that the Self-Reporting Entity would like to provide to assist the staff of the Division of Enforcement in understanding the circumstances that may have led to the potentially inaccurate statements (attach additional sheets if necessary):

During the past five years, CalHFA has stated in its Official Statements that it has not failed to comply, in any material respect, with any continuing disclosure undertaking entered into pursuant to Rule 15c2-12 of the Securities Exchange Act of 1934, as amended. While the Agency believes these statements to be true, we note the following: (1) There have been instances when the Agency has been late in filing required annual financial information and operating data. Such latenesses ranged from one to three days, except on three occasions when the filings were up to 17 days late. (2) On one occasion the Agency did not report an indenture rating downgrade; however, three months later the indenture rating was downgraded again, and this subsequent rating downgrade was reported. (3) On one occasion, the Agency incorrectly stated that an indenture rating was downgraded from "Baa2" to "Baa1" when, in fact, it was downgraded from "Baa1" to "Baa2." (4) On six occasions, the Agency did not report bond rating changes resulting from bond insurer rating changes.

CalHFA has recently adopted formal policies and procedures for all of its disclosure obligations. The procedures and policies are intended to i) ensure that the Agency maintains an adequate system of disclosing all information that is required by Securities and Exchange Commission (SEC) Rule 15c2-12 (the "Rule") with respect to outstanding bonds, ii) satisfy, in a timely manner, all contractual obligations undertaken pursuant to its Continuing Disclosure Agreements, and iii) promote best practices regarding all Agency disclosure reporting.

On behalf of California Housing Finance Agency ,
I hereby certify that the Self-Reporting Entity intends to consent to the applicable settlement terms under the MCDC Initiative.

By: ____

Name of Duly Authorized Signer: Tia Boatman-Patterson

Title: Executive Director

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Full Name of Security Issue:	Residential Mortgage Revenue Bonds 2010A
Initial Principal Amount of Bond Issuance:	$24,000,000
Date of Offering:	12/02/2010
Date of final Official Statement (format MMDDYYYY):	12082010
Nine Character CUSIP number of last maturity:	130333AD9
Senior Managing Underwriting Firm:	J.P. Morgan Securities LLC
Primary Individual Contact at Underwriter:	Alan Jaffe
Financial Advisor:	N/A
Primary Individual Contact at Financial Advisor:	N/A
Bond Counsel Firm:	Hawkins Delafield & Wood LLP
Primary Individual Contact at Bond Counsel:	Daniel Fuss, Esq.
Law Firm Serving as Underwriter's Counsel:	Orrick, Herrington & Sutcliffe LLP
Primary Individual Contact at Underwriter's Counsel:	Justin Cooper, Esq.
Law Firm Serving as Disclosure Counsel:	N/A
Primary Individual Contact at Disclosure Counsel:	N/A

Full Name of Security Issue:	Residential Mortgage Revenue Bonds 2011A
Initial Principal Amount of Bond Issuance:	$72,000,000
Date of Offering:	05/05/2011
Date of final Official Statement (format MMDDYYYY):	05162011
Nine Character CUSIP number of last maturity:	130333BW4
Senior Managing Underwriting Firm:	Bank of America Merrill Lynch
Primary Individual Contact at Underwriter:	David Notkin
Financial Advisor:	N/A
Primary Individual Contact at Financial Advisor:	N/A
Bond Counsel Firm:	Hawkins Delafield & Wood LLP
Primary Individual Contact at Bond Counsel:	Daniel Fuss, Esq.
Law Firm Serving as Underwriter's Counsel:	Orrick, Herrington & Sutcliffe LLP
Primary Individual Contact at Underwriter's Counsel:	Justin Cooper, Esq.
Law Firm Serving as Disclosure Counsel:	N/A
Primary Individual Contact at Disclosure Counsel:	N/A

Full Name of Security Issue:	Residential Mortgage Revenue Bonds 2009 A-6
Initial Principal Amount of Bond Issuance:	$69,950,000
Date of Offering:	12/12/2012
Date of final Official Statement (format MMDDYYYY):	12112012
Nine Character CUSIP number of last maturity:	130333BZ9
Senior Managing Underwriting Firm:	N/A (privately placed with the U.S. Treasury)
Primary Individual Contact at Underwriter:	N/A
Financial Advisor:	N/A
Primary Individual Contact at Financial Advisor:	N/A
Bond Counsel Firm:	Orrick, Herrington & Sutcliffe LLP
Primary Individual Contact at Bond Counsel:	Justin Cooper, Esq.
Law Firm Serving as Underwriter's Counsel:	N/A
Primary Individual Contact at Underwriter's Counsel:	N/A
Law Firm Serving as Disclosure Counsel:	N/A
Primary Individual Contact at Disclosure Counsel:	N/A

Full Name of Security Issue:	Residential Mortgage Revenue Bonds 2013 AB
Initial Principal Amount of Bond Issuance:	$133,760,000
Date of Offering:	04/19/2013
Date of final Official Statement (format MMDDYYYY):	04192013
Nine Character CUSIP number of last maturity:	130333CB1
Senior Managing Underwriting Firm:	B of A Merrill Lynch
Primary Individual Contact at Underwriter:	David Notkin
Financial Advisor:	N/A
Primary Individual Contact at Financial Advisor:	N/A
Bond Counsel Firm:	Hawkins Delafield & Wood LLP
Primary Individual Contact at Bond Counsel:	Daniel Fuss, Esq.
Law Firm Serving as Underwriter's Counsel:	Kutak Rock LLP
Primary Individual Contact at Underwriter's Counsel:	David Amsden, Esq.
Law Firm Serving as Disclosure Counsel:	N/A
Primary Individual Contact at Disclosure Counsel:	N/A

Full Name of Security Issue:	Multifamily Housing Revenue Bonds 2014 A
Initial Principal Amount of Bond Issuance:	$38,915,000
Date of Offering:	04/08/2014
Date of final Official Statement (format MMDDYYYY):	04082014
Nine Character CUSIP number of last maturity:	13034PTM9
Senior Managing Underwriting Firm:	Citigroup
Primary Individual Contact at Underwriter:	Michael Koessel
Financial Advisor:	N/A
Primary Individual Contact at Financial Advisor:	N/A
Bond Counsel Firm:	Orrick, Herrington $ Sutcliffe LLP
Primary Individual Contact at Bond Counsel:	Justin Cooper, Esq.
Law Firm Serving as Underwriter's Counsel:	Hawkins Delafield & Wood LLP
Primary Individual Contact at Underwriter's Counsel:	Daniel Fuss, Esq.
Law Firm Serving as Disclosure Counsel:	Orrick, Herrington & Sutcliffe LLP
Primary Individual Contact at Disclosure Counsel:	Justin Cooper, Esq.

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California Housing Finance Agency Disclosure Oversight Committee Report

On October 22, 2014, the California Housing Finance Agency established a Disclosure Oversight Committee and a Financial Statement (FS) Disclosure Review Committee. Members of the Disclosure Oversight Committee:

Executive Director (*)
Director of Financing (*)
Comptroller (*)
Housing Finance Chief – Single Family (SF) Lending
Housing Finance Chief – Loan Servicing
Housing Finance Chief – Multifamily Programs
A Housing Finance Officer representative from the Agency's Financing Division (*)
General Counsel (*)
Financing Risk Manager (*)
Programs Administrator
Housing Finance Chief – SF Portfolio Management
Housing Finance Chief – Asset Management
Agency's Disclosure Representative; and

*These members are also on the FS Disclosure Review Committee.

The primary responsibilities of the Committee are:

1) Meet annually to review SEC Rule 15c2-12 disclosure requirements with respect to outstanding bonds.
2) Meet annually with the FS Disclosure Review Committee to discuss the annual financial statement's disclosure reporting, and
3) Meet as necessary to promote best practices regarding all Agency disclosure reporting.

Staff Members Present: Tim Hsu, Victor James, Tony Sertich, Jim Morgan, Ken Giebel, Chris Penny, Nick Kufames, Dakota Neal, and Tia Boatman-Patterson was available via her mobile phone.

Purpose:

To approve the adoption of the Agency's Disclosure Procedures and Policies "Disclosure Policy"

Action

The Disclosure Policy was adopted

Presented: October 22, 2014

By: California Housing Finance Agency Disclosure Oversight Committee

Tia Boatman-Patterson, Executive Director

Tim Hsu, Director of Financing/Disclosure Representative

California Housing Finance Agency
Disclosure Procedures and Policies "Disclosure Policy"
Dated October 22, 2014

Introduction and Purpose

These disclosure procedures and policies, along with attachments (the "Disclosure Policy") are intended to provide details on the disclosure and continuing disclosure policies and procedures adopted and maintained by the California Housing Finance Agency (the "Agency"). The procedures and policies are intended to i) ensure that the Agency maintains an adequate system of disclosing all information that is required by Securities and Exchange Commission (SEC) Rule 15c2-12 (the "Rule") with respect to outstanding bonds, ii) satisfy in a timely manner all contractual obligations undertaken pursuant to its Continuing Disclosure Agreements and iii) promote best practices regarding all Agency disclosure reporting.

Capitalized terms that are used in the Disclosure Policy and not otherwise defined shall have the definitions set forth below under Definitions.

Definitions

"*Annual Report*" shall mean any Annual Report provided by the Agency pursuant to any Continuing Disclosure Agreement.

"*Board*" shall mean the California Housing Finance Agency's Board of Directors.

"*Continuing Disclosure Agreement*" means the agreement entered into between the Agency and U.S. Bank National Association as Trustee for the benefit of the holders and beneficial owners of any bonds or obligations subject to the Rule.

"*Contributors*" shall mean any person contacted or assigned by the Agency to assist with the review or preparation of an Official Statement or other offering document.

"*Disclosure Oversight Committee*" shall mean the Committee established by the Agency to oversee the Agency's Continuing Disclosure Policy and Procedures.

"*Disclosure Representative*" shall mean the Director of Financing of the Agency or his or her designee, or such other officer or employee as the Agency shall designate in writing to the Trustee from time to time.

"*EMMA*" means the Electronic Municipal Market Access system maintained by the Municipal Securities Rulemaking Board.

"*Financial Statement Disclosure Review Committee*" shall mean the Committee established by the Agency to review the Agency's financial statement's disclosure and reporting.

"*Material Event*" shall mean any event listed in the applicable Continuing Disclosure Agreement.

"*Major Obligated Borrower*" means a borrower whose loan or loans have an aggregate outstanding principal balance which equals or exceeds twenty percent (20%) of the aggregate outstanding principal balance of all the loans pledged under the indenture.

"*MEN*" means Material Event Notice.

"*MSRB*" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule.

"*Official Statements*" means collectively the Agency's Preliminary and Final Official Statements or offering memoranda used in connection with the offering of its notes, bonds, and other securities.

"*Repository*" shall mean the MSRB.

"*Rule*" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"*SEC*" shall mean the Securities and Exchange Commission.

"*Supplemental Disclosure Agreement*" shall mean any supplemental disclosure agreement entered into between the Agency and the Trustee which supplements a Continuing Disclosure Agreement.

Section 1 - Disclosure and Oversight Review Committees

Section 1(A) Disclosure Oversight Committee

The Agency has established a Disclosure Oversight Committee (the "Committee"). The members of the committee are as follows:

- Executive Director
- General Counsel
- Director of Financing
- Financing Risk Manager

- Comptroller
- Programs Administrator
- Housing Finance Chief – Single Family Lending
- Housing Finance Chief –Single Family Portfolio Management
- Housing Finance Chief-Loan Servicing
- Housing Finance Chief-Asset Management
- Housing Finance Chief-Multifamily Programs
- Agency's Disclosure Representative; and
- A Housing Finance Officer Representative from the Agency's Financing Division.

The Committee may also retain and consult with outside legal counsel.

The primary responsibilities of the Committee are:

i. meet annually to review SEC Rule 15c2-12 disclosure requirements with respect to outstanding bonds
ii. meet annually with the Financial Statement Disclosure Review Committee (the "FS Committee") to discuss the annual financial statement's disclosure reporting, and
iii. meet as necessary to promote best practices regarding all Agency disclosure reporting

The Agency's Disclosure representative will be responsible for scheduling the meetings; however, any member of the committee may convene a meeting. The members of the Committee should, to the extent practicable, attend meetings in person but may participate in meetings by telephone. If unable to attend in person or by telephone, the Committee member shall designate an appropriate individual to attend the meeting in their absence.

Section 1(B) Financial Statement Disclosure Review Committee

The Agency has also established a Financial Statement Disclosure Review Committee. (the "FS Committee"). The members of the committee are as follows:

Financing Fund (0501):

- Executive Director
- General Counsel (or a representative from the Legal Division)
- Comptroller
- Director of Financing, and
- A representative from the Agency's Financing Division

Insurance Fund (0916):

- Executive Director
- General Counsel (or a representative from the Legal Division)
- Comptroller
- Risk Manager, and
- A representative from the Agency's Financing Division

The primary responsibilities of the FS Committee are

As part of the Agency's financial statement year-end process the FS Committee will review the Management Discussion and Analysis ("MD&A") and footnotes that accompany the Agency's audited financial statements. Upon completion of the draft MD&A and footnotes (usually the last week of September for the financing fund and the first week of April for the insurance fund), the Comptroller will distribute drafts to the FS Committee requesting comments. If there are any material comments the Comptroller will convene a meeting to discuss and resolve the issues.

Section 2 - Disclosure Documents

Disclosure documents include, but are not limited to the following documents and postings:

A. Continuing disclosure filings made in accordance with SEC Rule 15c2-12

B. Information available on the Agency's webpage

C. Debt Issuance

D. The Agency's Financial Statements

The Disclosure Representative shall determine whether a particular document or posting is a disclosure document.

Section 2(A) Continuing Disclosure filings made in accordance with SEC Rule 15c2-12

Rule15c2-12 has two elements:

i. First, it requires that an underwriter obtain a certification that the preliminary official statement for a bond issue is substantially final.

ii. Second, the Rule requires that underwriters participating in most bond offerings obtain from the issuer of the bonds a written Continuing Disclosure Agreement (CDA) to provide continuing disclosure with respect to those bonds as long as they remain outstanding.

These procedures, as they relate to continuing disclosure requirements, address the second element of the Rule. The first rule is the responsibility of the underwriters not the Agency.

The continuing disclosure element of the Rule requires the issuer (either by itself or through a trustee or other dissemination agent) to provide two kinds of disclosure:

i. Once a year, an annual financial report including the issuer's audited financial statements for the most recently completed fiscal year, and updating of other financial and operating information which was included in the original official statements.
ii. Notice of the occurrence of certain material events with respect to the bonds, within ten (10) business days of such occurrence.

The commitment to provide these two elements of continuing disclosure is set forth in detail in a Master CDA for each of the following indentures: For information on supplemental CDAs for each bond series within the indenture, see the applicable closing documents.

i. Master Continuing Disclosure Agreement – Home Mortgage Revenue Bonds ("HMRB"), dated as of January 1, 1996, as supplemented (see link HMRB - Master Continuing Disclosure Agreement.pdf)
ii. Master Continuing Disclosure Agreement - Multifamily Housing Revenue Bonds III, ("MHRBIII") dated March 1, 1997 as amended and restated as of April 1, 2014, as supplemented (see link MHRBIII - Amended and Restated Master Continuing Disclosure Agreement.pdf)
iii. Master Continuing Disclosure Agreement – Housing Program Bonds ("HPB"), Dated as of April 1, 2006, as supplemented (see link HPB - Master Continuing Disclosure.pdf)
iv. Master Continuing Disclosure Agreement – Affordable Multifamily Housing Revenue Bonds ("AMHRB"), dated as of December 1, 2009, as supplemented (see link AMHRB - Master Continuing Disclosure Agreement AMHRB.pdf)
v. Master Continuing Disclosure Agreement - Residential Mortgage Revenue Bonds ("RMRB") (Single Family Program), dated as of December 1, 2010, as supplemented (see link RMRB(SF) - Master Continuing Disclosure Agreement.pdf)

vi. Master Continuing disclosure Agreement – Residential Mortgage Revenue Bonds ("RMRB") (Multifamily Program) 2009 Series A-6, dated as of December 1, 2012 (see link RMRB 2009 Series A-6 Master Continuing Disclosure Agreement.pdf)

The Rule only applies to bonds issued after April 1, 1995. In May 2010, the SEC approved certain amendments to the Rule relating to the continuing disclosure treatment of variable rate demand obligations and expanding the requirements for reporting of material events. These amendments took effect for bonds issued on or after December 1, 2010.

Failure to comply with any part of the CDA is not deemed an event of default under the indenture, but gives rise to the right of any bondholder to bring an action to require compliance. In addition, any material noncompliance has to be disclosed in an issuer's future official statements for five years.

Electronic Municipal Market Access ("EMMA")

On July 1, 2009 the Municipal Securities Rulemaking Board began operating the centralized electronic repository for all municipal bond disclosure documents and trade data through the EMMA website. The EMMA website (www.emma.msrb.org) was established to increase access to vital disclosure and transparency information in the municipal securities market. It provides investors with key information about municipal securities free of charge.

The Agency uses EMMA to file its Annual Reports as well as any material event disclosures. For information on how to file on EMMA see the following attachments.

i. for instructions on how to register CUSIPs on EMMA (see link How To Register CUSIPS on EMMA.pdf)

ii. for instructions for continuing disclosure submission on EMMA (see link Instructions for Filing Continuing Disclosure on EMMA.pdf)

The Agency has implemented specific processes to ensure continuing disclosure covenants are satisfied and reported timely. In summary the processes are as follows:

i. The Agency has dedicated staff responsible for the filing of the Annual Report and the monitoring and filing of potential reportable events. (see link for responsible parties report Responsible Parties.pdf)

ii. For the filing of the Annual Report, the Agency has set-up a task/tickler system that reminds numerous individuals of the due date (daily, beginning ten (10) days prior to the due date, until the task is completed).
iii. The Agency has developed a Continuing Disclosure History/Filing Report which keeps a record of all filings posted to EMMA, when they were filed, who filed them, and who reviewed the filing (see sample report link MF III Annual Continuing Disclosure Report.pdf
iv. The Agency has put in place a monitoring process to identify rating events (see below, monitoring of rating events).
v. Financial news resources and articles are made available to the financing division's staff to assist in the monitoring of possible reportable events.

Annual Reporting Submission

Compliance with the Rule requires the issuer or an obligated party to provide certain financial information of the same type found in the Final Official Statement on an annual basis ("Annual Report"). The Annual Report is designed to inform investors of the current financial state of the issuer. The specific information to be contained in the Annual Report for any particular bond issue is set forth in the CDA for those bonds. Basically the CDA's provisions regarding the Annual Reports are as follows:

The Agency files with EMMA within 180 calendar days after the end of each fiscal year, which is currently June 30, the following information. For specific information on the responsible parties see link Responsible Parties.pdf).

i. the Agency's audited financial statements for the immediately preceding Fiscal Year, prepared in accordance with Generally Accepted Accounting Principles ("GAAP") applicable to governmental entities. In the event that audited basic financial statements are not completed by the due date the Agency will submit unaudited financial statements and the audited financial statements will be filed when they become available
ii. a description of the bonds issued by the Agency and outstanding as of the date of the annual report
iii. a report listing the amounts in the bond reserve, debt service reserve or loan loss reserve account for each issue, if applicable
iv. Amounts on deposit in any surety reserve account, if applicable
v. a report listing the amounts on deposit in the supplementary reserve account for each issue, if applicable

vi. a schedule of bond redemptions and the source of funds for such redemptions.
vii. the status of the Agency's mortgage loan portfolio, including the interest rates on the mortgage loans, the principal amount of mortgage loans to be made, the principal amount of mortgage loans purchased or otherwise acquired, the principal amount of conditionally approved mortgage loans, the loan type and the principal amount of the current mortgage loan portfolio
viii. information regarding primary, pool and special hazard insurance coverage with respect to the mortgage loans, if applicable
ix. a summary of mortgage loan delinquencies, including the percentage of loans that are 30 days, 60 days, 90 days or 120 days delinquent or in foreclosure, if applicable
x. information with respect to the Mortgage-Backed Securities portfolio
xi. with respect to multifamily loans pledged to the designated bonds, under the MFIII, AMHRB and RMRB indentures, information regarding principal prepayments with respect to such multifamily loans

In the event that an Annual Report cannot be filed by the required deadline, the Agency, in accordance with the Rule, will submit to EMMA a notice stating that the report has not been timely completed.

All Annual Reports are prepared by a Financing Officer reviewed by a second Financing Officer and then signed by the disclosure representative. After an Annual Report is signed, the Report is posted to EMMA.

Material Events Notice ("MEN")

Compliance with the Rule requires notices of material events be filed within ten (10) business days after the occurrence of an event.

The Agency files with EMMA within ten (10) business days of any of the following events a notice of material event. For specific information on the responsible parties see link Responsible Parties.pdf).

1. principal and interest payment delinquencies
2. non-payment related defaults, if material
3. modifications to rights of bondholders, if material
4. defeasances
5. rating changes
6. adverse tax opinions or events adversely affecting the tax-exempt status of the bonds, or other material events affecting the tax status of the bonds, if material
7. unscheduled draws on debt service reserves reflecting financial difficulties
8. unscheduled draws on credit enhancements reflecting financial difficulties

9. substitution of credit or liquidity providers, or their failure to perform
10. the issuance by the Internal Revenue Service of proposed or final determination of taxability or of a notice of proposed Issue (IRS Form 5701 TEB)
11. optional, unscheduled bond calls, if material, and tender offers
12. bankruptcy, insolvency, receivership or similar event of the obligated person
13. release, substitution or sale of property securing repayment of bonds, if material
14. the consummation of a merger, consolidation, or acquisition involving the Agency or the sale of all or substantially all of the assets of the Agency, other than in the ordinary course of business , the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
15. appointment of a successor or additional trustee or the change of name of a trustee if material

All material event notices are prepared by a financing officer, reviewed by a second financing officer and then signed by the disclosure representative. After a material event notice is signed, the notice is posted to EMMA.

Monitoring of Rating Changes

For external actions involving rating changes, the Agency has implemented specific monitoring processes to ensure rating changes are reported timely. In summary the Agency has developed a program that interfaces with Bloomberg, to automatically generate a report that flags rating events (that occurred in the previous 30 days) for all of the Agency's bond insurers, swap counterparties and Guaranteed Investment Contract "GIC" providers. This report is run every Monday and Wednesday morning. If there is a possible reportable event flagged, it is brought to the attention of the Disclosure Representative. The Disclosure Representative will decide if the event is a reportable event, if it is, a MEN is prepared.

Major Obligated Borrowers

The Agency shall forward to the Repository, on an annual basis, not later than 180 days after the end of the fiscal year the related Development or Developments of a Major Obligated Brower, certain financial and operating data, including (a) if produced in the usual course of business, audited financial statements for the immediately preceding fiscal year prepared in accordance with GAAP, or, if not so produced in the usual course of business, unaudited financial statements for the immediately preceding fiscal year prepared in accordance with GAAP and (b) levels of occupancy (collectively, the "Major Obligated Borrower Annual Disclosure"). If the Agency has not received such Major Obligated Borrower Annual disclosure by the required date, the Agency shall, in a timely manner, file a notice with the MSRB of the failure of such Major Obligated Borrower to file such information with the Agency.

Posting to the Agency's Website

After the Agency posts the Annual Report or a Material Event Notice to EMMA, the document is then posted to the Agency's website.

Section 2(B) - Information Available on the Agency's Website

The Agency provides the following disclosure information on its website (see link Responsible Parties.pdf, for how often the information is updated and the responsible individuals):

- Agency News and Updates
  http://www.calhfa.ca.gov/about/financials/index.htm

- The Agency's Annual Report
  http://www.calhfa.ca.gov/about/financials/reports/index.htm

- Audited Financial Statements for both the California Housing Finance Fund and the California Housing Loan Insurance Fund
  http://www.calhfa.ca.gov/about/financials/reports/index.htm

- Annual Statistical Supplement
  http://www.calhfa.ca.gov/about/financials/reports/index.htm

- Unaudited Interim Financial Statements for both the California Housing Finance Fund and the California Housing Loan Insurance Fund
  http://www.calhfa.ca.gov/about/financials/information/index.htm

- Continuing Disclosure and Material Event Notices
  http://www.calhfa.ca.gov/about/financials/information/index.htm

- Financial Disclosure Information for all outstanding indentures, as applicable: http://www.calhfa.ca.gov/about/financials/supplemental/index.htm
    - Bonds Outstanding,
    - Bond Redemption History,
    - Composition of Bond Portfolio,
    - Delinquency, REO and Loss Reports,
    - Investment Reports,
    - Mortgage Loan Information,
    - SWAP Agreement Portfolio Information
    - Mortgage Back Securities Information,

- Current Official Statements http://www.calhfa.ca.gov/about/financials/os/index.htm

- Information on accessing archived official statements http://www.calhfa.ca.gov/about/financials/osarchive/index.htm

Section 2(C) - Debt Issuance

Authorizations

Annually the Director of Financing will prepare a resolution, and obtain Board approval, authorizing the Agency's single family bond indentures, the issuance of single family bonds, credit facilities for homeownership purposes, and related financial agreements and contracts for services.

Annually the Director of Financing will prepare a resolution, and obtain Board approval, authorizing the financing of the Agency's multifamily housing program, the issuance of multifamily bonds, the Agency's multifamily bond indentures, credit facilities for multifamily purposes, and related financial agreements and contracts for services.

Appointment of a Transaction Manager – If it is determined by the Agency's Executive Director, Director of Financing and the Financing Risk Manager that there is a need to issue either multifamily or single family debt ("Transaction") a lead person will be appointed to manage the Transaction ("Transaction Manager" or "TM")

Appointment of Disclosure Counsel - Once it is determined that there is a need to issue either multifamily or single family debt the Director of Financing (after consulting with the Agency's Executive Director) will appoint a Disclosure Counsel.

Preparation of an interested parties distribution list – The TM will prepare an interested parties distribution list (see link Sample Interested Parties List.pdf) identifying all parties to the transaction, their e-mail address and telephone numbers. The list will be sent to the Agency's document posting and distribution provider, currently Elabra. The list must include (but is not limited to) the following individuals or representatives from the following areas ("Working Group") (the Working Group will receive notifications of all postings related to the transaction):

Working Group

- Director of Financing
- Risk Manager
- Transaction Manager
- Financing Associate (or person responsible for document management)
- Back-up Transaction Manager
- Agency's Legal Division
- State of California's Treasurer's Office
- Office of the Attorney General of the State of California
- Agency's Outside Bond Counsel
- Disclosure Counsel
- The Bond Trustee for the Transaction
- Counsel to the Trustee
- Underwriter/Manager for the Transaction
- Underwriter's Counsel
- Rating Agencies

Preparation of a timeline/schedule – The TM will prepare a timeline/schedule identifying when the disclosure documents will be distributed, who will be responsible for the preparation of the documents, when comments are due etc. (see link Sample Transaction Schedule.pdf). The TM will post the timeline/schedule to Elabra.

Disclosure review and information gathering for Official Statement (OS) – In addition to the above mentioned working group, the TM will identify any additional contributors and reviewers of the OS. The TM will contact them as soon as possible to inform them that their assistance is needed in either providing information or reviewing information in the OS and will let them know what they need to provide/review and when the information is needed. The TM will send out a contributor's memorandum (see link Request for Information from Contributors RMRB.pdf for an example of a memorandum). The TM will maintain a check list of all individuals that were requested to contribute or review the information in the OS and follow-up with them if they have not heard from them by the date the information was requested. Upon receipt of the information the TM will review and distribute the information, via Elabra, to the Working Group, when appropriate.

Preparation of the Official Statements – The Disclosure Counsel will prepare the Preliminary Official Statement (POS) and the OS and post these documents to Elabra. All bond related information will be updated by the Disclosure Counsel and reviewed by members of the working group.

Report any significant disclosure issues – The TM will report any significant disclosure issues and concerns to the Disclosure Representative and if the Disclosure Representative believes it is material, will convene a meeting of the Committee. The Committee will address the issue and make a decision as soon as possible. The TM will notify the Working Group of the Committee's decision.

The Servicer – The TM will request that the Master Servicer (if applicable) provide/acknowledge certain statements indicating that i) they serve as the servicer and will service pursuant to the servicing agreement ii) they are an approved servicer of Fannie Mae and Freddie Mac Certificates and iii) they did not participate in the structuring of the program or the offered bonds.

Due Diligence – The TM will work with the Disclosure Counsel to set up a formal due diligence meeting/call prior to the issuance of the POS.

Disclosure check list and working documentation – prior to signing off on the POS the TM will go through their check list to make sure that all the requested information has been updated and all comments have been addressed and that the updates and comments have been posted to Elabra. The check list and all supporting documents will become part of the bond files.

POS – "Substantially Final" Certificate - the Rule requires that prior to making any offers or sales, the underwriters must receive a certificate from the issuer stating that the POS is 'substantially final". Underwriter's Counsel prepares this certificate and submits it to the TM. The TM will have the Director of Financing sign the certificate. Note that obtaining the certificate is the underwriter's responsibility not the Agency's.

Sign off on POS and OS – The timeline will indicate the date in which the POS and the OS will need to be signed off. The appointed Disclosure Counsel will coordinate the POS and OS sign-offs. The TM is the last person to sign off and will not sign off until all comments have been resolved and posted to Elabra. The Director of Financing signs the final POS and the OS authorizing their execution and delivery.

Section 2(D) - The Agency's Financial Statements

As stated in Section 1(B) members of the FS Committee will review the Management Discussion and Analysis and footnotes that accompany the Agency's audited financial statements.

Section 3

Staff Training

Employees with responsibility for collecting or analyzing information that may be material to the preparation of a disclosure document shall attend a disclosure training session annually. The training session shall include education on disclosure obligations under applicable federal and state securities laws and their responsibilities and potential liabilities regarding such obligations. The training sessions may be conducted by videotape.

Annual Review

These disclosure procedures will be reviewed at least annually by the Committee to ensure its consistency with the overall objectives of the Agency's disclosure requirements.

Attachments/Links

1. www.emma.msrb.org
2. How To Reg CUSIPS on EMMA.pdf
3. Instructions for Filing Continuing Disclosure on EMMA.pdf
4. HMRB - Master Continuing Disclosure Agreement.pdf
5. MHRBIII - Amended and Restated Master Continuing Disclosure Agreement.pdf
6. HPB - Master Continuing Disclosure.pdf
7. AMHRB - Master Continuing Disclosure Agreement AMHRB.pdf
8. RMRB(SF) - Master Continuing Disclosure Agreement.pdf
9. RMRB 20092 Series A-6 Master Continuing Disclosure Agreement.pdf
10. Responsible Parties.pdf
11. Sample Transaction Schedule.pdf
12. Sample Interested Parties List.pdf
13. Request for Information from Contributors RMRB.pdf

CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Ocean View Senior Apartments
Pacifica, San Mateo County, CA
CalHFA # 14-024-R/N

SUMMARY

This is a Final Commitment request for acquisition/rehabilitation and permanent financing. Security for the acquisition/rehabilitation and permanent loan will be a 100-unit senior apartment complex known as Ocean View Senior Apartments, located at 555 Crespi Drive, Pacifica, California. Ocean View Housing Associates, LP, a California limited partnership ("Borrower") whose General Partner is Crespi Drive LLC, a California limited liability company, will own the project. BRIDGE Housing Corporation, a California corporation ("BRIDGE HC") is the Developer.

Ocean View Senior Apartments is a 100-unit senior apartment project built in 1973. The property consists of two three-story apartment buildings and a one-story community building located on 1.51 acres. In 2000, the City of Pacifica (the "City") acquired the property and sold it to National Church Residences of Pacifica ("NCR") to prevent the prior owner from transitioning the property to market rate and evicting the elderly tenants. The acquisition was financed by CalHFA with a 501(c)(3) bond first mortgage of $9,425,000 to NCR. In addition, CalHFA provided a HELP loan of $1,450,000 to the City (the "CalHFA/City HELP Loan") and the City made a loan to NCR in the same amount (the "City/NCR HELP Loan"). In addition, the City provided two loans totaling $600,000 and the County of San Mateo provided a HOME/CDBG loan of $700,000. The project required substantial repairs, so in 2007 CalHFA provided a Housing Assistance Trust ("HAT") loan of $300,000 and in 2008 the County provided an additional $500,000 HEART loan to finance some of the repairs.

Existing Financing

<u>First Mortgage</u>

Note Amount	$9,425,000
Interest Rate	5.75%
Loan Term	30 years
Maturity	9/1/2030
Current Prin. Bal	$6,783,215

<u>Second Mortgage</u>

Note Amount	$300,000
Interest Rate	4%
Loan Term	4 years, with two 2-year extensions
Maturity	9/1/15
Current Prin.+Int.	$383,900

Sales Transaction

Initial Purchase Transaction*	
CalHFA First Mortgage	$6,715,395
CalHFA HAT Loan	$387,567
City/NCR HELP Loan	$1,367,925**
CalHFA Yield Maintenance Fee	$625,000***
County HEART Loan	$534,720
County HOME Loan	$1,014,242
Cash to Seller	200,000
Total Sales Price	**$10,844,849**
Second Purchase Transaction	
Sales Price	**$19,000,000**
Less CalHFA First Mortgage*	$6,715,395
Less CalHFA HAT Loan	$387,567
Less City/NCR HELP Loan**	$1,367,925
Less CalHFA Yield Maintenance Fee***	$625,000
Less County HEART Loan	$534,720
Less County HOME Loan	$1,014,242
Equals Seller Carry Back Loan	$8,155,151

The initial purchase and sale agreement between NCR and BRIDGE HC has been assigned to BRIDGE Housing Ventures, Inc., a California nonprofit public benefit corporation ("BHVI"). BHVI intends to purchase the property by assuming the outstanding loan balances from NCR and paying NCR $200,000 cash. The timing for the closing of the initial purchase necessitates the assumption of all of the existing debt by BHVI before the sale to the Borrower, including the CalHFA First Mortgage ("CalHFA First"). The CalHFA First was financed by the sale of 501(c)(3) bonds, which require that the project be owned by a 501(c)(3) corporation that operates the project in furtherance of its charitable purpose.

If this requirement is not satisfied, the corresponding bonds must be retired within ninety (90) days. BHVI has provided CalHFA with organizational documents showing that it is organized and operated exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code. In addition, CalHFA will require an opinion of Borrower's counsel before closing stating that BHVI is a 501(c)(3) corporation with a charitable purpose that qualifies it to operate the project. If BHVI sells the project to the Borrower shortly after its purchase of the project from NCR, the new CalHFA loans will be used to repay the CalHFA First and the corresponding 501(c)(3) bonds will be retired. If, however, BHVI fails to transfer the property to the Borrower after purchasing the project from NCR, CalHFA will require implementation of all necessary representations to further substantiate BHVI's 501(c)(3) status and/or require that CalHFA be paid the funds necessary for CalHFA to retire the 501(c)(3) bonds within ninety (90) days of the date the project was transferred to BHVI.

The second purchase will be pursuant to a purchase and sale agreement between BHVI and the Borrower. The purchase price was established by an appraisal of the current value of the property. This transaction will close concurrently with the closing of the CalHFA new financing, and as soon as possible after the purchase of the property by BHVI.

*All loan balances are calculated to the estimated pay-off date of 6/1/15.
**The HELP loan balance is the amount owed from NCR to the City.
***The Yield maintenance fee amount is discounted from an original amount of $1,442,273.

PROJECT RENTS

Unit Type	Rent	Rent Level	# Units	# of Persons
One Bedroom	$622	CalHFA 50%	10	10
One Bedroom	$1,245	CalHFA 60%	5	5
One Bedroom	$1,245	TCAC 60%	50	50
One Bedroom	$1,038	CalHFA 60%	25	25
One Bedroom	$1,387	County. HA 80%	9	9
Total			100	100

Section 8 Rents

	Rent	#Units
One Bedroom	$1,341	31

The HUD Risk Share program requires age restrictions for seniors of 62 years or older. However existing age restrictions on the property and those related to the current tax credit application are 55 and older. The Borrower will pursue a waiver from HUD of the Risk Share age restriction and to allow the senior definition of 55 years or older. Receipt of this waiver is a requirement of the CalHFA loan closing.

LOAN TERMS

Acquisition/Rehabilitation

First Mortgage	$18,075,000
Interest Rate	3%, fixed
Term	18 Months, interest only
Financing	Tax-Exempt
Credit Enhancement	HUD Risk Share
CalHFA Gap Loan	$1,960,000
Interest Rate	2% simple interest
Term	18 months, interest only
Financing	Earned Surplus

Permanent

First Mortgage	$9,850,000
Interest Rate	4.75% fixed
Term	40 year amortization
Prepayment	Allowable, at par after year 15
Financing	Tax-Exempt
Credit Enhancement	HUD Risk Share
CalHFA Gap Loan	$1,960,000
Interest Rate	2% simple interest
Term	55 years*
Financing	Earned Surplus**

*To assist with the financing of this project, the Agency will make a gap loan utilizing Earned Surplus funds. The gap loan term is for 55 years. However if the first mortgage is repaid prior to the full 40-year maturity date, the gap loan will be due and payable at the same time.
**The statutes governing Earned Surplus funds require at least 51% of the units be restricted to low or moderate income households. However, CalHFA will restrict a greater percentage of the units to low or moderate income by requiring 80% of the project units be restricted at 60% and 10% of the units be restricted at 50% AMI. These restrictions will be documented in a separate Earned Surplus Regulatory Agreement.

As security for the CalHFA loans, the CalHFA acquisition/rehabilitation financing is subject to the assignment by the Borrower of tax credit equity, assignment of the HAP contract, and all rights under non-CalHFA financing commitments and all HUD Risk Share approvals.

OTHER FINANCING

- San Mateo County Loan – The County made a HEART loan to NRC in 2008 that will have an outstanding balance of $534,720 (principal of $500,000 plus deferred interest of $34,270) if assumed on June 1, 2015. The interest rate is 2.0% and the loan matures December 31, 2015. The County has approved a modification of the HEART loan allowing it to be assumed by the Borrower and an extension of the loan term to 59 years at 3% simple interest. The County's current affordability restrictions require 39 units to be restricted to 60% AMI and 10 units to 30% AMI. These affordability restrictions will be extended for a term of 15 years. Repayment of this loan will be via a pro-rata share of residual receipts.

- San Mateo County Loan – The County made a HOME/CDBG loan to NRC in 2000 that will have an outstanding balance of $1,014,242 (principal of $700,000 plus deferred interest of $314,242) if assumed on June 1, 2015. The interest rate is 3% and the loan matures August 2035. The County has approved a modification of the HOME/CDBG loan allowing it to be assumed by the Borrower and an extension of the loan term to 55 years at 3% simple interest. The HOME/CDBG affordability restrictions for this loan expire in 2015 and will not be renewed as a part of this transaction. Repayment of this loan will be via a pro-rata share of residual receipts.

- The Redevelopment Agency of the City of Pacifica ("**RDA**") provided two loans to NRC in 2000 in the amount of $250,000 and $350,000 to finance the acquisition of the property. In 2014, all of the RDA's housing assets were transferred to the Housing

Authority of the County of San Mateo ("Housing Authority"), as the RDA's successor agency. The Housing Authority has passed a resolution agreeing to forgive these loans and terminate the existing Affordable Housing Covenant ("**Covenant**") and Disposition and Development Agreement ("**DDA**"). The Housing Authority is expected to agree to the release of the Covenant and DDA in March 2015. As a condition of terminating the Covenant and DDA, the Housing Authority will require that a new covenant be recorded that restricts a total of 99 units at 80% AMI for a term 55 years. There are currently 9 tenants that are over-income. As existing tenants leave, the restrictions will apply to new tenants. Prior to closing the new CalHFA financing transaction, the deeds of trust securing the RDA loans must be reconveyed and the Covenant and DDA must be terminated and removed from title. In addition, CalHFA will require a legal opinion from counsel for the Housing Authority stating that removal of the Covenant does not violate any laws.

- As a part of the acquisition financing in 2000, the City provided the City/NCR HELP Loan to NCR. The source of this loan was the CalHFA/City HELP Loan from CalHFA to the City. The CalHFA/City Loan has matured. Prior to closing the new CalHFA financing closing, the HELP loan will be extended to the date the City/NCR HELP Loan is repaid or July 31, 2015, whichever occurs first. Both the City/NCR HELP Loan, and the CalHFA/City HELP must be paid off when the new CalHFA financing closes.

Financing/Subsidy Summary

Source	Total Subsidy	Subsidy/Unit
CalHFA Gap Loan	$1,960,000	$19,600
San Mateo County HEART Loan	$534,720	$5,347
San Mateo County HOME	$1,014,242	$10,142
City of Pacifica RDA	$600,000	$6,000
Total Subsidy Provided	$4,108,962	$41,089

HOUSING ASSISTANCE PAYMENT ("HAP") CONTRACT

The project has received approval for 31 Project-Based vouchers for a term of 15 years. An Agreement to Enter into Housing Assistance Payment contract ("AHAP) will be executed at loan closing and a Housing Assistance Payment contract ("HAP") will be executed upon completion of rehabilitation.

PROJECT DESCRIPTION

Project Location

- The project is located in the City of Pacifica on Crespi Drive in San Mateo County in a neighborhood that is a mix of multifamily and single family residences.
- The project is approximately 1 block from Highway 1 to the West, which provides access to San Francisco (15 miles away), San Bruno (7 miles away) and other Bay Area cities.
- Access to public transportation is excellent with a bus stop located within easy walking distance at the intersection of Crespi Drive and Highway 1.
- The project is 1 block from Pacifica State Beach.

- The Pacifica Community Center and the Post Office are located across the street.
- Three hospitals are located less than 5 miles from the project.
- A retail center is adjacent to the site and a major grocery store is .4 miles away.
- Major employment centers in San Mateo County include information technology, biotechnology and healthcare, all located within 5-10 miles from the project.

Site

- The 1.51 acre site is irregular in shape with sloping topography.
- The site is not in a flood zone.
- According to a seismic study by Partner Engineering and Science, Inc., dated October 17, 2014, the property is not within a documented Alquist-Priolo special studies earthquake zone.
- The site is zoned R-3, Multiple Family Residential and the project is in compliance with the permitted use.

Improvements

- This 100-unit, garden style project was built in 1973 and consists of two (2) three-story residential buildings, and a single-story community room. The buildings are wood frame with wood siding exterior, concrete slab foundations, and flat roofs.
- Access to the upper levels is from two elevators and a wood-framed bridge connects the residential buildings at the third floor.
- The north building is sited atop an at-grade parking structure with 46 covered parking spaces.
- The unit mix consists of 100 one-bedroom units, each 565 square feet.
- Each unit has a gas-fired wall-mounted heater, a gas oven/cooktop and vented hood, a refrigerator, cabinets and carpeting/vinyl flooring.
- The community building contains offices, mailboxes, meeting areas, a kitchen, television, restrooms and a laundry room with 4 washers and 4 dryers.
- Domestic hot water is distributed via a gas-fired boiler system with a 100-gallon tank.

PHYSICAL NEEDS ASSESSMENT/SCOPE OF WORK

- The project is in average condition for a development of its age. NCR has replaced the roofs, some windows, some siding ,and has painted the exterior. However, the amount of rehab required to extend the life of the project is still extensive.
- The proposed scope of rehabilitation increases energy efficiency through installation of Energy Star refrigerators, energy-efficient lighting, dual-pane Low E windows and a solar water heating system.
- The proposed scope of rehabilitation work is currently estimated to be $6,795,089 or $67,950 per unit (excluding overhead, profit, general conditions and insurance). Major elements include:
  - **Site work ($403,405)** – re-grading, landscaping, exterior stair and pedestrian bridge repairs, railing replacement, sidewalk repair/replacement and project signage.
  - **Exterior ($2,721,306) –**installation of low E windows, exterior waterproofing/ flashing, painting, installation of new siding and replacement retaining walls.

- o **Interiors ($2,490,743)** –appliances (ranges, range hoods, garbage disposals and refrigerators), kitchen cabinets and countertops, painting, new flooring, lighting, bath vanities and countertops. Common area-painting, lighting flooring and common bathroom upgrades.
- o **Plumbing/Mechanical/Electrical - ($277,300**) – common area heating system, elevator replacement (2), fire caulking and garage painting.
- o **Decay Allowance/Bidding Contingency ($902,333**) – budgeted for potential unknown damage due to moisture degradation and for a bidding contingency.

Work is expected to begin in early June 2015 and be completed within 12 months.

Relocation

- Renovations are expected to be completed in multiple phases of five units at a time. Each phase is scheduled to last five days, which requires tenants to be temporarily relocated off-site.
- There will be no permanent relocation required.
- A $550,000 reserve has been established to pay the cost of moving assistance, temporary housing, storage and miscellaneous costs related to the relocation effort.
- A per-diem allowance will be provided to each household to pay for meals.
- A relocation coordinator will assist the tenants with the temporary moving process, filing claims for reimbursement and answering questions.
- All tenants have been provided appropriate notice regarding relocation assistance, benefits and procedures.

MARKET

Market Overview

The Primary Market Area ("PMA") for the property is defined by the boundaries of the cities of Pacifica and San Bruno. The Secondary Market Area ("SMA") comes from the greater San Mateo County area.

In 2014, the total population in the PMA was projected to be 82,000 and within the SMA the total population was 753,988. The number of households in the PMA in 2014 was 30,148. Of the total population within the PMA, 35% are renters and 29% are 55 years of age and above.
.
In 2013, the unemployment in the PMA was 6.2% and 5.4% in the SMA, compared to average unemployment rate in California of 8.9% for the same period. The largest employment sectors by industry within the SMA are information technology, biotechnology and healthcare.

Housing Supply and Demand

- Occupancy rates for market rate and affordable apartments in the PMA averaged 98%.
- Affordable senior housing projects are 98% to 100% occupied, with long waiting lists.
- Average market rents for one-bedroom unit in the PMA is $1,913.
- Rent growth in the PMA is estimated to grow 5.6% over the next five years.
- There are currently no new affordable senior housing projects planned within the PMA, and there is enough demand in the PMA to support two new senior housing projects.

- The market study estimated that the subject project, if all units were vacant, would take one month to reach stabilized occupancy at 95%.

PROJECT FEASIBILITY

Estimated Lease-up Period

- The project is currently 98% leased and is anticipated to remain at this level.

ENVIRONMENTAL

A Phase 1 Environmental Assessment dated November 5, 2014 found that there are some elements of the building with detectable levels of asbestos-containing materials ("ACM"). These areas are the bottom layer of resilient flooring in some units, wall texturing, drywall joint compound and acoustical ceilings throughout the property. The scope of work does not include disturbance of any of the affected areas and therefore no remediation is required. On-going maintenance will be governed by an Operating and Maintenance program.

CalHFA's NEPA review consultant, AEM Consulting, is in the process of completing their compliance review of the Environmental Review Record (**"ERR"**). CalHFA's loan commitment is subject to approval of the Ocean View Senior's ERR and must comply with HUD Risk Share requirements.

SEISMIC REVIEW

A seismic report was conducted on October 17, 2014 by Partner Engineering and Science, Inc. The Probable Maximum Loss ("PML") for Ocean View Senior Apartments is 19%. The damage ratio meets CalHFA's seismic risk criteria of a PML ratio of 20% or less, thus earthquake insurance is not required.

DEVELOPMENT TEAM

Borrower

<u>Oceanview Housing Associates, L.P., a California limited partnership</u>

- The managing general partner is Crespi Drive LLC, a California limited liability company, and BRIDGE Regional Partners, Inc., a California nonprofit public benefit corporation is the initial limited partner.
- The initial limited partner will be replaced with a tax credit investor limited partner, who has yet to be selected.

Management Agent

BRIDGE Property Management Company

- BRIDGE Property Management, a California corporation ("BPMC") will manage the property. BPMC provides high-quality, full-service management, development and consulting services for non-profit and private sector clients throughout California.
- Over the last 25 years, BPMC has overseen the management of more than $4 billion in investment property
- BPMC has expertise managing a variety of investment properties, both for BRIDGE Housing Corp. and for large and small investors.
- Properties currently under management by BPMC include multifamily, single-family, office, warehouse and light industrial properties.
- BPMC has expertise managing a variety of affordable housing projects, including tax credit, Section 8 and HUD properties, several of which currently reside in CalHFA's portfolio.

Architect

Marx/Okubo Associates

- Marx Okubo Associates, Ltd., a Colorado corporation (a/k/a Marx/Okubo Associates) ("MOA") was formed in 1983 and is located in San Francisco. The company also has offices in Colorado, Georgia, Washington, Connecticut and Texas.
- MOA is a consulting firm that specializes in multifamily residential projects, providing a range of services including architectural, development, engineering, construction, project management, sustainability and environmental services.
- MOA has a broad experience in rehabilitation of a variety of housing types, including several projects for BRIDGE Housing Corp.
- The Borrower has engaged MOA to assist them in project design, renovation, and construction management during the rehabilitation process.

Contractor

Saarman Construction Ltd.

- Saarman Construction Ltd., a California corporation ("SCL") located in San Francisco was incorporated in 1982 and serves the Greater Bay Area.
- SCL specializes in comprehensive rehabilitation of residential projects of all types, including historic structures.
- Projects range from stucco repair contracts of $200,000 up to a complete rehab contract of $16,400,000.
- SCL's completed project list includes projects developed by the Irving Company, Mercy Housing, and BRIDGE Housing, to name a few.
- SCL's list of completed projects includes over 40 with contracts valued at over $142,000,000 dollars.

PROJECT SUMMARY — **Board Approval**

Acquisition, Rehab, Construction & Permanent Loans — **Project Number 14-024-R/N**

Project Full Name	Ocean View Senior Apartments	**Borrower Name:**	Oceanview Housing Associates, L.P.
Project Address	555 Crespi Drive	**Managing GP:**	Crespi Drive, LLC
Project City	Pacifica	**Developer Name:**	BRIDGE Housing Corp.
Project County	San Mateo	**Investor Name:**	TBD
Project Zip Code	94044	**Prop Management:**	BRIDGE Property Management Company

Project Type:	Acquisition /Rehab	**Total Land Area (acres):**	1.51
Tenancy/Occupancy:	Senior	**Residential Square Footage:**	56,500
Total Residential Units:	100	**Residential Units Per Acre:**	66.23
Total Number of Buildings:	3		
Number of Stories:	3	**Covered Parking Spaces:**	46
Unit Style:	Flat	**Total Parking Spaces:**	46
Elevators:	2		

Acq/Construction/Rehab Financing	**Loan Amount ($)**	**Loan Fees**	**Loan Term (Mo.)**	**Amort. Period (Yr.)**	**Starting Interest Rate**
CalHFA Loan	18,075,000	1.000%	18	--	3.000%
CalHFA Gap Loan	1,960,000	--	18	--	2.000%
San Mateo County HOME/CDBG Loan	1,014,242	--	18	--	3.000%
San Mateo County HEART Loan	534,720	--	18	--	3.000%
Seller Carry Back Loan	8,155,152	--	18	--	2.400%
Investor Equity Contribution	2,689,400	**NA**	**NA**	**NA**	**NA**
Construct/Rehab Oper. Inc.	957,989	**NA**	**NA**	**NA**	**NA**

Permanent Financing	**Loan Amount ($)**	**Loan Fees**	**Loan Term (Yr.)**	**Amort. Period (Yr.)**	**Starting Interest Rate**
CalHFA Loan	9,850,000	--	40	40	4.750%
CalHFA Gap Loan	1,960,000	--	55	--	2.000%
San Mateo County HOME/CDBG Loan	1,014,242	--	55	--	3.000%
San Mateo County HEART Loan	534,720	--	59	--	3.000%
Seller Carry Back Loan	8,155,152	--	57	--	2.400%
	-	--	55	--	2.000%
	-	--	57	--	2.400%
--	--	--	--	--	--
Construct/Rehab-Period Income	952,956	**NA**	**NA**	**NA**	**NA**
Deferred Developer Fees	800,000	**NA**	**NA**	**NA**	**NA**
Developer Equity Contribution	100	**NA**	**NA**	**NA**	**NA**
Investor Equity Contributions	11,915,830	**NA**	**NA**	**NA**	**NA**

Appraised Values Upon Completion of Rehab/Construction

Appraisal Date:	2/9/15	**Capitalization Rate:**	5.00%
Investment Value ($)	31,970,000	**Restricted Value ($)**	16,830,000
Construct/Rehab LTC	54%	**Permanent Loan to Cost**	29%
Construct/Rehab LTV	57%	**Permanent Loan to Value**	59%

Additional Loan Terms, Conditions & Comments

Construction/Rehab Loan

Payment/Performance Bond	Required
Completion Guarantee Letter of Credit	Waived

Permanent Loan

Operating Expense Reserve Deposit	$140,025	NA
Initial Replacement Reserve Deposit	$100,000	Cash
Annual Replacement Reserve Per Unit	$375	Cash

Date Prepared: 2/27/15 — Senior Staff Date: 2/26/15

UNIT MIX AND RENT SUMMARY **Board Approval**

Ocean View Senior Apartments **Project Number 14-024-R/N**

PROJECT UNIT MIX					
Unit Type of Style	Number of Bedrooms	Number of Baths	Average Size (Sq. Ft.)	Number of Units	Est. No. of Tenants
Flat	1	1	565	100	100
-	-	-	-	-	0
-	-	-	-	-	0
-	-	-	-	-	0
-	-	-	-	-	0
-	-	-	-	-	0
				100	100

NUMBER OF UNITS AND PERCENTAGE OF AMI RENTS RESTRICTED BY EACH AGENCY							
Agency	Number of Units Restricted For Each AMI Category						
	30%	45%	50%	60%	80%	120%	Non-Restricted
CalHFA First Mortgage			10	40			
CalHFA Gap Loan			10	80			
Tax Credits			10	80			
San Mateo Cty. HA					99		
County-HEART	10			39			
-							

COMPARISON OF AVERAGE MONTHLY RESTRICTED RENTS TO AVERAGE MARKET RENTS							
Unit Type	Restricting Agency	% of Area Median Income	Average Restricted Rents: Number of Units	Average Restricted Rents: Unit Rent	Average Market Rents	Average Monthly Savings	% of Market Rents
1 Bedroom	**CalHFA**	**50%**	10	$622	$1,825	$1,203	34%
	CalHFA	**60%**	25	$1,038		$787	57%
	CalHFA	**60%**	5	$1,245		$580	68%
	TCAC	**60%**	50	$1,245		$580	68%
	TCAC	**60%**	-	-		-	-
	County HA	**80%**	9	$1,387		$438	76%
	N/A	**-**	-	-		-	-
2 Bedrooms	**CalHFA**	**50%**	-	-	-	-	-
	CalHFA	**60%**	-	-		-	-
	CalHFA	**60%**	-	-		-	-
	TCAC	**60%**	-	-		-	-
	TCAC	**60%**	-	-		-	-
	TCAC	**80%**	-	-		-	-
	NA	**-**	-	-		-	-
3 Bedrooms	**CalHFA**	**50%**	-	-	-	-	-
	CalHFA	**60%**	-	-		-	-
	CalHFA	**60%**	-	-		-	-
	TCAC	**60%**	-	-		-	-
	TCAC	**60%**	-	-		-	-
	TCAC	**120%**	-	-		-	-
	NA	**80%**	-	-		-	-
4 Bedrooms	**CalHFA**	**50%**	-	-	-	-	-
	CalHFA	**60%**	-	-		-	-
	CalHFA	**60%**	-	-		-	-
	TCAC	**60%**	-	-		-	-
	TCAC	**60%**	-	-		-	-
	TCAC	**120%**	-	-		-	-
	NA	**80%**	-	-		-	-
5 Bedrooms	**CalHFA**	**50%**	-	-	-	-	-
	CalHFA	**60%**	-	-		-	-
	CalHFA	**60%**	-	-		-	-
	TCAC	**60%**	-	-		-	-
	TCAC	**60%**	-	-		-	-
	TCAC	**120%**	-	-		-	-
	NA	**80%**	-	-		-	-
Date Prepared:	2/27/15					Senior Staff Date:	2/26/15

SOURCES & USES OF FUNDS SUMMARY — Board Approval

Ocean View Senior Apartments — **Project Number** **14-024-R/N**

SOURCES OF FUNDS	CONST/REHAB $	PERMANENT $	TOTAL PROJECT FUNDS SOURCES ($)	PER UNIT ($)	%
CalHFA Loan	18,075,000				0.0%
CalHFA Section 8 Loan	-				0.0%
San Mateo County HEART Loan	534,720				0.0%
San Mateo County HOME/CDBG Loan	1,014,242				0.0%
CalHFA Gap Loan	1,960,000				0.0%
Other Non-CalHFA Sources of Funds	8,155,152				0.0%
Construct/Rehab Oper. Inc.	957,989				0.0%
Deferred Developer Fee	-				0.0%
Developer Equity Contribution	100				0.0%
Investor Equity Contribution	2,689,400				0.0%
CalHFA Loan		9,850,000	9,850,000	98,500	27.7%
CalHFA Bridge Loan		-	-	-	0.0%
CalHFA Section 8 Loan		-	-	-	0.0%
San Mateo County HEART Loan		534,720	534,720	5,347	1.5%
San Mateo County HOME/CDBG Loan		1,014,242	1,014,242	10,142	2.8%
CalHFA Gap Loan		1,960,000	1,960,000	19,600	5.5%
Other Non-CalHFA Sources of Funds		8,562,605	8,562,605	85,626	24.1%
Construct/Rehab-Period Income		952,956	952,956	9,530	2.7%
Deferred Developer Fees		800,000	800,000	8,000	2.2%
Developer Equity Contribution		100	100	1	0.0%
Investor Equity Contributions		11,915,830	11,915,830	119,158	33.5%
TOTAL SOURCES OF FUNDS	**33,386,603**	**35,590,453**	**35,590,453**	**355,905**	**100.0%**

USES OF FUNDS	CONST/REHAB $	PERMANENT $	TOTAL PROJECT COSTS USES ($)	PER UNIT ($)	%
Payoff Acquisition/Rehab Financing		33,386,603			
Acquisition Costs	**19,098,150**	**-**	**19,098,150**	190,982	53.7%
Construction/Rehab Hard Costs	**8,182,735**	**-**	**8,182,735**	81,827	23.0%
Relocation Costs	**600,000**	**-**	**600,000**	6,000	1.7%
Architectural Costs	**387,700**	**-**	**387,700**	3,877	1.1%
Surveys & Engineering Costs	25,000	-	25,000	250	0.1%
Contingency Reserves	2,208,807	-	2,208,807	22,088	6.2%
Loan Period Loan & Other Costs	**1,237,829**	**407,453**	**1,645,282**	16,453	4.6%
Permanent Loan Costs	**5,000**	**5,000**	**10,000**	100	0.0%
Legal Fees	**95,000**	**20,000**	**115,000**	1,150	0.3%
Operating Reserves	**-**	**410,744**	**410,744**	4,107	1.2%
Reports & Studies	**134,000**	**-**	**134,000**	1,340	0.4%
Other Construction/Rehab Costs	**273,035**	**-**	**273,035**	2,730	0.8%
Developer Fees & Costs	**1,139,347**	**1,360,653**	**2,500,000**	25,000	7.0%
TOTAL PROJECT COSTS	**33,386,603**	**35,590,453**	**35,590,453**	**355,905**	**100.0%**

PROJECTED INITIAL ANNUAL RENTAL OPERATING BUDGET			Board Approval
Ocean View Senior Apartments	**Project Number**		**14-024-R/N**
INCOME	**AMOUNT**	**PER UNIT**	**%**
Rental Income			
Restricted Unit Rents	$ 1,357,536	$ 13,575	102.05%
Restricted Unit Rents-Section 8 Units	-	-	0.00%
Commercial Rents	-	-	0.00%
Rental & Operating Subsidies			
Section 8 Rent Subsidies	35,712	357	2.68%
Shelter Care Plus Rent Subsidies	-	-	0.00%
Other Subsidy (Specify)	-	-	0.00%
Other Subsidy (Specify)	-	-	0.00%
Other Income			
Laundry and Vending Income	7,000	70	0.53%
Garage and Parking Income	-	-	0.00%
Miscellaneous Income	-	-	0.00%
GROSS POTENTIAL INCOME (GPI)	**$ 1,400,248**	**$ 14,002**	**105.26%**
Less: Vacancy Loss	**$ 70,013**	**$ 700**	**5.26%**
EFFECTIVE GROSS INCOME (EGI)	**$ 1,330,235**	**$ 14,703**	**100.00%**
OPERATING EXPENSES	**AMOUNT**	**PER UNIT**	**%**
Administrative Expenses	$ 149,292	$ 1,493	$ 0
Management Fee	94,369	944	7.09%
Social Programs & Services	-	-	0.00%
Utilities	150,177	1,502	11.29%
Operating & Maintenance	154,403	1,544	11.61%
Ground Lease Payments	-	-	0.00%
Real Estate Taxes	9,500	95	0.71%
Other Taxes & Insurance	104,541	1,045	7.86%
Assisted Living/Board & Care	-	-	0.00%
SUBTOTAL OPERATING EXPENSES	**$ 662,282**	**$ 6,623**	**49.79%**
Operating Reserves	$ 37,500	$ 375	2.82%
TOTAL OPERATING EXPENSES	**$ 699,782**	**$ 6,998**	**52.61%**
NET OPERATING INCOME (NOI)	**$ 630,453**	**$ 6,305**	**47.39%**
DEBT SERVICE PAYMENTS	**AMOUNT**	**PER UNIT**	**%**
CalHFA Loan	$ 550,526	$ 5,505	41.39%
CalHFA Section 8 Loan	-	-	0.00%
San Mateo County HEART Loan	-	-	0.00%
San Mateo County HOME/CDBG Loan	-	-	0.00%
CalHFA Gap Loan	-	-	0.00%
Seller Carry Back Loan	-	-	0.00%
-	-	-	0.00%
TOTAL DEBT SERVICE PAYMENTS	**$ 550,526**	**$ 5,505**	**41.39%**
EXCESS CASH FLOWS AFTER DEBT SERVICE	**$ 79,927**	**$ 799**	**6.01%**
DEBT SERVICE COVERAGE RATIO (DSCR)	**1.15 to 1**		
Date: 2/27/15		Senior Staff Date:	02/26/15

	A	B	C	D	E	F	G	H	I	J	K
1	**PROJECTED PERMANENT LOAN CASH FLOWS**										**Ocean View Se**
2	**Board Approval**	**1,357,536**	2016	2017	2018	2019	2020	2021	2022		**Project Number**
3		**YEAR**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
4	**RENTAL INCOME**	**CPI**									
5	Restricted Unit Rents	2.50%	535,836	549,232	562,963	577,037	591,463	606,249	621,405	636,941	652,864
6	Restricted Unit Rents-Section 8	2.00%	821,700	838,134	854,897	871,995	889,435	907,223	925,368	943,875	962,753
7	Commercial Rents	0.00%	-	-	-	-	-	-	-	-	-
8	Section 8 Rent Subsidies	2.00%	35,712	36,426	37,155	37,898	38,656	39,429	40,218	41,022	41,842
9	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-
10	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-
11	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-
12	Laundry and Vending Income	2.50%	7,000	7,175	7,354	7,538	7,727	7,920	8,118	8,321	8,529
13	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-
14	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-
15	**GROSS POTENTIAL INCOME (GPI)**		**1,400,248**	**1,430,967**	**1,462,369**	**1,494,468**	**1,527,280**	**1,560,821**	**1,595,109**	**1,630,158**	**1,665,988**
16	**VACANCY ASSUMPTIONS**	**Vacancy**									
17	Restricted Unit Rents	5.00%	26,792	27,462	28,148	28,852	29,573	30,312	31,070	31,847	32,643
18	Restricted Unit Rents-Section 8	5.00%	41,085	41,907	42,745	43,600	44,472	45,361	46,268	47,194	48,138
19	Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-
20	Section 8 Rent Subsidies	5.00%	1,786	1,821	1,858	1,895	1,933	1,971	2,011	2,051	2,092
21	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-
22	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-
23	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-
24	Laundry and Vending Income	5.00%	350	359	368	377	386	396	406	416	426
25	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-
26	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-
27	**TOTAL PROJECTED VACANCY LOSS**		**70,012**	**71,548**	**73,118**	**74,723**	**76,364**	**78,041**	**79,755**	**81,508**	**83,299**
28	**EFFECTIVE GROSS INCOME (EGI)**		**1,330,236**	**1,359,419**	**1,389,250**	**1,419,744**	**1,450,916**	**1,482,780**	**1,515,353**	**1,548,650**	**1,582,688**
29	**OPERATING EXPENSES**	**CPI / Fee**									
30	Administrative Expenses	3.50%	149,292	154,517	159,925	165,523	171,316	177,312	183,518	189,941	196,589
31	Management Fee	7.09%	94,369	96,439	98,556	100,719	102,930	105,191	107,502	109,864	112,278
32	Utilities	3.50%	150,177	155,433	160,873	166,504	172,332	178,363	184,606	191,067	197,754
33	Operating & Maintenance	3.50%	154,403	159,807	165,400	171,189	177,181	183,382	189,801	196,444	203,319
34	-	3.50%	0	0	0	0	0	0	0	0	0
35	Real Estate Taxes	1.25%	9,500	9,833	10,177	10,533	10,901	11,283	11,678	12,087	12,510
36	Other Taxes & Insurance	3.50%	104,541	108,200	111,987	115,907	119,963	124,162	128,508	133,005	137,661
37	Assisted Living/Board & Care	0.00%	-	-	-	-	-	-	-	-	-
38	Required Reserve Payments	5.00%	37,500	37,500	37,500	37,500	37,500	39,375	39,375	39,375	39,375
39	**TOTAL OPERATING EXPENSES**		**699,782**	**721,729**	**744,418**	**767,874**	**792,124**	**819,069**	**844,987**	**871,783**	**899,487**
40	**NET OPERATING INCOME (NOI)**		**630,453**	**637,689**	**644,832**	**651,870**	**658,792**	**663,712**	**670,366**	**676,868**	**683,202**
41	**DEBT SERVICE PAYMENTS**	**Lien #**									
42	CalHFA Loan	1	550,526	550,526	550,526	550,526	550,526	550,526	550,526	550,526	550,526
43	CalHFA Section 8 Loan	-	-	-	-	-	-	-	-	-	-
44	San Mateo County HEART Loan	4	-	-	-	-	-	-	-	-	-
45	San Mateo County HOME/CDBG Lo	3	-	-	-	-	-	-	-	-	-
46	CalHFA Gap Loan	2	-	-	-	-	-	-	-	-	-
47	Seller Carry Back Loan	5	-	-	-	-	-	-	-	-	-
48	-	-	-	-	-	-	-	-	-	-	-
49	-	-	-	-	-	-	-	-	-	-	-
50	**TOTAL DEBT SERVICE PAYMENTS**		**550,526**	**550,526**	**550,526**	**550,526**	**550,526**	**550,526**	**550,526**	**550,526**	**550,526**
51	**CASH FLOW AFTER DEBT SERVICE**		**79,928**	**87,164**	**94,306**	**101,344**	**108,266**	**113,186**	**119,840**	**126,342**	**132,676**
52	**DEBT SERVICE COVERAGE RATIO**		**1.15**	**1.16**	**1.17**	**1.18**	**1.20**	**1.21**	**1.22**	**1.23**	**1.24**
53	Date Prepared:	02/27/15									Senior Staff Date:

	A	B	L	M	N	O	P	Q	R	S	T
1	**PROJECTED PERMANENT LOAN CASH FL0WS**		**nior Apartments**								
2	**Board Approval**	**1,357,536**	**14-024-R/N**								
3		**YEAR**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**
4	**RENTAL INCOME**	**CPI**									
5	Restricted Unit Rents	2.50%	669,186	685,915	703,063	720,640	738,656	757,122	776,050	795,452	815,338
6	Restricted Unit Rents-Section 8	2.00%	982,008	1,001,648	1,021,681	1,042,114	1,062,957	1,084,216	1,105,900	1,128,018	1,150,578
7	Commercial Rents	0.00%	-	-	-	-	-	-	-	-	-
8	Section 8 Rent Subsidies	2.00%	42,679	43,533	44,403	45,291	46,197	47,121	48,064	49,025	50,005
9	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-
10	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-
11	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-
12	Laundry and Vending Income	2.50%	8,742	8,961	9,185	9,414	9,650	9,891	10,138	10,392	10,651
13	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-
14	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-
15	**GROSS POTENTIAL INCOME (GPI)**		**1,702,615**	**1,740,056**	**1,778,332**	**1,817,460**	**1,857,459**	**1,898,350**	**1,940,152**	**1,982,886**	**2,026,573**
16	**VACANCY ASSUMPTIONS**	**Vacancy**									
17	Restricted Unit Rents	5.00%	33,459	34,296	35,153	36,032	36,933	37,856	38,803	39,773	40,767
18	Restricted Unit Rents-Section 8	5.00%	49,100	50,082	51,084	52,106	53,148	54,211	55,295	56,401	57,529
19	Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-
20	Section 8 Rent Subsidies	5.00%	2,134	2,177	2,220	2,265	2,310	2,356	2,403	2,451	2,500
21	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-
22	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-
23	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-
24	Laundry and Vending Income	5.00%	437	448	459	471	482	495	507	520	533
25	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-
26	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-
27	**TOTAL PROJECTED VACANCY LOSS**		**85,131**	**87,003**	**88,917**	**90,873**	**92,873**	**94,918**	**97,008**	**99,144**	**101,329**
28	**EFFECTIVE GROSS INCOME (EGI)**		**1,617,484**	**1,653,054**	**1,689,415**	**1,726,587**	**1,764,586**	**1,803,433**	**1,843,145**	**1,883,742**	**1,925,244**
29	**OPERATING EXPENSES**	**CPI / Fee**									
30	Administrative Expenses	3.50%	203,470	210,591	217,962	225,591	233,486	241,658	250,116	258,870	267,931
31	Management Fee	7.09%	114,747	117,270	119,850	122,487	125,183	127,938	130,756	133,636	136,580
32	Utilities	3.50%	204,676	211,840	219,254	226,928	234,870	243,091	251,599	260,405	269,519
33	Operating & Maintenance	3.50%	210,435	217,801	225,424	233,314	241,480	249,931	258,679	267,733	277,103
34	-	3.50%	0	0	0	0	0	0	0	0	0
35	Real Estate Taxes	1.25%	12,948	13,401	13,870	14,355	14,858	15,378	15,916	16,473	17,049
36	Other Taxes & Insurance	3.50%	142,479	147,465	152,627	157,969	163,498	169,220	175,143	181,273	187,617
37	Assisted Living/Board & Care	0.00%	-	-	-	-	-	-	-	-	-
38	Required Reserve Payments	5.00%	39,375	*41,344*	41,344	41,344	41,344	41,344	*43,411*	43,411	43,411
39	**TOTAL OPERATING EXPENSES**		**928,129**	**959,712**	**990,330**	**1,021,986**	**1,054,718**	**1,088,560**	**1,125,619**	**1,161,800**	**1,199,211**
40	**NET OPERATING INCOME (NOI)**		**689,355**	**693,342**	**699,086**	**704,600**	**709,869**	**714,872**	**717,525**	**721,942**	**726,034**
41	**DEBT SERVICE PAYMENTS**	**Lien #**									
42	CalHFA Loan	1	550,526	550,526	550,526	550,526	550,526	550,526	550,526	550,526	550,526
43	CalHFA Section 8 Loan	-	-	-	-	-	-	-	-	-	-
44	San Mateo County HEART Loan	4	-	-	-	-	-	-	-	-	-
45	San Mateo County HOME/CDBG Lo	3	-	-	-	-	-	-	-	-	-
46	CalHFA Gap Loan	2	-	-	-	-	-	-	-	-	-
47	Seller Carry Back Loan	5	-	-	-	-	-	-	-	-	-
48	-	-	-	-	-	-	-	-	-	-	-
49	-	-	-	-	-	-	-	-	-	-	-
50	**TOTAL DEBT SERVICE PAYMENTS**		**550,526**	**550,526**	**550,526**	**550,526**	**550,526**	**550,526**	**550,526**	**550,526**	**550,526**
51	**CASH FLOW AFTER DEBT SERVICE**		**138,829**	**142,816**	**148,560**	**154,075**	**159,343**	**164,347**	**166,999**	**171,416**	**175,508**
52	**DEBT SERVICE COVERAGE RATIO**		**1.25**	**1.26**	**1.27**	**1.28**	**1.29**	**1.30**	**1.30**	**1.31**	**1.32**
53	Date Prepared:	02/27/15	2/26/15								

	A	B	U	V	W	X	Y	Z	AA	AB	AC
1	**PROJECTED PERMANENT LOAN CASH FLOWS**		**Ocean View Senior Apartments**								
2	**Board Approval**	**1,357,536**	**Project Number**	**14-024-R/N**							
3		**YEAR**	**19**	**20**	**21**	**22**	**23**	**24**	**25**	**26**	**27**
4	**RENTAL INCOME**	**CPI**									
5	Restricted Unit Rents	2.50%	835,721	856,614	878,030	899,980	922,480	945,542	969,180	993,410	1,018,245
6	Restricted Unit Rents-Section 8	2.00%	1,173,590	1,197,062	1,221,003	1,245,423	1,270,331	1,295,738	1,321,653	1,348,086	1,375,048
7	Commercial Rents	0.00%	-	-	-	-	-	-	-	-	-
8	Section 8 Rent Subsidies	2.00%	51,006	52,026	53,066	54,128	55,210	56,314	57,441	58,589	59,761
9	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-
10	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-
11	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-
12	Laundry and Vending Income	2.50%	10,918	11,191	11,470	11,757	12,051	12,352	12,661	12,978	13,302
13	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-
14	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-
15	**GROSS POTENTIAL INCOME (GPI)**		**2,071,234**	**2,116,892**	**2,163,569**	**2,211,288**	**2,260,073**	**2,309,947**	**2,360,935**	**2,413,063**	**2,466,356**
16	**VACANCY ASSUMPTIONS**	**Vacancy**									
17	Restricted Unit Rents	5.00%	41,786	42,831	43,901	44,999	46,124	47,277	48,459	49,670	50,912
18	Restricted Unit Rents-Section 8	5.00%	58,679	59,853	61,050	62,271	63,517	64,787	66,083	67,404	68,752
19	Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-
20	Section 8 Rent Subsidies	5.00%	2,550	2,601	2,653	2,706	2,761	2,816	2,872	2,929	2,988
21	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-
22	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-
23	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-
24	Laundry and Vending Income	5.00%	546	560	574	588	603	618	633	649	665
25	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-
26	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-
27	**TOTAL PROJECTED VACANCY LOSS**		**103,562**	**105,845**	**108,178**	**110,564**	**113,004**	**115,497**	**118,047**	**120,653**	**123,318**
28	**EFFECTIVE GROSS INCOME (EGI)**		**1,967,673**	**2,011,048**	**2,055,391**	**2,100,724**	**2,147,069**	**2,194,449**	**2,242,888**	**2,292,410**	**2,343,038**
29	**OPERATING EXPENSES**	**CPI / Fee**									
30	Administrative Expenses	3.50%	277,308	287,014	297,060	307,457	318,218	329,355	340,883	352,814	365,162
31	Management Fee	7.09%	139,590	142,667	145,813	149,029	152,317	155,678	159,114	162,627	166,219
32	Utilities	3.50%	278,952	288,716	298,821	309,279	320,104	331,308	342,904	354,905	367,327
33	Operating & Maintenance	3.50%	286,802	296,840	307,229	317,982	329,112	340,631	352,553	364,892	377,663
34	-	3.50%	0	0	0	0	0	0	0	0	0
35	Real Estate Taxes	1.25%	17,646	18,264	18,903	19,565	20,249	20,958	21,692	22,451	23,237
36	Other Taxes & Insurance	3.50%	194,184	200,980	208,015	215,295	222,830	230,629	238,702	247,056	255,703
37	Assisted Living/Board & Care	0.00%	-	-	-	-	-	-	-	-	-
38	Required Reserve Payments	5.00%	43,411	43,411	*45,581*	45,581	45,581	45,581	45,581	*47,861*	47,861
39	**TOTAL OPERATING EXPENSES**		**1,237,893**	**1,277,892**	**1,321,422**	**1,364,188**	**1,408,412**	**1,454,141**	**1,501,428**	**1,552,606**	**1,603,172**
40	**NET OPERATING INCOME (NOI)**		**729,779**	**733,156**	**733,969**	**736,535**	**738,657**	**740,309**	**741,460**	**739,804**	**739,867**
41	**DEBT SERVICE PAYMENTS**	**Lien #**									
42	CalHFA Loan	1	550,526	550,526	550,526	550,526	550,526	550,526	550,526	550,526	550,526
43	CalHFA Section 8 Loan	-	-	-	-	-	-	-	-	-	-
44	San Mateo County HEART Loan	4	-	-	-	-	-	-	-	-	-
45	San Mateo County HOME/CDBG Lo	3	-	-	-	-	-	-	-	-	-
46	CalHFA Gap Loan	2	-	-	-	-	-	-	-	-	-
47	Seller Carry Back Loan	5	-	-	-	-	-	-	-	-	-
48	-	-	-	-	-	-	-	-	-	-	-
49	-	-	-	-	-	-	-	-	-	-	-
50	**TOTAL DEBT SERVICE PAYMENTS**		**550,526**	**550,526**	**550,526**	**550,526**	**550,526**	**550,526**	**550,526**	**550,526**	**550,526**
51	**CASH FLOW AFTER DEBT SERVICE**		**179,254**	**182,630**	**183,443**	**186,009**	**188,132**	**189,783**	**190,935**	**189,278**	**189,341**
52	**DEBT SERVICE COVERAGE RATIO**		**1.33**	**1.33**	**1.33**	**1.34**	**1.34**	**1.34**	**1.35**	**1.34**	**1.34**
53	Date Prepared:	02/27/15	Senior Staff Date:	2/26/15							

	A	B	AD	AE	AF	AG	AH	AI	AJ	AK	AL
1	**PROJECTED PERMANENT LOAN CASH FLOWS**			**Ocean View Senior Apartments**							
2	**Board Approval**	**1,357,536**		**Project Number**	**14-024-R/N**						
3		**YEAR**	**28**	**29**	**30**	**31**	**32**	**33**	**34**	**35**	**36**
4	**RENTAL INCOME**	**CPI**									
5	Restricted Unit Rents	2.50%	1,043,701	1,069,794	1,096,539	1,123,952	1,152,051	1,180,852	1,210,374	1,240,633	1,271,649
6	Restricted Unit Rents-Section 8	2.00%	1,402,549	1,430,600	1,459,212	1,488,396	1,518,164	1,548,527	1,579,498	1,611,087	1,643,309
7	Commercial Rents	0.00%	-	-	-	-	-	-	-	-	-
8	Section 8 Rent Subsidies	2.00%	60,956	62,175	63,419	64,687	65,981	67,301	68,647	70,020	71,420
9	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-
10	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-
11	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-
12	Laundry and Vending Income	2.50%	13,635	13,976	14,325	14,683	15,050	15,426	15,812	16,207	16,612
13	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-
14	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-
15	**GROSS POTENTIAL INCOME (GPI)**		**2,520,841**	**2,576,545**	**2,633,494**	**2,691,718**	**2,751,246**	**2,812,106**	**2,874,330**	**2,937,947**	**3,002,991**
16	**VACANCY ASSUMPTIONS**	**Vacancy**									
17	Restricted Unit Rents	5.00%	52,185	53,490	54,827	56,198	57,603	59,043	60,519	62,032	63,582
18	Restricted Unit Rents-Section 8	5.00%	70,127	71,530	72,961	74,420	75,908	77,426	78,975	80,554	82,165
19	Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-
20	Section 8 Rent Subsidies	5.00%	3,048	3,109	3,171	3,234	3,299	3,365	3,432	3,501	3,571
21	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-
22	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-
23	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-
24	Laundry and Vending Income	5.00%	682	699	716	734	753	771	791	810	831
25	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-
26	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-
27	**TOTAL PROJECTED VACANCY LOSS**		**126,042**	**128,827**	**131,675**	**134,586**	**137,562**	**140,605**	**143,716**	**146,897**	**150,150**
28	**EFFECTIVE GROSS INCOME (EGI)**		**2,394,799**	**2,447,717**	**2,501,820**	**2,557,133**	**2,613,684**	**2,671,501**	**2,730,613**	**2,791,050**	**2,852,841**
29	**OPERATING EXPENSES**	**CPI / Fee**									
30	Administrative Expenses	3.50%	377,943	391,171	404,862	419,032	433,698	448,877	464,588	480,849	497,679
31	Management Fee	7.09%	169,891	173,645	177,483	181,407	185,419	189,521	193,714	198,002	202,385
32	Utilities	3.50%	380,183	393,490	407,262	421,516	436,269	451,538	467,342	483,699	500,629
33	Operating & Maintenance	3.50%	390,882	404,563	418,722	433,377	448,546	464,245	480,493	497,311	514,716
34	-	3.50%	0	0	0	0	0	0	0	0	0
35	Real Estate Taxes	1.25%	24,050	24,892	25,763	26,665	27,598	28,564	29,563	30,598	31,669
36	Other Taxes & Insurance	3.50%	264,653	273,915	283,503	293,425	303,695	314,324	325,326	336,712	348,497
37	Assisted Living/Board & Care	0.00%	-	-	-	-	-	-	-	-	-
38	Required Reserve Payments	5.00%	47,861	47,861	47,861	*50,254*	50,254	50,254	50,254	50,254	*52,766*
39	**TOTAL OPERATING EXPENSES**		**1,655,462**	**1,709,536**	**1,765,455**	**1,825,676**	**1,885,478**	**1,947,323**	**2,011,281**	**2,077,424**	**2,148,341**
40	**NET OPERATING INCOME (NOI)**		**739,337**	**738,182**	**736,365**	**731,457**	**728,206**	**724,178**	**719,333**	**713,626**	**704,500**
41	**DEBT SERVICE PAYMENTS**	**Lien #**									
42	CalHFA Loan	1	550,526	550,526	550,526	550,526	550,526	550,526	550,526	550,526	550,526
43	CalHFA Section 8 Loan	-	-	-	-	-	-	-	-	-	-
44	San Mateo County HEART Loan	4	-	-	-	-	-	-	-	-	-
45	San Mateo County HOME/CDBG Lo	3	-	-	-	-	-	-	-	-	-
46	CalHFA Gap Loan	2	-	-	-	-	-	-	-	-	-
47	Seller Carry Back Loan	5	-	-	-	-	-	-	-	-	-
48	-	-	-	-	-	-	-	-	-	-	-
49	-	-	-	-	-	-	-	-	-	-	-
50	**TOTAL DEBT SERVICE PAYMENTS**		**550,526**	**550,526**	**550,526**	**550,526**	**550,526**	**550,526**	**550,526**	**550,526**	**550,526**
51	**CASH FLOW AFTER DEBT SERVICE**		**188,811**	**187,656**	**185,839**	**180,931**	**177,680**	**173,652**	**168,807**	**163,100**	**153,974**
52	**DEBT SERVICE COVERAGE RATIO**		**1.34**	**1.34**	**1.34**	**1.33**	**1.32**	**1.32**	**1.31**	**1.30**	**1.28**
53	Date Prepared:	02/27/15		Senior Staff Date:	2/26/15						

	A	B	AM	AN	AO	AP
1	**PROJECTED PERMANENT LOAN CASH FL0WS**					**Ocean View Senior Apartments**
2	**Board Approval**	**1,357,536**			**Project Number**	**14-024-R/N**
3		**YEAR**	**37**	**38**	**39**	**40**
4	**RENTAL INCOME**	**CPI**				
5	Restricted Unit Rents	2.50%	1,303,440	1,336,026	1,369,427	1,403,662
6	Restricted Unit Rents-Section 8	2.00%	1,676,175	1,709,699	1,743,893	1,778,771
7	Commercial Rents	0.00%	-	-	-	-
8	Section 8 Rent Subsidies	2.00%	72,848	74,305	75,792	77,307
9	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-
10	Other Subsidy (Specify)	0.00%	-	-	-	-
11	Other Subsidy (Specify)	0.00%	-	-	-	-
12	Laundry and Vending Income	2.50%	17,028	17,454	17,890	18,337
13	Garage and Parking Income	0.00%	-	-	-	-
14	Miscellaneous Income	0.00%	-	-	-	-
15	**GROSS POTENTIAL INCOME (GPI)**		**3,069,492**	**3,137,484**	**3,207,001**	**3,278,078**
16	**VACANCY ASSUMPTIONS**	**Vacancy**				
17	Restricted Unit Rents	5.00%	65,172	66,801	68,471	70,183
18	Restricted Unit Rents-Section 8	5.00%	83,809	85,485	87,195	88,939
19	Commercial Rents	50.00%	-	-	-	-
20	Section 8 Rent Subsidies	5.00%	3,642	3,715	3,790	3,865
21	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-
22	Other Subsidy (Specify)	0.00%	-	-	-	-
23	Other Subsidy (Specify)	0.00%	-	-	-	-
24	Laundry and Vending Income	5.00%	851	873	894	917
25	Garage and Parking Income	0.00%	-	-	-	-
26	Miscellaneous Income	0.00%	-	-	-	-
27	**TOTAL PROJECTED VACANCY LOSS**		**153,475**	**156,874**	**160,350**	**163,904**
28	**EFFECTIVE GROSS INCOME (EGI)**		**2,916,017**	**2,980,610**	**3,046,651**	**3,114,174**
29	**OPERATING EXPENSES**	**CPI / Fee**				
30	Administrative Expenses	3.50%	515,097	533,126	551,785	571,098
31	Management Fee	7.09%	206,867	211,449	216,134	220,924
32	Utilities	3.50%	518,151	536,286	555,056	574,483
33	Operating & Maintenance	3.50%	532,732	551,377	570,675	590,649
34	-	3.50%	0	0	0	0
35	Real Estate Taxes	1.25%	32,778	33,925	35,112	36,341
36	Other Taxes & Insurance	3.50%	360,694	373,319	386,385	399,908
37	Assisted Living/Board & Care	0.00%	-	-	-	-
38	Required Reserve Payments	5.00%	52,766	52,766	52,766	52,766
39	**TOTAL OPERATING EXPENSES**		**2,219,085**	**2,292,248**	**2,367,914**	**2,446,170**
40	**NET OPERATING INCOME (NOI)**		**696,932**	**688,362**	**678,737**	**668,004**
41	**DEBT SERVICE PAYMENTS**	**Lien #**				
42	CalHFA Loan	1	550,526	550,526	550,526	550,526
43	CalHFA Section 8 Loan	-	-	-	-	-
44	San Mateo County HEART Loan	4	-	-	-	-
45	San Mateo County HOME/CDBG Lo	3	-	-	-	-
46	CalHFA Gap Loan	2	-	-	-	-
47	Seller Carry Back Loan	5	-	-	-	-
48	-	-	-	-	-	-
49	-	-	-	-	-	-
50	**TOTAL DEBT SERVICE PAYMENTS**		**550,526**	**550,526**	**550,526**	**550,526**
51	**CASH FLOW AFTER DEBT SERVICE**		**146,407**	**137,836**	**128,211**	**117,478**
52	**DEBT SERVICE COVERAGE RATIO**		**1.27**	**1.25**	**1.23**	**1.21**
53	Date Prepared:	02/27/15			Senior Staff Date:	2/26/15

RESOLUTION 15-04

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Oceanview Housing Associates, L.P., a California limited partnership (the "Borrower"), seeking a loan commitment, the proceeds of which are to be used to provide financing for a multifamily housing development located in Pacifica, San Mateo County, California, to be known as Ocean View Senior Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which prepared a report presented to the Board on the meeting date recited below (the "Staff Report"), recommending Board approval subject to certain recommended terms and conditions; and

WHEREAS, Agency staff has determined or expects to determine prior to making a binding commitment to fund the loan for which the application has been made, that (i) the Agency can effectively and prudently raise capital to fund the loan for which the application has been made, by direct access to the capital markets, by private placement or other means and (ii) any financial mechanisms needed to insure prudent and reasonable financing of loans can be achieved; and

WHEREAS, the Development has received a TEFRA Resolution as required by the Tax Equity and Fiscal Responsibility Act of 1983, and under 26 U.S.C. section 147(f); and

WHEREAS, Section 1.150-2 of the Treasury Regulations requires the Agency, as the issuer of tax-exempt bonds, to declare its reasonable official intent to reimburse prior expenditures for the Development with proceeds of a subsequent borrowing; and

WHEREAS, on February 26, 2015, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

WHEREAS, the Executive Director is authorized to cause the Agency to file an application with the California Debt Limit Allocation Committee ("CDLAC") for an allocation of California Qualified Private Activity Bonds for the Development, and to pay any fees required by CDLAC, and certify the posting of the required performance deposit; and

WHEREAS, the Board wishes to grant the staff the authority to enter into a loan commitment upon Agency staff determining in its judgment that reasonable and prudent financing mechanisms can be achieved;

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

1. The Executive Director, or in his/her absence, the Acting Deputy Director of

Multifamily Programs, is hereby authorized to execute and deliver a final commitment letter, in a form acceptable to the Agency, and subject to recommended terms and conditions set forth in the Staff Report and any terms and conditions as the Board has designated in the Minutes of the Board Meeting, in relation to the Development described above and as follows:

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	MORTGAGE AMOUNT
14-024-R/N	Ocean View Senior Apartments Pacifica, San Mateo County California	$18,075,000 Acq/Rehab Financing $9,850,000 Permanent Financing $1,960,000 Gap Financing

The Board recognizes that in the event that staff cannot determine that reasonable and prudent financing mechanisms can be achieved, the staff will not enter into loan commitments to finance the Development. In addition, access to capital markets may require significant changes to the terms of loans submitted to the Board. Notwithstanding paragraph 2 below, the staff is authorized to make any needed modifications to the loan which in staff's judgment are directly or indirectly the result of the disruptions to the capital markets referred to above.

2. The Executive Director may modify the terms and conditions of the loan or loans as described in the Staff Report, provided that major modifications, as defined below, must be submitted to this Board for approval. "Major modifications" as used herein means modifications which either (i) increase the total aggregate amount of any loans made pursuant to the Resolution by more than 7%; or (ii) modifications which in the judgment of the Executive Director, or in his/her absence, the Acting Deputy Director of Multifamily Programs of the Agency, adversely change the financial or public purpose aspects of the final commitment in a substantial way.

I hereby certify that this is a true and correct copy of Resolution 15-04 adopted at a duly constituted meeting of the Board of the Agency held on March 17, 2015, at Burbank, California.

ATTEST:______________________
Secretary

CliftonLarsonAllen

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

Board of Directors
California Housing Finance Fund
Sacramento, California

We have audited the accompanying financial statements of the California Housing Finance Fund (the Fund), which is administered by the California Housing Finance Agency (the Agency), a component unit of the State of California as of June 30, 2014, and have issued our report thereon dated October 13, 2014. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Fund are described in Note 2 to the financial statements.

As described in Note 2, the Fund changed accounting policies related to the deferred outflows of resources, deferred inflows of resources, and net position by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 65, *Items Previously Reported as Assets and Liabilities*, in 2013. Accordingly, the cumulative effect of the accounting was not material to the financial statement and was adjusted through the current year. Also, as described in Note 2, the Fund changed accounting policies related to the government combinations and disposals of government operations and the consistent reporting by both governments that extends nonexchange financial guarantees and those governments that receive nonexchange financial guarantees, by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 69, *Government Combinations and Disposals of Government Operations* and Statement of Governmental Accounting Standards (GASB Statement) No. 70, *Accounting and financial Reporting for Nonexchange Financial Guarantees*, respectively. Accordingly, neither GASB 69 nor GASB 70 was determined to have any effect on the Fund.

We noted no transactions entered into by the Fund during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the allowance for loan losses based on management's knowledge and experience about past and current events, assumptions about future events, and analysis of the collectability. We evaluated the key factors and assumptions used to develop the the accounting for loan losses in determining that it is reasonable in relation to the financial statements taken as a whole.

- Management's estimate of the fair market value of investments and other assets is based on management's knowledge and experience about past and current events, assumptions about future events and outside third parties. We evaluated the key factors and assumptions used to develop the fair market value of investments and other assets in determining that it is reasonable in relation to the financial statements taken as a whole.

- Management's estimate of the fair market value of derivative instrument and evaluation of derivative instrument effectiveness is based on management's knowledge and experience about past and current events, assumptions about future events and outside third parties. We evaluated the key factors and assumptions used to develop the fair market value of derivative instrument and evaluation of derivative instrument effectiveness in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

Corrected misstatements

None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the attached management representation letter dated October 13, 2014.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the Fund's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Significant findings or issues that were discussed, or the subject of correspondence, with management

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year. The following summarizes the significant findings or issues arising from the audit that were discussed, or the subject of correspondence, with management:

> During FY 2014, management revised their methodology for allowance for loan loss of the single family mortgage receivables and determined that the allowance account was overstated by $39,494,450 which is the estimated amount of claims payable owed to the Housing Finance Fund from the Housing Loan Insurance Fund. The Agency's staff discovered the error during the process of switching the allowance for loan loss methodology to a loan-by-loan analysis of the single family mortgage receivables and identifying the variance between the old and new allowance calculation.

Other audit findings or issues

We have provided a separate letter to you dated October 13, 2014, communicating internal control related matters identified during the audit.

Other information in documents containing audited financial statements

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

With respect to the schedule of expenditures of federal awards (SEFA) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the SEFA to determine that the SEFA complies with the requirements of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, the method of preparing it has not changed from the prior period or the reasons for such changes, and the SEFA is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the SEFA to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated October 13, 2014.

With respect to the supplemental combining program information and SCO GAAP information (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated October 13, 2014.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

* * *

This communication is intended solely for the information and use of the Board of Directors and management of California Housing Finance Fund and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Bellevue, Washington
October 13, 2014

State of California

Cal HFA California Housing Finance Agency

CliftonLarsonAllen LLP
3000 Northup Way, Suite 200
Bellevue, WA 98004-1446

This representation letter is provided in connection with your audit of the financial statements of California Housing Finance Fund (the Fund), which is administered by the California Housing Finance Agency (the Agency), a component unit of the State of California which comprise the statement of net position as of June 30, 2014, and the related statement of revenues, expenses, and changes in net position, and cash flows for the period then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of October 13, 2014, the following representations made to you during your audit of the financial statements as of and for the year ended June 30, 2014.

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated May 21, 2014, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP. The financial statements include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.

- We acknowledge and have fulfilled our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

- We have identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions used in making those estimates, and we believe the estimates (including those measured at fair value) and the significant assumptions used in making those accounting estimates are reasonable.

- Significant estimates have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. Significant estimates are estimates at the financial statement date that could change materially within the next year.
- Related party relationships and transactions, including, but not limited to, revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events occurring subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- We have not identified or been notified of any uncorrected financial statement misstatements.
- The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- Guarantees, whether written or oral, under which the entity is contingently liable, if any, have been properly recorded or disclosed in accordance with U.S. GAAP.
- Arrangements with financial institutions involving repurchase, reverse repurchase, or securities lending agreements, compensating balances, or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements, have been properly recorded or disclosed in the financial statements.
- The amount of "uncollateralized" deposits or "uninsured, unregistered securities held by the counterparty but not in the entity's name" as of the financial statement date was properly disclosed in the financial statements.
- Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the financial statement date and have been reduced to their estimated net realizable value.
- We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- We believe that all material expenditures that have been deferred to future periods will be recoverable.
- We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefits (OPEB) liabilities and costs for financial accounting purposes are appropriate in the circumstances.
- We are not aware of the State making any plans to make frequent amendments to our pension or other postretirement benefit plans.

Information Provided

- We have provided you with:
    - Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters.
    - Additional information that you have requested from us for the purpose of the audit.
    - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
    - Complete minutes of the meetings of the governing board and related committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
    - Access to all audit or relevant monitoring reports, if any, received from funding sources.
- All transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
    - Management;
    - Employees who have significant roles in internal control; or
    - Others when the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, grantors, regulators, or others.
- We have no knowledge of any instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse whose effects should be considered when preparing financial statements.
- We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- There are no other material liabilities or gain or loss contingencies that are required to be accrued or disclosed in accordance with U.S. GAAP.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

- The entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as made known to you and disclosed in the financial statements.
- We have taken timely and appropriate steps to remedy any findings that you have reported to us.
- We have a process to track the status of audit findings and recommendations.
- We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to California Housing Finance Fund, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
- There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- The entity has complied with all aspects of contractual or grant agreements that would have a material effect on the financial statements in the event of noncompliance.
- We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
- The financial statements properly classify all funds and activities.
- Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.
- Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- Provisions for uncollectible receivables have been properly identified and recorded.
- Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

- Revenues are appropriately classified in the statement of activities within program revenues and other revenues.

- Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

- Deposits and investment securities and derivative instruments are properly classified as to risk and are properly valued and disclosed.

- Capital assets are properly capitalized, reported, and, if applicable, depreciated.

- We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

- We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

- We acknowledge our responsibility for presenting the Combining Program Information (the supplementary information) in accordance with U.S. GAAP, and we believe the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditors' report thereon.

- With respect to federal award programs:

    - We are responsible for understanding and complying with, and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, including requirements relating to preparation of the schedule of expenditures of federal awards.

    - We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of OMB Circular A-133 §310.b, and we believe the SEFA, including its form and content, is fairly presented in accordance with OMB Circular A-133 §310.b. The methods of measurement and presentation of the SEFA have not changed from those used in the prior, and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFA.

- If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issued the SEFA and the auditors' report thereon.

- We have identified and disclosed to you all of our government programs and related activities subject to OMB Circular A-133, and included in the SEFA expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.

- We are responsible for understanding and complying with, and have complied with, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.

- We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.

- We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.

- We have received no requests from a federal agency to audit one or more specific programs as a major program.

- We have complied with the direct and material compliance requirements except for noncompliance disclosed to you, including when applicable, those set forth in the *OMB Circular A-133 Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards.

- We have disclosed to you any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditors' report.

- We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditors' report.

- Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-87, *Cost Principles State, Local, and Tribal Governments*, and OMB's *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.

- We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.

- We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.

- We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.

- We have disclosed to you all known instances of noncompliance with direct and material compliance requirements occurring subsequent to the period covered by the auditors' report.

- We have disclosed to you whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies and/or material weaknesses in internal control over compliance, have occurred subsequent to the date as of which compliance was audited.

- Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.

- The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.

- We have charged costs to federal awards in accordance with applicable cost principles.

- We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.

- We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by OMB Circular A-133.

- We are responsible for preparing a corrective action plan and taking corrective action on each audit finding.

- We have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.

Signature: ______________________ Title: Executive Director

Signature: ______________________ Title: COMPTROLLER

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CALIFORNIA HOUSING FINANCE AGENCY
(A Component Unit of the State of California)

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CliftonLarsonAllen

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
California Housing Finance Fund
Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of the California Housing Finance Fund (the Fund), which is administered by the California Housing Finance Agency (the Agency), a component unit of the State of California which comprise the statements of net position as of June 30, 2014 and 2013, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of June 30, 2014 and 2013, and the changes in financial position and cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Fund and do not purport to, and do not, present fairly the financial position of the Agency as of June 30, 2014, the changes in its financial position, or its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Emphasis of Matter Regarding a Correction of an Error

As described in Note 3 of the financial statements, the Fund recorded a prior period adjustment to correctly record the allowance for loan loss. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Fund's basic financial statements. The combining program information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining program information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining program information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2014, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Bellevue, Washington
October 13, 2014

CALIFORNIA HOUSING FINANCE FUND
Management Discussion and Analysis
of Financial Position and Results of Operations
As of and for the fiscal years ended June 2014 and 2013

Introduction – The California Housing Finance Agency

The California Housing Finance Agency ("Agency") was created in 1975 by an act of the California Legislature and commenced operations in 1976. The Agency is a component unit of the State of California ("State") and is included in the State's Comprehensive Annual Financial Report. The Agency is authorized to administer the activities of the California Housing Finance Fund ("Fund"), the California Housing Loan Insurance Fund ("Mortgage Insurance Fund") and two state general obligation bond funds. The Agency is governed by a Board of Directors which consists of 13 voting members and three non-voting members. Of the 13 voting members, seven are appointed by the Governor, four are ex-officio and two are appointed by the Legislature. The statutory role of the Board is to: 1) enact the annual financing resolutions that permit the issuance of bonds and 2) enact the Agency's operating budget and business plan. Subject to the supervision of the Board, the Agency's day-to-day operational authority statutorily resides with the Agency's Executive Director. The annual audited financial statements of both the Fund and the Mortgage Insurance Fund are available on the Agency's website - www.calhfa.ca.gov.

Effective July 1, 2013, pursuant to the Governor's Reorganization Plan 2, the Agency was moved from being within the Business, Transportation and Housing Agency to being within the Department of Housing and Community Development. The Department does not have any administrative authority over the California Housing Finance Fund. Pursuant to Health and Safety Code section 51000, expenditures from the California Housing Finance Fund are administered by the Agency and are not subject to the supervision or approval of any other officer or division of state government. Further, pursuant to the Health and Safety Code section 51000.1, no officer or division of state government has the authority to transfer any sums of money from any fund or account of the Agency, except as authorized by the executive director of the Agency or designated trustee pertaining to bonds issued by the Agency.

The CalHFA Mortgage Assistance Corporation ("CalHFA MAC") is a nonprofit public benefit corporation organized under the laws and rules of the state of California and within the meaning of Section 501(c)(3) of the Internal Revenue Code. CalHFA MAC is organized as an entity separate from CalHFA and its purposes, amongst other things are 1) to "develop and administer programs permitted under the Emergency Economic Stabilization Relief Act of 2008 (EESA) and to act as an institution eligible to receive funds under EESA's Troubled Asset Relief Program," and 2) to "lessen the burdens of government by assisting CalHFA to prevent or mitigate the impact of foreclosures on low and moderate income persons within the State of California." Although CalHFA grants CalHFA MAC a license to use "CalHFA" in its name, both acknowledge they are separate entities. Both are created under different provisions of law; the sources of funding for each are different; the funds are maintained separately; each maintains its own set of books and records separately; operational decisions of CalHFA MAC are not under the direction or control of the Agency's Executive Director or the Agency's Governing Board. CalHFA MAC is solely responsible for its contractual and other obligations incident to running the Keep Your Home California ("KYHC") program. The annual audited financial statements of CalHFA MAC are available on the Keep Your Home California website - www.keepyourhomecalifornia.org.

The following Management Discussion and Analysis ("MD&A") applies only to the activities of the California Housing Finance Fund and should be read in conjunction with the Fund's financial statements and the notes to the financial statements. Operations of the Fund include the issuance of Agency bonds and notes to fund loans to qualified borrowers for single family houses and multifamily developments. The Agency is entirely self-funded and does not draw upon the general taxing authority of the State.

The financial statements present the totals of the programs and accounts of the Fund. The supplemental combining information of the Fund is organized by the following major categories: Homeownership Programs, Multifamily Rental Housing Programs, and Other Programs and Accounts. This supplemental information and additional information for specific programs and accounts is reported after the Notes to the financial statements.

The Homeownership Programs provide low cost mortgage capital to a network of approved lenders from whom the Fund purchases previously funded and closed loans secured by single family homes purchased by individual borrowers. However, there has been no new loan activity in Homeownership Programs since FY 2010. The Multifamily Rental Housing Programs are typically used to directly fund loans to developers and housing sponsors for the construction or acquisition of multifamily rental housing developments. Within the Multifamily Rental Housing Programs, the Multifamily Housing Revenue Bonds III indenture continues to participate in the FHA-HFA Multifamily Risk-Sharing Program with the U.S. Department of Housing and Urban Development (HUD). Interest rates on the Fund loans are generally below market rate; however, the programs are operated to be self-supporting. The Agency issues its own bonds and uses other available monies to provide the funding for these loan programs. Interest paid to bondholders is generally exempt from both state and federal tax; however, the Agency also issues federally-taxable bonds.

The Other Programs and Accounts category includes the Agency's Housing Assistance Trust ("HAT"), funded periodically from a portion of the Fund's operating income before transfers. The HAT provides a source of funding for low or very low income multifamily developments and other special purpose loans. Loans for these purposes generally would not produce sufficient revenues to support payments to bondholders. These loans typically accrue simple interest with repayment of principal and interest deferred for the term of the loan or until certain events occur, such as a sale of the property. Also included in this category are certain State-funded programs (i.e. Proposition 46 and Proposition 1C Programs and Mental Health Services Act Housing Program), which the Agency has been asked to administer for the State on a contract basis, and certain Federal Programs (i.e. Section 8 Housing Assistance Program and National Foreclosure Mitigation Counseling Program). The Agency also issues Mortgage Credit Certificates for first-time homebuyers. Operating expenses of the Agency's loan and bond programs are paid from an Operating Account. Other accounts maintained by the Agency provide security for the issuance of bonds, emergency contingencies and loan servicing operations.

Summary of Financial Results 2014-2013

- During the last quarter of FY 2014, the Agency discovered an error related to the allowance for loan loss. In the process of revising the allowance for loan loss methodology from an allowance by delinquency category to an allowance on a loan-by-loan basis, it was discovered that an overstatement of the allowance had been recorded as of FY 2013 in the amount of $39.5 million under the Home Mortgage Revenue Bonds ("HMRB") indenture. In order to correct this error, the financial results for FY 2013 and FY 2012 have been restated and the changes are reflected in the MD&A -see Note #3 – Prior Period Adjustment for an explanation of the adjustments to the Agency's net position.

- Conduit debt obligations previously reported in the Agency's financial statements were removed in FY 2014 -see Note #8- Bonds and Notes Payable and associated Interest Rate Swaps.

- Operating loss before transfers was $33 million for fiscal year 2014 compared to an operating loss of $53.4 million for fiscal year 2013. The operating results for fiscal year 2014 improved by $20.4 million, or 38.2%, when compared to fiscal year 2013.

- Other revenues were negative $47.4 million for fiscal year 2014 compared to $39.3 million in fiscal year 2013. The decrease was primarily due to the decrease in the fair value of the investment swaps for fiscal year 2014.

- The Fund's mortgage loan delinquencies declined as the California housing market continued to improve over the last fiscal year. The Fund's single family loan portfolio consists of 46.5% federally guaranteed loans and 53.5% conventional loans. The overall delinquency ratio of the Fund's single family loan portfolio improved to 9.7% or 1,564 delinquent loans as of June 30, 2014. By comparison, the delinquency ratio for the Agency's single family portfolio was 13% or 2,411 loans as of June 30, 2013. Overall, the total number of delinquent loans declined by 35.1% or 847 loans.

- Under the HMRB indenture, there was a total of $11.8 million in loans written-off during fiscal year 2014 due to the sale of foreclosed properties (net of insurance payment received) and on short sales (net of insurance payment received), of $0.9 million and $10.9 million, respectively. The remaining HMRB foreclosed properties were written down by $4.2 million to reflect anticipated losses, net of anticipated insurance payment, upon sale of the foreclosed properties.

- The net total allowance for loan loss reserve under the HMRB indenture decreased by $30.2 million changing from $69.6 million in fiscal year 2013 to $39.4 million in fiscal year 2014.

- In April 2014, the Agency issued bonds totaling $38.9 million under the Multifamily Housing Revenue Bonds III indenture. The Agency continued to actively manage and reduce the Fund's interest expense and exposures within the debt portfolio and redeemed $944 million of bonds during fiscal year 2014. There were no economic refundings made during the year.

- The Fund had $89.2 million in new loans receivable during fiscal year 2014. Of the $89.2 million, $49.4 million of new loans receivable were in Contract Administration Programs. Total program loans receivable decreased by $599.7 million. Decreases in program loans receivable for the homeownership loan portfolio were primarily due to the loan prepayments. Loan prepayments include all unscheduled principal payments applied to the unpaid principal balance of a loan such as principal received in loan payoff transactions, short sale and foreclosure transactions, and mortgage insurance claims, etc.

- During fiscal year 2014, $53.4 million was transferred into the Fund by the State pursuant to the Housing and Emergency Shelter Trust Fund Acts of 2002 and 2006. The funds were used to make loans and grants to borrowers and homeowners through programs administered by the Agency on a contract basis.

Condensed Financial Information:

Condensed Schedule of Assets, Liabilities, and Net Position

The following table presents condensed Schedule of Assets, Liabilities, and Net Position for the Fund as of June 30, 2014 and 2013 and the change from the prior year (dollars in millions):

Condensed Statement of Net Position

	2014	Restated 2013	Change
Assets			
Cash and investments	$ 1,585	$ 1,900	$ (315)
Program loans receivable-net	3,906	4,506	(600)
Other	79	97	(18)
Total Assets	5,570	6,503	(933)
Deferred Outflows of Resources	25	127	(102)
Liabilities			
Bonds payable-net	3,533	4,499	(966)
Notes payable	63	81	(18)
Other	521	592	(71)
Total Liabilities	4,117	5,172	(1,055)
Deferred Inflows of Resources	-	-	-
Net Position			
Invested in capital assets	1	1	-
Restricted net position	1,477	1,457	20
Total Net Position	$ 1,478	$ 1,458	$ 20

Assets

Of the Fund's assets, 98.6% is represented by cash and investments and program loans receivable. The Fund does not have a significant investment in capital assets, holding $0.8 million in furniture and equipment.

Total assets decreased by $933.1 million during fiscal year 2014. The Fund's cash and investments were $1.59 billion as of June 30, 2014, a decrease of $315.4 million from June 30, 2013. The cash and investments balance decrease is primarily due to the increase in bond redemption activity in Homeownership and Multifamily Programs.

Of the Fund's assets, 28.5% is in the form of cash and investments at fiscal year end. Of the Fund's investment balance, 4.3% is in investment agreements. The amount of funds invested in investment agreements during the 2014 fiscal year decreased by $39.4 million. Additionally, $1.04 billion of the Fund's investments are held in the State's Surplus Money Investment Fund ("SMIF") and earn a variable rate of interest. The amount of funds invested in SMIF during fiscal year 2014 decreased by $197.6 million.

The composition of cash and investments as of June 30, 2014 and 2013 and the changes from the prior year are shown in the table below (dollars in millions):

Cash and Investments

	2014	Restated 2013	Change
Investment agreements	$ 66	$ 105	$ (39)
SMIF	1,040	1,238	(198)
Open Commercial Paper	35	32	3
Securities	403	490	(87)
Cash	41	35	6
Total Cash and Investments	$ 1,585	$ 1,900	$ (315)

Program loans receivable decreased by $599.7 million during fiscal year 2014 compared to fiscal year 2013. This decrease is primarily due to loan prepayments along with loan write-offs of $18.9 million and REO loan write-downs of negative $4.4 million in fiscal year 2014. Loan prepayments decreased to $490.9 million during fiscal year 2014 compared to $575.5 million received in fiscal year 2013. REO properties decreased by $6.7 million to $13.4 million during fiscal year 2014 compared to $20.1 million in fiscal year 2013.

As of June 30, 2014 and June 30, 2013, the fair values of interest rate swaps were in the negative position of $186.4 million and $217.7 million, respectively.

Other Assets decreased by $18.0 million during fiscal year 2014 when compared to fiscal year 2013. The decrease is primarily due to the decrease in the number of REO properties and decrease in accounts receivables.

Liabilities

The Fund's liabilities were $4.12 billion as of June 30, 2014, a decrease of $1.05 billion from June 30, 2013. Of the Fund's liabilities, 85.8% is in the form of bond indebtedness. The Fund's bonds payable at June 30, 2014 decreased by $969 million from the prior year mainly due to the scheduled principal payments, $944.0 million in bond redemptions offset by the $38.9 million of bonds issued. The Agency's governing statutes impose a cap of $13.15 billion for bonds and notes issued and outstanding within the Fund for the year ended June 30, 2014 and 2013.

All of the bonds issued by the Agency are reported within the Fund and the bonds reported no longer include the reporting of conduit bond obligations as liabilities in the accompanying financial statements along with the related assets. The conduit bonds are limited obligations of the Agency, payable solely from the revenues and other funds and money pledged and assigned under the applicable indenture, series indenture, or master pledge and assignment (see Note 8).

The Agency issues both tax-exempt and federally taxable bonds. During the 2014 fiscal year, federally taxable bonds outstanding decreased by $187.7 million and as of June 30, 2014 represent 25.2% of all bonds outstanding, while tax-exempt bonds outstanding decreased by $781.2 million and as of June 30, 2014 represent 74.8% of all bonds outstanding. The use of federally taxable bonds allows the Agency to leverage its allocation of the Private Activity Bond volume cap for the Homeownership Programs. This limitation is imposed by the federal government to regulate the issuance of tax-exempt bonds for private purposes. During fiscal year 2014, the Agency issued $38.9 million in tax-exempt bonds.

Shown below are the amounts of variable and fixed rate indebtedness, by tax status, as of June 30, 2014 and 2013 and the changes from the prior year (dollars in millions):

Bonds Payable

	2014	Restated 2013	Change
Tax-Exempt Bonds			
*Variable Rate	$ 1,002	$ 1,513	$ (511)
Fixed Rate	1,637	1,907	(270)
Total Tax-Exempt Bonds	2,639	3,420	(781)
Federally Taxable Bonds			
*Variable Rate	510	660	(150)
Fixed Rate	378	416	(38)
Total Federally Taxable Bonds	888	1,076	(188)
Total Bonds Outstanding	$ 3,527	$ 4,496	$ (969)

* Certain variable rate bonds have been swapped to a fixed rate (see Note 8 to the Financial Statements).

All other liabilities decreased by $71.3 million during fiscal year 2014. The decrease was mainly due to the decrease in Derivative SWAP liability and decrease in deposits and other liabilities.

Net Position

All of the Fund’s net position is restricted pursuant to trust agreements with bondholders and the Agency’s enabling legislation or net investment in capital assets. The total net position of the Fund increased by $20.4 million primarily as a result of transfers to the Fund in the amount of $53.4 million offset by the $33 million of operating losses for fiscal year 2014.

Revenues, Expenses, and Changes in Net Position

The following table presents condensed schedules of revenues, expenses, and changes in net position for the Fund for the fiscal years ended June 30, 2014 and June 30, 2013 and the changes from the prior year (dollars in millions):

Condensed Schedules of Revenues, Expenses, and Changes in Net Position

	2014	Restated 2013	Change
Operating Revenues:			
Interest income program loans – net	$ 219	$ 256	$ (37)
Interest income investments – net	22	31	(9)
Increase (Decrease) in fair value of investments	-	(25)	25
Other loan fees	30	32	(2)
Other revenues	(47)	39	(86)
Total Operating Revenues	224	333	(109)
Operating Expenses:			
Interest	122	172	(50)
Mortgage servicing fees	9	10	(1)
Salaries & general expenses	41	40	1
Other expenses	85	164	(79)
Total Operating Expenses	257	386	(129)
Operating Loss before transfers	(33)	(53)	20
Transfers in	53	39	14
Increase(decrease) in net position	$ 20	$ (14)	$ 34

Operating Revenues

Total operating revenues of the Fund were $223.5 million during fiscal year 2014 compared to $332.7 million during fiscal year 2013, a decrease of $109.2 million or 32.8%.

Interest income on program loans was $218.7 million during fiscal year 2014 compared to $256.3 million during fiscal year 2013, a decrease of $37.6 million. The decrease in interest income on program loans is primarily the result of a decrease in interest income on program loans and an increase in the yield reduction liability for the Fund's homeownership and multifamily loan portfolios. Overall, program loans receivable decreased $599.7 million or 13.3% at June 30, 2014 compared to June 30, 2013.

Interest income from investments decreased 28.1% to $22.5 million in fiscal year 2014 from $31.3 million in fiscal year 2013. The decrease is primarily due to the decrease in interest income from Investment Agreements. Investment Agreements decreased $39.4 million from $105.6 million at June 30, 2013 to $66.2 million as of June 30, 2014, while SMIF decreased $197.5 million from $1.24 billion to $1.04 billion.

The total changes in fair value of investments was negative $0.3 million in fiscal year 2014, a net increase of $25.2 million from fiscal year 2013, which had a negative fair value of investments of $25.5 million. The slight increase in the Treasury rates during fiscal year 2014 caused the value of the Fund's mortgage-backed securities to decline slightly. The gain or loss on the sale of securities in the fiscal year 2014 was $0.4 million compared to no activity for the fiscal year ended 2013.

Other loan fees decreased $1.4 million to $30.0 million in fiscal year 2014 compared to $31.4 million for fiscal year 2013.

Other revenues decreased by $86.7 million to negative $47.4 million during fiscal year 2014 compared to positive $39.3 million in fiscal year 2013. The decrease was primarily due to negative results of the effectiveness testing for derivative instruments. The change in fair value of the derivatives for FY 2014 was negative $70.3 million compared to negative $6.1 million for FY 2013.

Operating Expenses

Total operating expenses of the Fund were $256.5 million during fiscal year 2014 compared to $386.1 million during fiscal year 2013, a decrease of $129.6 million or 33.6%. The decrease is a combination of the decrease in bond interest expenses, allowance for loan loss, REO expenses, administrative fees expense, and swap expenses.

Bonds payable at June 30, 2014 decreased by $969 million from June 30, 2013 and bond interest and swap expense, which represents 47.7% of the Fund's total operating expenses, decreased by $49.6 million or 28.8% compared to fiscal year 2013. The decrease in bond interest and swap expense is attributed to the increased bond redemption activity and the Agency's participation

in the Temporary Credit and Liquidity Program ("TCLP") which provides replacement credit and facilities for existing variable rate debt for State and local Housing Finance Agencies.

Salaries and general expenses slightly increased from $40.2 million during fiscal year 2013 to $41.1 million during fiscal year 2014 (as shown in the condensed statements of revenues, expenses and changes in net position).

Operating Loss before Transfers

Operating loss before transfers for fiscal year 2014 was $33 million compared to an operating loss of $53.4 million for fiscal year 2013. The $20.4 million decrease in operating loss before transfers is reflective of the activities mentioned above.

Summary of Financial Results 2013-2012

- Operating loss before transfers was $53.4 million for fiscal year 2013 compared to an operating loss of $82.3 million for fiscal year 2012. The operating results for fiscal year 2013 improved by $28.9 million, or 35.2%, when compared to fiscal year 2012.

- In July 2012, the Agency refunded $466.1 million of variable rate bonds issued under the HMRB indenture. The Agency continued to actively manage and reduce the Fund's interest expense and exposures within the debt portfolio and redeemed $1.72 billion of bonds during fiscal year 2013.

- The Fund's mortgage loan delinquencies declined slightly as the California housing market slowly improved over the last fiscal year. The Fund's single family loan portfolio consists of 45.2% federally guaranteed loans and 54.8% conventional loans. The overall delinquency ratio of the Fund's single family loan portfolio was 13% or 2,411 delinquent loans as of June 30, 2013. By comparison, the delinquency ratio for the Agency's single family portfolio was 13.6% or 2,901 loans as of June 30, 2012. Overall, the total number of delinquent loans declined by16.9% or 490 loans.

- Under the Home Mortgage Revenue Bonds ("HMRB") indenture, there was a total of $56.7 million of loans written-off during fiscal year 2013 due to the sale of foreclosed properties (net of insurance payment received) and on short sales (net of insurance payment received), of $33.2 million and $23.5 million, respectively. The remaining HMRB foreclosed properties were written down by $6.2 million to reflect anticipated losses, net of anticipated insurance payment, upon sale of the foreclosed properties.

- The net total allowance for loan loss reserve under the HMRB indenture decreased by $24.3 million changing from $93.9 million in fiscal year 2012 to $69.6 million in fiscal year 2013.

- The Fund had $179.8 million in new loans receivable during fiscal year 2013. Total program loans receivable decreased by close to $634.5 million at June 30, 2013. Decreases in program loans receivable for the homeownership loan portfolio were primarily due to the loan prepayments. Loan prepayments include all unscheduled principal payments applied to the unpaid principal balance of a loan such as principal received in loan payoff transactions, short sale and foreclosure transactions, and mortgage insurance claims, etc.

- Other revenues were $39.3 million for fiscal year 2013 compared to $18.6 million in fiscal year 2012. The increase was primarily due to the increase in the fair value of the investment swaps and increase in the multifamily prepayment penalties fees offset by the decrease in administrative fees revenue for fiscal year 2013.

- During fiscal year 2013, $38.6 million was transferred into the Fund by the State pursuant to the Housing and Emergency Shelter Trust Fund Acts of 2002 and 2006 and for other loan and grant programs administered by the Agency. The funds were used to make loans and grants to borrowers and homeowners through programs administered by the Agency on a contract basis.

Condensed Financial Information:

Condensed Schedule of Assets, Liabilities, and Net Position

The following table presents condensed Schedule of Assets, Liabilities, and Net Position for the Fund as of June 30, 2013 and 2012 and the change from the prior year (dollars in millions):

Condensed Statement of Net Position

	Restated 2013	Restated 2012	Change
Assets			
Cash and investments	$ 1,900	$ 2,789	$ (889)
Program loans receivable-net	4,506	5,140	(634)
Other	97	500	(403)
Total Assets	6,503	8,429	(1,926)
Deferred Outflows of Resources	127	-	127
Liabilities			
Bonds payable	4,499	6,167	(1,668)
Notes payable	81	88	(7)
Other	592	701	(109)
Total Liabilities	5,172	6,956	(1,784)
Deferred Inflows of Resources	-	-	-
Net Position			
Invested in capital assets	1	1	-
Restricted net position, restated	1,457	1,472	(15)
Total Net Position, restated	$ 1,458	$ 1,473	$ (15)

Assets

Of the Fund's assets, 98.5% is represented by cash and investments and program loans receivable. The Fund does not have a significant investment in capital assets, holding $1.0 million in furniture and equipment.

Total assets decreased by $1.93 billion during fiscal year 2013. The Fund's cash and investments were $1.9 billion as of June 30, 2013, a decrease of $888.8 million from June 30, 2012. The cash and investments balance decrease is primarily due to the increase in bond redemption activity in Homeownership and Multifamily Programs.

Of the Fund's assets, 29.2% is in the form of cash and investments at fiscal year end. Of the Fund's investment balance, 5.6% is in investment agreements. The amount of funds invested in investment agreements during the 2013 fiscal year decreased by $106.2 million. Additionally, $1.24 billion of the Fund's investments are held in the State's Surplus Money Investment Fund ("SMIF") and earn a variable rate of interest. The amount of funds invested in SMIF during fiscal year 2013 decreased by $74 million.

The composition of cash and investments as of June 30, 2013 and 2012 and the changes from the prior year are shown in the table below (dollars in millions):

Cash and Investments

	Restated 2013	Restated 2012	Change
Investment agreements	$ 105	$ 212	$ (107)
SMIF	1,238	1,312	(74)
Open Commercial Paper	32	-	32
Securities	490	705	(215)
Cash	35	560	(525)
Total Cash and Investments	$ 1,900	$ 2,789	$ (889)

Program loans receivable decreased by $634.3 million during fiscal year 2013 compared to fiscal year 2012. This decrease is primarily due to loan prepayments along with loan write-offs of $56.7 million in fiscal year 2013. Loan prepayments decreased to $575.5 million during fiscal year 2013 compared to $637.8 million received in fiscal year 2012. REO properties decreased $66.1 million to $20.1 million during fiscal year 2013 compared to $86.2 million in fiscal year 2012.

As of June 30, 2013 and June 30, 2012, the fair values of interest rate swaps were in the negative position of $217.7 million and $324.2 million, respectively.

Other Assets decreased by $402.5 million during fiscal year 2013 when compared to fiscal year 2012. The decrease is primarily due to the recording of the deferred outflow of resources related to interest rate swaps, decrease in the number of REO properties and decrease in cash collateral held by the swap counterparties.

Liabilities

The Fund's liabilities were $5.17 billion as of June 30, 2013, a decrease of $1.78 billion from June 30, 2012. Of the Fund's liabilities, 87.0% is in the form of bond indebtedness. The Fund's bonds payable at June 30, 2013 decreased by $1.67 billion from the prior year mainly due to the scheduled principal payments, $1.7 billion in bond redemptions offset by the $133.8 million of bonds issued. The Agency's governing statutes impose a cap of $13.15 billion for bonds and notes issued and outstanding within the Fund for the year ended June 30, 2013 and 2012.

All of the bonds issued by the Agency are reported within the Fund and the bonds reported no longer include the reporting of conduit bond obligations as liabilities in the accompanying financial statements along with the related assets. The conduit bonds are limited obligations of the Agency, payable solely from the revenues and other funds and money pledged and assigned under the applicable indenture, series indenture, or master pledge and assignment (see Note 8).

The Agency issues both tax-exempt and federally taxable bonds. During the 2013 fiscal year, federally taxable bonds outstanding decreased by $291.0 million and as of June 30, 2013 represent 23.9% of all bonds outstanding, while tax-exempt bonds outstanding decreased by $1.37 billion and as of June 30, 2013 represent 76.1% of all bonds outstanding. The use of federally taxable bonds allows the Agency to leverage its allocation of the Private Activity Bond volume cap for the Homeownership Programs. This limitation is imposed by the federal government to regulate the issuance of tax-exempt bonds for private purposes. During fiscal year 2013, the Agency did not issue tax-exempt bonds but issued $133.8 million in taxable bonds.

Shown below are the amounts of variable and fixed rate indebtedness, by tax status, as of June 30, 2013 and 2012 and the changes from the prior year (dollars in millions):

Bonds Payable

	Restated 2013	Restated 2012	Change
Tax-Exempt Bonds			
*Variable Rate	$ 1,513	$ 2,485	$ (972)
Fixed Rate	1,907	2,310	(403)
Total Tax-Exempt Bonds	3,420	4,795	(1,375)
Federally Taxable Bonds			
*Variable Rate	660	1,025	(365)
Fixed Rate	416	342	74
Total Federally Taxable Bonds	1,076	1,367	(291)
Total Bonds Outstanding	$ 4,496	$ 6,162	$ (1,666)

All other liabilities decreased by $109 million during fiscal year 2013. The decrease was mainly due to the decrease in Derivative SWAP liability.

Net Position

All of the Fund's net position is restricted pursuant to trust agreements with bondholders and the Agency's enabling legislation or net investment in capital assets. The total net position of the Fund decreased by $14.8 million primarily as a result of transfers to the Fund in the amount of $38.6 million offset by the $53.4 million of operating losses for fiscal year 2013.

Revenues, Expenses, and Changes in Net Position

The following table presents condensed schedules of revenues, expenses, and changes in net position for the Fund for the fiscal years ended June 30, 2013 and June 30, 2012 and the changes from the prior year (dollars in millions):

Condensed Schedules of Revenues, Expenses, and Changes in Net Position

	Restated 2013	Restated 2012	Change
Operating Revenues:			
Interest income program loans – net	$ 256	$ 289	$ (33)
Interest income investments – net	31	34	(3)
Increase (Decrease) in fair value of investments	(25)	42	(67)
Other loan and commitment fees	32	30	2
Other revenues	39	19	20
Total Operating Revenues	333	414	(81)
Operating Expenses:			
Interest	172	191	(19)
Mortgage servicing fees	10	12	(2)
Salaries & general expenses	40	41	(1)
Other expenses	164	252	(88)
Total Operating Expenses	386	496	(110)
Operating Loss before transfers	(53)	(82)	29
Transfers in	39	75	(36)
Decrease in net position	$ (14)	$ (7)	$ (7)

Operating Revenues

Total operating revenues of the Fund were $332.7 million during fiscal year 2013 compared to $413.9 million during fiscal year 2012, a decrease of $81.2 million or 19.6%.

Interest income on program loans was $256.3 million during fiscal year 2013 compared to $289.4 million during fiscal year 2012, a decrease of $33.2 million. The decrease in interest income on program loans is primarily the result of a decrease in interest income on program loans and a decrease in the yield reduction liability for the Fund's homeownership and multifamily loan portfolios. Overall, program loans receivable decreased $634.3 million or 12.3% at June 30, 2013 compared to June 30, 2012.

Interest income from investments decreased 8.8% to $31.3 million in fiscal year 2013 from $34.3 million in fiscal year 2012. The decrease is primarily due to the decrease in interest income from mortgage backed securities. Investment Agreements decreased $106.2 million from $211.9 million at June 30, 2012 to $105.6 million as of June 30, 2013, while SMIF decreased $74 million from $1.31 billion to $1.24 billion.

The total fair value of investments was negative $25.5 million in fiscal year 2013, a net decrease of $67.1 million from fiscal year 2012, which had a positive fair value of investments of $41.6 million. The increase in the Treasury rates during fiscal year 2013 caused the value of the Fund's mortgage-backed securities to decline. There was no gain or loss on the sale of securities in the fiscal year ending June 30, 2013.

Other loan and commitment fees increased $1.4 million to $31.4 million in fiscal year 2013 compared to $30 million for fiscal year 2012. The increase was primarily due to the increase in prepayment penalty fees. The prepayment penalty fees were $23.4 million and $1.3 million as of June 30, 2013 and June 30, 2012, respectively.

Other revenues increased by $20.7 million to $39.3 million during fiscal year 2013 compared to $18.6 million in fiscal year 2012. The increase was primarily due to the change in the fair value of investment swap revenue.

Operating Expenses

Total operating expenses of the Fund were $386.2 million during fiscal year 2013 compared to $496.2 million during fiscal year 2012, a decrease of $110.0 million or 22.2%. The decrease is a combination of the decrease in bond interest expenses, REO expenses, administrative fees expense, and swap expenses.

Bonds payable at June 30, 2013 decreased by $1.67 billion from June 30, 2012 and bond interest and swap expense, which represents 44.5% of the Fund's total operating expenses, decreased by $19 million or 10% compared to fiscal year 2012. The decrease in bond interest and swap expense is attributed to the increased bond redemption activity and the Agency's participation in the Temporary Credit and Liquidity Program ("TCLP") which provides replacement credit and facilities for existing variable rate debt for State and local Housing Finance Agencies.

Salaries and general expenses slightly decreased from $41.3 million during fiscal year 2012 to $40.2 million during fiscal year 2013 (as shown in the condensed statements of revenues, expenses and changes in net position).

Operating Loss before Transfers

Operating loss before transfers for fiscal year 2013 was $53.4 million compared to an operating loss of $82.3 million for fiscal year 2012. The $28.9 million decrease in operating loss before transfers is reflective of the activities mentioned above.

Economic Factors

Since the Agency is self-supporting, it does not draw upon the general taxing authority of the State. As the State of California's affordable housing lender, however, the Agency's operations can be directly impacted by several market/economic factors as follows:

- Trends in single family home prices – Beginning in FY 2010, the Agency sustained significant losses from the disposition of non-performing single family loans. Over the past fiscal year, however, the losses were significantly lower due to a more stable year for California home sale prices and an upward trend in single family home prices will have a positive impact on the Agency's profitability.

- Success of the lending programs - The Agency's multifamily lending program was reinstated in April 2013 and the Agency's single family lending program was reinstated in August 2013. Successful lending programs will improve the Agency's short-term and potentially long-term profitability.

- Trends in interest rates – The Agency has a significant interest-rate swap portfolio and fluctuations in interest rates impact the Agency's collateral posting requirements. In general, higher interest rates will reduce the collateral posting requirements and improve the Agency's liquidity profile, and lower interest rates will increase the collateral posting requirements and limit the Agency's liquidity profile.

- Trends in the Agency's credit ratings - The Agency now has primarily three credit ratings that materially impact its financial results: i) CalHFA's issuer credit rating (S&P A-/Moody's A3); ii) Home Mortgage Revenue Bonds (S&P A-/Moody's Baa2): and iii) Multifamily Housing Revenue Bonds III (S&P AA/Moody's A1) . FY 2014 was the first time since 2009 in which the rating agency's annual credit reviews resulted in a rating upgrade. During FY 2014, the Multifamily Housing Revenue Bonds III rating was decoupled from CalHFA's issuer credit rating. A positive trend in these three ratings would improve the Agency's prospects in its continued efforts to restructure the Agency's legacy capital structure.

Request for Information

Questions concerning any of the information presented in this financial report or requests for additional information should be addressed to:

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CALIFORNIA HOUSING FINANCE FUND
STATEMENTS OF NET POSITION
June 30, 2014 and June 30, 2013
(Dollars in Thousands)

	2014 Totals	Restated 2013 Totals
ASSETS		
Current assets:		
Cash and cash equivalents	$ 40,507	$ 34,732
Investments	1,141,498	1,375,758
Current portion - program loans receivable, net of allowance	124,730	154,984
Interest receivable:		
Program loans, net	32,228	30,950
Investments	3,059	4,462
Accounts receivable	12,443	18,908
Other assets	13,869	3,576
Total current assets	1,368,334	1,623,370
Noncurrent assets:		
Investments	403,112	489,991
Program loans receivable, net of allowance	3,781,555	4,350,968
Deferred financing costs	-	17,728
Other assets	17,509	21,504
Total noncurrent assets	4,202,176	4,880,191
Total assets	5,570,510	6,503,561
DEFERRED OUTFLOWS OF RESOURCES		
Accumulated decrease in fair value of hedging derivatives	25,042	126,717
Deferred loss on refunding	668	-
Total Deferred outflows of resources	25,710	126,717
LIABILITIES		
Current liabilities:		
Bonds payable	67,904	86,548
Notes payable	2,253	2,888
Interest payable	58,170	70,667
Due to other government entities, net	908	898
Compensated absences	4,034	4,263
Deposits and other liabilities	235,253	248,196
Total current liabilities	368,522	413,460
Noncurrent liabilities:		
Bonds payable	3,464,848	4,411,988
Notes payable	61,342	78,170
Due to other government entities, net	35,621	28,888
Other liabilities	186,402	217,718
Unearned revenues	891	21,915
Total noncurrent liabilities	3,749,104	4,758,679
Total liabilities	4,117,626	5,172,139
Commitments and contingencies (see notes 11 and 13)		
DEFERRED INFLOWS OF RESOURCES		
Accumulated decrease in fair value of hedging derivatives	-	-
NET POSITION		
Net investment in capital assets	842	962
Restricted by indenture, restated	491,187	386,812
Restricted by statute	986,565	1,070,365
Total Net position	$ 1,478,594	$ 1,458,139

See notes to financial statements.

CALIFORNIA HOUSING FINANCE FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended June 30, 2014 and June 30, 2013
(Dollars in Thousands)

	2014 Totals	Restated 2013 Totals
OPERATING REVENUES		
Interest income:		
Program loans, net	$ 218,715	$ 256,268
Investments, net	22,519	31,302
Decrease in fair value of investments	(308)	(25,492)
Loan commitment fees	668	2,090
Other loan fees	29,316	29,292
Other revenues	(47,401)	39,275
Total operating revenues	223,509	332,735
SALARIES AND GENERAL EXPENSES		
Interest	122,277	171,835
Amortization of bond discount and bond premium	(1,369)	(944)
Mortgage servicing expenses	8,444	9,942
(Reversal) provision for program loan losses	(13,022)	52,196
Salaries and general expenses	41,053	40,199
Other expenses	99,133	112,881
Total salaries and general expenses	256,516	386,109
Operating loss before transfers	(33,007)	(53,374)
Transfers in	53,462	38,624
Increase (decrease) in net position	20,455	(14,750)
Net position at beginning of year, as restated	1,458,139	1,472,889
Net position at end of year, as restated	$ 1,478,594	$ 1,458,139

See notes to financial statements.

CALIFORNIA HOUSING FINANCE FUND
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2014 and June 30, 2013
(Dollars in Thousands)

	2014 Totals	Restated 2013 Totals
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 217,437	$ 254,311
Payments to suppliers	(20,290)	(21,591)
Payments to employees	(29,935)	(29,758)
Other receipts	540,347	714,741
Net cash provided by operating activities	707,559	917,703
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Due from other government entities	3,560	4,845
Net cash provided by noncapital financing activities	3,560	4,845
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sales of bonds	38,814	133,760
Payment of bond principal	(81,358)	(106,198)
Early bond redemptions	(943,972)	(1,700,310)
Interest paid on debt	(134,771)	(186,098)
Interfund transfers	53,462	38,624
Increase in deferred financing costs	17,728	983
Net cash used for capital and related financing activities	(1,050,097)	(1,819,239)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturity and sale of investments	2,809,526	3,368,452
Purchase of investments	(2,488,694)	(3,030,086)
Interest on investments, net	23,921	33,346
Net cash provided by investing activities	344,753	371,712
Net increase (decrease) in cash and cash equivalents	5,775	(524,979)
Cash and cash equivalents at beginning of year	34,732	559,711
Cash and cash equivalents at end of year	$ 40,507	$ 34,732
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$ (33,007)	$ (53,374)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Interest expense on debt	122,277	171,835
Interest on investments	(22,519)	(31,302)
Changes in fair value of investments	308	25,491
Amortization of bond discount	27	173
Amortization of deferred losses on refundings of debt	4,229	(1,531)
Amortization of bond issuance costs	-	5,149
Amortization of bond premium	(1,658)	(2,105)
Amortization of unearned revenue	(668)	(2,090)
Depreciation	264	284
(Reversal) provision for program loan losses	(13,022)	52,196
Provision for yield reduction payments	3,240	(8,038)
(Reversal) provision for nonmortgage investment excess	(58)	(396)
Effects of changes in operating assets and liabilities:		
Purchase of program loans-net	(77,584)	(248,541)
Collection of principal from program loans, net	696,966	896,896
Interest receivable	(1,278)	(1,957)
Accounts receivable	3,651	9,024
Other assets	91,234	194,225
Compensated absences	(229)	9
Deposits and other liabilities	(12,942)	17,825
Unearned revenue	(51,672)	(106,070)
Net cash provided by operating activities	$ 707,559	$ 917,703
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Noncash transfer of program loan to REO	$ 11,073	$ 86,662

See notes to financial statements.

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CALIFORNIA HOUSING FINANCE FUND
NOTES TO FINANCIAL STATEMENTS
Fiscal Years Ended June 30, 2014 and 2013

Note 1 – AUTHORIZING LEGISLATION AND ORGANIZATION

The California Housing Finance Fund ("Fund") is one of two continuously appropriated funds administered by the California Housing Finance Agency ("Agency"). The Agency was created by the Zenovich-Moscone-Chacon Housing and Home Finance Act ("Act"), as amended, as a public instrumentality, a political subdivision and a component unit of the State of California ("State"), and administers the activities of the Fund and the California Housing Loan Insurance Fund ("Mortgage Insurance Fund"). These funds allow the Agency to carry out its purpose of financing the housing needs of persons and families of low and moderate income within the State. The Agency is authorized to issue its bonds, notes and other obligations to fund loans to qualified borrowers for single family houses and multifamily developments. The Agency has no taxing power and is exempt from federal income taxes and state franchise taxes. Funding of loan programs on an on-going basis is derived principally from bond proceeds and interest earned on loans and investments.

The Agency is governed by a Board of Directors which consists of 13 voting members and three non-voting members. Of the 13 voting members, seven are appointed by the Governor, four are ex-officio and two are appointed by the Legislature. The statutory role of the Board is to: 1) enact the annual financing resolutions that permit the issuance of bonds and 2) enact the Agency's operating budget and business plan. Subject to the supervision of the Board, the Agency's day-to-day operational authority statutorily resides with the Agency's Executive Director.

Effective July 1, 2013, pursuant to the Governor's Reorganization Plan 2, the Agency was moved from being within the Business, Transportation and Housing Agency to being within the Department of Housing and Community Development. The Department does not have any administrative authority over the California Housing Finance Fund. Pursuant to Health and Safety Code section 51000, expenditures from the California Housing Finance Fund are administered by the Agency and are not subject to the supervision or approval of any other officer or division of state government. Further, pursuant to the Health and Safety Code section 51000.1, no officer or division of state government has the authority to transfer any sums of money from any fund or account of the Agency, except as authorized by the executive director of the Agency or designated trustee pertaining to bonds issued by the Agency.

The Agency may also provide administrative, consulting and technical services in connection with the financing of housing developments; act as a State representative in receiving and allocating federal housing subsidies; and make grants, under certain circumstances, to housing sponsors (providing that grants may not be made with proceeds from the sale of bonds or notes).

The Agency is the administrator of the Home Purchase Assistance Fund, established by Section 51341 of the Health and Safety Code *et seq*. which is a state general obligation bond program, the funds of which are neither generated nor held within the Fund, and therefore, not included in the accompanying financial statements.

The accompanying financial statements are the financial statements of the Fund and do not include the financial position or the results of operations of the Housing Loan Insurance Fund which insures loans owned by the Agency and others to finance the acquisition, new construction or rehabilitation of residential structures in California. As of December 31, 2013, the Housing Loan Insurance Fund had total assets of $1 million and deficit of $81 million (not covered by this Independent Auditors' Report).

The accompanying financial statements are the financial statements of the Fund and do not include the financial position or the results of operations of CalHFA Mortgage Assistance Corporation ("CalHFA MAC") which is a nonprofit public benefit corporation and organized as an entity separate from CalHFA. As of September 30, 2013, CalHFA MAC had total assets of $198.6 million and net position of $26 thousand (not covered by this Independent Auditors' Report).

As a fund of a component unit of the State, the financial information of the Fund is included in the State's Comprehensive Annual Financial Report.

Programs and accounts are as follows:

Home Mortgage Revenue Bonds: The Home Mortgage Revenue Bonds provide financing for the Agency's Home Mortgage Program which purchases eligible mortgage loans, secured by trust deeds on newly constructed or existing single family homes, condominiums, planned unit developments and manufactured housing permanently attached to the land and originated and serviced by qualified lending institutions. All mortgage loans purchased under this program will be insured either by the Federal Housing Administration ("FHA"), the Mortgage Insurance Fund, the Department of Veterans Affairs ("VA"), a private mortgage guaranty insurance policy, or a combination thereof, covering a loss of up to fifty percent (50%), one hundred percent (100%) in the case of a FHA insured loan, of the outstanding principal amount of the mortgage loans.

Housing Program Bonds: The Housing Program Bonds Indenture was created to provide a vehicle for issuing debt to finance either multifamily or single family programs of the Agency. Bonds issued under this indenture are backed by the Agency's general obligation. As of June 30, 2014, the Agency has one series of bonds issued and outstanding under this indenture. These bonds were issued to finance deferred payment, simple interest loans originated under certain of the Agency's down payment assistance programs, as well as to finance certain multifamily loans.

Residential Mortgage Revenue Bonds: The Residential Mortgage Revenue Bonds are issued by the Agency pursuant to a national initiative of the United States Treasury to assist state and local housing finance authorities by the Federal Program. The Bonds, issued as escrow bonds pursuant to the Indenture, are to be converted to long-term fixed-rate bonds. The Treasury has agreed, through government-sponsored agencies, to purchase certain mortgage revenue bonds at rates lower than the prevailing market intended to reduce the costs of funds to issuers to the making or financing of mortgage loans.

Multifamily Loan Purchase Bonds: On July 26, 2000, the Agency purchased 278 Department of Housing and Urban Development ("HUD") Section 236 loans with an aggregate unpaid principal balance of approximately $270 million. The purpose of this transaction was to enhance the ability of the Agency to assist affordable housing sponsors to refinance their projects and extend the period during which the units are offered at affordable rents to very-low-income and lower-income tenants. The Agency expects to provide the financing for many of these transactions.

Multifamily Housing Revenue Bonds III: The Multifamily Housing Revenue Bonds III are fixed or variable rate bonds collateralized by GNMA mortgage-backed securities and/or FHA insured loans and/or uninsured loans. The bonds provide financing for multi-unit rental housing developments which are utilized for occupancy by persons and families of low and moderate income. The loans may provide acquisition, construction (both for new construction and rehabilitation), and permanent financing for developments.

Affordable Multifamily Housing Revenue Bonds: The Affordable Multifamily Housing Revenue Bonds are issued under the Indenture in connection with the New Issue Bond Program of the HFA Initiative pursuant to the Memorandum of Understanding dated October 19, 2009 among Treasury, the Federal Housing Finance Agency, Fannie Mae and Freddie Mac to facilitate financing for various state and local housing finance agencies to serve homebuyers and low and moderate income renter.

Housing Assistance Trust: The Housing Assistance Trust ("HAT") is comprised of Agency investments in special purpose mortgage loans promoting both rental housing and homeownership, remaining investments in mortgage loans from fully redeemed bond indentures, and funds to assist in the development of single and multifamily projects through various low-interest loan and technical assistance programs. Also, included within HAT are funds held in trust representing Earned Surplus and Financial Adjustment Factor ("FAF") Savings from HUD Section 8 projects. Earned Surplus is to be used in lowering the rents for persons and families of low or moderate income in accordance with state law. FAF Savings are to be used in providing decent, safe, and sanitary housing, which is available for very-low income families and persons qualifying in accordance with federal law.

Contract Administration Programs: The Agency administers loan and grant programs for the Rental Housing Construction Program, the School Facilities Fee Assistance Program, the California Homebuyer's Down payment Assistance Program, National Foreclosure Mitigation Counseling Program, Mental Health Services Act Housing Program, and programs offered pursuant to the Housing and Emergency Shelter Trust Fund Act of 2002 and 2006. Funding of these programs was appropriated by the legislature or provided by voter authorized State bond programs to other departments and agencies within the State that have contracted with the Agency for this purpose. All monies transferred in accordance with the agreements and for the purposes of the program are considered assets of the Fund. The Fund had cash transfers in the amount of $53.5 million and $38.6 million for fiscal year 2014 and 2013, respectively.

Supplementary Bond Security Account: This account was established exclusively to secure issuances of bonds. This security may be accomplished by creating supplementary reserve accounts to provide for payment of the principal, interest, redemption premiums or sinking fund payments on bonds, or by insuring mortgage loans made with the proceeds of bond issues or to indemnify the Mortgage Insurance Fund for losses.

Emergency Reserve Account: This account was established by the Agency to meet its obligations and liabilities incurred in connection with its housing loan programs. This reserve is maintained at approximately one percent (1%) of the aggregate amount of the Agency's net program loans receivable.

Loan Servicing: The Agency services nearly all multifamily program loans, approximately 46.9% of the Agency's homeownership program loans in first lien position (as of June 30, 2014), and all junior or subordinate lien homeownership program loans and certain other loans for the California State Teachers' Retirement System and Fannie Mae. Loan servicing agreements require that the Agency hold and maintain escrow and reserve accounts, on behalf of borrowers, that are reported as "Deposits and Other Liabilities."

Citigroup Global Markets: The Loan Agreements were made and entered into by and between the Agency and Citibank, N.A., as lender, under the Zenovich-Moscone-Chacon Housing and Home Finance Act. Pursuant to the Loan Agreements, the proceeds of the Agency Loans will be used to retire certain indebtedness of the Agency including to refund and redeem all or a portion of certain Multifamily Rental Housing Bonds of the Agency that were originally issued to finance the Projects, and for other valid purposes of the Agency under the Act.

Operating Account: The Operating Account was established for purposes of depositing funds available to the Agency for payment of operating and administrative expenses of the Agency and financing expenditures not associated with specific bond funds.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Accounting: The Fund is accounted for as an enterprise fund. Accordingly, the accompanying financial statements have been prepared using the accrual method of accounting and on the basis of accounting principles generally accepted in the United States of America (hereinafter referred to as "Generally Accepted Accounting Principles").

Recently Adopted Accounting Pronouncements: The Agency adopted GASB 65 for the period ending June 30, 2014. In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for period beginning after December 15, 2012, with earlier application encouraged. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations.* This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting period beginning after December 15, 2013. GASB 69 was determined to have no effect on the Agency. In April 2013, the GASB issued Statement No 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees.* This statement will enhance comparability of financial statements among governments by requiring consistent reporting by both governments that extend nonexchange financial guarantees and those governments that receive nonexchange financial guarantees, effective for reporting periods beginning after June 15, 2013. GASB 70 was determined to have no effect on the Agency.

New Accounting Pronouncements: In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, effective for fiscal years beginning after June 15, 2014, with earlier applications encouraged. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions, and to improve information provided by state and local governmental employers about financial support for pensions that is provided by other entities. In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68. The Agency will apply all applicable Statements, with effective date starting July 1, 2014.

Use of Estimates: The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates are used in determining the fair values of the interest rate swaps. The fair values of the swaps are based on factors such as future interest rates and a discount rate. Actual results could differ materially from those estimates.

Cash and Cash Equivalents: The Agency considers cash on hand, cash on deposit with financial institutions and cash held in money market funds to be cash and cash equivalents.

Investments: All investments are reported at fair value as determined by financial services providers or financial publications, except for certain non-participating fixed interest investment contracts which are valued using cost based measures. The net increase (decrease) in the fair value of investments includes both realized and unrealized gains and losses.

Interest Rate Swap Agreements: The Agency enters into interest rate swap agreements with swap counterparties to manage variable interest rate risk exposure resulting from the issuance of variable rate bonds. The interest rate swap agreements provide synthetic fixed rates of interest on the underlying bonds and are accounted for as matched swaps in accordance with settlement accounting. An interest rate swap is considered to be a matched swap if it is linked through designation with an asset or liability that is on the statements of net position, provided that it has the opposite interest characteristics of such Statements of net position item. Under settlement accounting, periodic net cash settlements under the swap agreements are treated as an increase or decrease in interest expense of the related bond liability over the lives of the agreements. While these swap contracts hedge floating rate bonds issued within the HMRB indenture, hedging expenses are a general obligation of the Agency that is often reimbursed with excess revenue transfers from the HMRB indenture. The interest rate swap agreements allow the Agency to manage the interest rate risk associated with variable rate debt.

Program Loans Receivable, net: Loans receivables are carried at their outstanding principal balances, less an allowance for loan losses.

Allowance for Program Loan Losses: The Agency's policy is to charge expenses for estimated probable losses which are established as an allowance for loan losses. The allowance is an amount that management believes will be adequate to absorb losses inherent in existing loans based on evaluations of collectability and prior loss experience. The evaluations take into consideration such factors as changes in the nature and volume of the portfolio, overall portfolio quality, loan concentrations, specific problem loans, delinquencies, and anticipated economic and other conditions that may affect the borrowers' ability to repay the loans. While management uses the best information available to evaluate the adequacy of its allowance, future adjustments to the allowance may be necessary if actual experience differs from the factors used in making the evaluations.

Other Real Estate Owned ("REO"): Property acquired by the Agency through foreclosure is recorded at the lower of estimated fair value less estimated selling costs (fair value) or the carrying value of the related loan at the date of foreclosure and is included in "Other Assets" on the accompanying financial statements. At the time the property is acquired, if the fair value is less than the loan amounts outstanding, any difference is charged against the allowance for loan losses. After acquisition, valuations are periodically performed and, if the carrying value of the property exceeds the current fair value, a valuation allowance is established by a charge to operations. Subsequent increases in the fair value may reduce or eliminate the allowance. Operating costs on foreclosed real estate are expensed as incurred. Costs incurred for physical improvements to foreclosed real estate are capitalized if the value is recoverable through future sale.

Bonds Payable and Notes Payable, net: Bonds Payable and Notes Payable are carried at their outstanding principal balances plus unamortized bond premiums and less unamortized bond discounts and deferred losses on refundings.

Bond Premium and Discount: Premium and discount on bonds are deferred and amortized over the life of the related bond issue using the straight line method of amortization.

Compensated Absences: Agency employees accrue vacation or annual leave in varying amounts for each monthly period worked. Employees may accumulate leave time, subject to certain limitations, and upon retirement, termination, or death may be compensated for certain accumulated amounts at their then current rates of pay. The Agency records an expense for all accumulated leave that the Agency would be required to pay if all employees terminated their employment.

Unearned Revenue: Unearned revenue represents the receipt of certain loan fees from lenders and borrowers, which is generally recognized as revenue over the life of the associated loans. Also included in unearned revenue is the cumulative amount by which pass-through revenues exceed expenses and allowable costs of issuance of certain programs.

Net Position: Net Position is equal to assets plus deferred outflows of resources less the sum of liabilities plus deferred inflows of resources. Net position is classified as net investment in capital assets or restricted net position. Net investment in capital assets represents investments in office equipment and furniture net of depreciation. Restricted net position represents net position balances under the lien of bond indentures that are therefore pledged to bondholders. State statutes further restrict other net position of the Fund solely for purposes of the Agency and provide for a continuing appropriation of such assets for the benefit of bondholders.

Extinguishment of Debt: The Agency accounts for gains and losses associated with debt refundings by deferring such gains or losses and recognizing them as revenues or expenses over the shorter of the term of the bonds extinguished or the term of the refunding bonds. Gains or losses associated with debt redemptions and maturing principal, other than refundings, are recognized as income or expense at the date of the extinguishment.

Operating Revenues and Expenses: The Fund's primary operating revenue is derived from the investment of bond proceeds in the loan programs and investment securities. The primary expense is interest expense on bonds outstanding. Net interest income is an important measure of performance for the Fund. "Interest income program loans" and "interest income investments-net" are shown as operating revenues in the statements of Revenue, Expenses and Changes in Net Position.

Other Operating Revenues and Expenses: The Agency administers certain Section 8 contracts under the HUD guidelines of New Construction and Substantial Rehabilitation. Included in most contracts is an administrative fee earned by the Agency which totaled $1.4 million and $1.7 million for years ended June 30, 2014 and 2013, respectively. The Agency also administers National Foreclosure Mitigation Counseling Program ("FMC"). The HUD and FMC pass-through payments aggregated $61.1 million and $66.6 million for the years ended June 30, 2014 and 2013, respectively, and are reported as other operating revenues and expenses within Other Programs and Accounts.

Note 3– PRIOR-PERIOD ADJUSTMENTS

The Agency had a correction of an error related to the HMRB allowance for loan loss for the year ended June 30, 2013. The Agency discovered the HMRB allowance for loan loss was overstated by a total of $39.5 million - $16.4 million in fiscal year 2013 and $23.1 million in fiscal year 2012. The effect of which understated both the total net programs loan receivable and net position for each of the fiscal years. The Agency has restated net position as of July 1, 2012 by $23.1 million and adjusted the change in net position by $16.4 million.

Net position, July 1, 2012 as previously stated	$	1,449,812
Adjustment to correct overstatement of mortgage receivable allowance		23,077
Net position, July 1, 2012, as restated	$	1,472,889

Decrease in Net position, June 30, 2013, as previously stated	$	(31,167)
Adjustment to correct overstatement of mortgage receivable allowance		16,417
Decrease in Net position, June 30, 2013, as restated	$	(14,750)

Note 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS

The Fund utilizes a cash and investment pool maintained by the State Treasurer's office. Each program and account's portion of this pool is included in investments on the statements of net position. In addition, other types of investments are separately held by most of the programs and accounts.

Cash and Cash Equivalents: At June 30, 2014 and 2013, all cash and cash equivalents, totaling $40.5 million and $34.7 million, respectively, were covered by federal depository insurance or by collateral held by the Agency's agent in the Agency's name. As of June 30, 2014, the total cash balance at Bank of America was $32.3 million and of that balance, $4.1 million was identified as float balance and was not collateralized by the bank.

Investments: Investment of funds is restricted by the Act and the various bond resolutions and indentures of the Agency, generally, to certain types of investment securities, including direct obligations of the U.S. Government and its agencies, the State Treasurer's Pooled Money Investment Account, long term investment agreements which are issued by institutions rated within the top two ratings of a nationally recognized rating service, and other financial instruments. Investments of funds are also made in accordance with the Agency's Investment Policy.

The Agency entered into an U.S. Bank National Association Daily Liquid (open-ended) Commercial Paper (Open CP) agreement with U.S. Bank in March, 2013. The Open CP agreements are unsecured promissory notes issued by U.S. Bank National Association. The Open CP is not insured by Federal Deposit Insurance Corporation ("FDIC") or guaranteed by any governmental agency or authority, or by U.S. Bank. As of June 30, 2014 and 2013 the par value and market value of Open CP agreements were $34.7 million and $32.0 million, respectively.

The Agency is required to post collateral based on the Agency's current Long Term Debt Ratings assigned by either Standard and Poor's Rating Group or Moody's Investor Service, Inc., as set forth in each International Swap Dealers Association, Inc. ("ISDA") Master Agreement (see Note 7). The total cash and fair market value of investment securities posted as collateral at June 30, 2014 and 2013 was $56 million and $61.9 million, respectively.

Investments at June 30, 2014 and 2013 are as follows (dollars in thousands):

	Fair Value June, 30 2014	**Fair Value June, 30 2013**
U.S. Agency Securities --- GNMA's	$ 206,050	$ 250,223
Federal Agency Securities	197,062	239,768
Investment Agreements --- Financial Institutions (at cost)	41,936	61,381
Other Investments:		
Surplus Money Investment Fund --- State of California	1,040,555	1,238,133
US Bank NA Open CP	34,718	32,011
Other Investment Agreements (at cost)	24,289	44,233
Total Investments	$ 1,544,610	$ 1,865,749
Current portion		
Noncurrent portion	1,141,498	1,375,758
	403,112	489,991
Total	$ 1,544,610	$ 1,865,749

Note 5 – INVESTMENT RISK FACTORS

Investments by type at June 30, 2014 and 2013 consist of the following (dollars in thousands):

	2014 Totals	2013 Totals
U.S. Agency Securities --- GNMA's	$ 206,050	$ 250,223
Federal Agency Securities	197,062	239,768
Investment Agreements --- Financial Institutions (at cost)	66,225	105,614
US Bank NA Open CP	34,718	32,011
Surplus Money Investment Fund --- State of California	1,040,555	1,238,133
Total Investments	$ 1,544,610	$ 1,865,749

There are many factors that can affect the value of investments. Some, such as credit risk, custodial credit risk, and concentration of credit risk and interest rate risk, may affect both equity and fixed income securities. Equity and debt securities respond to such factors as economic conditions, individual company earnings performance and market liquidity, while fixed income securities are particularly sensitive to credit risks and changes in interest rates. It is the investment policy of the Agency to invest substantially all of its funds in fixed income securities, which limits the Agency's exposure to most types of risk.

Credit Risk: Fixed income securities are subject to credit risk, which is the chance that an issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. Certain fixed income securities, including obligations of the U.S. government or those explicitly guaranteed by the U.S. government are not considered to have credit risk.

The credit risk profile for fixed income securities at June 30, 2014 and 2013 are as follows (dollars in thousands):

	2014 Totals	2013 Totals
Fixed income securities:		
U.S. government guaranteed	$ 403,112	$ 489,991
Guaranteed interest contracts:		
Rated Aaa/NR	-	6,059
Rated Aa1/AA+	-	10
Rated Aa2/AA-	5,051	6,675
Rated A1+/P1	34,718	32,011
Rated A1/AA+	3,324	6,078
Rated A1/AA-	18,495	32,893
Rated A2/A	33,305	53,899
Rated A3/NR	6,050	-
Total fixed income securities	$ 504,055	$ 627,616

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of the custodian, the investments may not be returned. At June 30, 2014, the Agency did not have any investments exposed to custodial credit. All investments are held by the State of California or by pledging financial institutions in the name of the Agency.

Concentration of Credit Risk: Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the Agency to greater risks resulting from adverse economic, political, regulatory, geographic, or credit developments. Investments issued or guaranteed by the U.S. government and investments in external investment pools, such as the commingled funds managed by the Agency are not considered subject to concentration of credit risk. At June 30, 2014, no investments in any one issuer exceed 5% of the net position, except for securities issued by the U.S. government or its agencies.

Interest Rate Risk: Interest rate risk is the risk that the value of fixed income securities will decline due to decreasing interest rates. The terms of a debt investment may cause its fair value to be highly sensitive to interest rate changes. At June 30, 2014, the Agency does not have any debt investments that are highly sensitive to changes in interest rates.

Effective duration is the approximate change in price of a security resulting from a 100 basis points (1 percentage point) change in the level of interest rates. It is not a measure of time. The guaranteed interest contracts are valued at par and therefore not subject to interest rate risk. The effective duration for U.S. government guaranteed fixed income securities at June 30, 2014 and 2013 are as follows:

	2014	2013
Fixed income securities:		
U.S. government guaranteed	15.70	16.00

Note 6 – PROGRAM LOANS RECEIVABLE

Changes in program loans receivable for the years ended June 30, 2014 and 2013 are as follows (dollars in thousands):

	2014 Totals	Restated 2013 Totals
Beginning of year balance	$ 4,505,952	$ 5,140,443
Loans purchased/funded	89,158	266,489
Noncash transfers - REO	(11,073)	(86,662)
Amortized principal repayments	(195,023)	(234,687)
Prepayments	(490,870)	(575,547)
Principal Reduction Program	(11,719)	(18,094)
Chargeoffs	(14,568)	(55,365)
Unamortized Mortgage Discount	146	146
Transfer to REO- net of write-down	6,691	66,059
Allowance for loan loss	27,591	3,170
	$ 3,906,285	$ 4,505,952
Current portion	$ 124,730	$ 154,984
Noncurrent portion	3,781,555	4,350,968
Total	$ 3,906,285	$ 4,505,952

Note 7 – ALLOWANCE FOR PROGRAM LOAN LOSSES

Changes in the allowance for program loan losses for the year ended June 30, 2014 and 2013 are as follows (dollars in thousands):

	2014 Totals	Restated 2013 Totals
Beginning of year balance	$ 173,528	$ 176,697
Provisions for program loan losses	(13,022)	52,196
Chargeoffs	(14,568)	(55,365)
End of year balance	$ 145,938	$ 173,528

Note 8 – BONDS AND NOTES PAYABLE AND ASSOCIATED INTEREST RATE SWAPS

The Act empowers the Agency, on behalf of the Fund, to issue both federally taxable and tax exempt bonds and notes. Bonds and notes issued by the Agency are not debts of the State but are special and general obligations of the Agency payable solely from and collateralized by the revenues and other assets pledged under the respective indentures. The Act provides the Agency with the authority to have outstanding bonds or notes, at any one time, in the aggregate principal amount of $13.15 billion excluding refunding issues and certain taxable securities.

The Agency, on behalf of the Fund, as part of its interest rate risk management program, has entered into interest rate swap agreements with various counterparties wherein the Agency has agreed to pay fixed or variable rates of interest and receive floating rate payments.

Bonds payable and the terms, outstanding notional amounts, and fair value of associated interest rate swaps as of June 30, 2014 are as follows (dollars in thousands):

	Bonds					
Bond Issue	Type of Bond	Interest Rate Range	Final Maturity Date	Outstanding Fixed	Outstanding Variable	Total
Home Mortgage Revenue Bonds:						
2000 Series J	Tax-Exempt					
2000 Series N	Tax-Exempt	0.070%	2031		$ 13,475	$ 13,475
2000 Series V	Taxable	0.440%	2032		10,120	10,120
2000 Series V	Taxable	0.440%	2032		13,475	13,475
2000 Series X-2	Tax-Exempt					
2000 Series Z	Taxable	0.420%	2031		29,715	29,715
2001 Series D	Taxable	0.550%	2022		35,505	35,505
2001 Series G	Taxable	0.490%	2029		28,290	28,290
2001 Series J	Tax-Exempt					
2001 Series K	Taxable	0.480%	2032		37,610	37,610
2001 Series N	Tax-Exempt					
2001 Series O	Taxable	0.510%	2032		35,420	35,420
2001 Series S	Taxable	0.550%	2023		25,070	25,070
2001 Series U	Tax-Exempt	0.070%	2032		18,000	18,000
2001 Series V	Taxable	0.370%	2031		13,600	13,600
2002 Series B	Tax-Exempt					
2002 Series C	Taxable	0.490%	2033		21,210	21,210
2002 Series F	Tax-Exempt					
2002 Series H	Taxable	0.490%	2022		15,875	15,875
2002 Series J	Tax-Exempt	0.070%	2033		36,100	36,100
2002 Series L	Taxable	0.490%	2024		17,940	17,940
2002 Series M	Tax-Exempt	0.060%	2025		18,390	18,390
2002 Series P	Tax-Exempt					
2003 Series H	Tax-Exempt	0.070%	2032		16,650	16,650
2003 Series I	Taxable	0.420%	2033		27,415	27,415
2003 Series K	Tax-Exempt	0.060%	2033		25,005	25,005
2003 Series L	Taxable	0.420%	2034		20,850	20,850
2003 Series M	Tax-Exempt	0.070%	2034		51,665	51,665
2003 Series N	Taxable	0.450%	2034		20,660	20,660
2004 Series A	Tax-Exempt					
2004 Series E	Tax-Exempt	0.060%	2035		53,495	53,495
2004 Series F	Taxable	0.430%	2035		33,675	33,675
2004 Series G	Tax-Exempt					

Swaps

Type	**Fixed Rate Paid By Agency**	**Floating Rate Received By Agency**	**Effective Date**	**Termination Date**	**Outstanding Notional/Applicable Amount**	**Fair Value**
Fixed payer	4.9000%	LIBOR @ 65%	5/25/00	8/1/30	$ 17,775	$ (3,846)
Fixed payer	4.5275%	LIBOR @ 65%	10/5/00	8/1/15	7,670	(190)
Fixed payer	7.0960%	6 mo LIBOR	10/5/00	8/1/14	2,075	(12)
Fixed payer	4.5100%	LIBOR @ 65%	12/13/00	8/1/31	20,540	(3,926)
Fixed payer	6.8430%	3 mo LIBOR	12/13/00	8/1/16	8,565	(494)
Fixed payer	6.2150%	3 mo LIBOR+.26%	1/25/01	8/1/19	22,250	(2,489)
Fixed payer	6.0100%	3 mo LIBOR+.20%	4/5/01	2/1/16	8,965	(499)
Fixed payer	4.1430%	LIBOR @ 65%	5/31/01	8/1/24	23,460	(2,031)
Fixed payer	3.9910%	LIBOR @ 65%	7/26/01	8/1/18	3,650	(302)
Fixed payer	6.3600%	3 mo LIBOR+.27%	7/26/01	8/1/20	26,020	(3,323)
Fixed payer	5.5300%	3 mo LIBOR+.31%	10/10/01	8/1/18	14,315	(1,027)
Fixed payer	4.1300%	SIFMA less .15%	12/6/01	8/1/32	31,440	(3,939)
Fixed payer	3.8880%	LIBOR @ 65%	4/18/02	8/1/27	31,535	(4,976)
Fixed payer	3.9940%	LIBOR @ 65%	6/6/02	2/1/24	25,125	(3,178)
Fixed payer	3.8630%	LIBOR @ 65%	8/8/02	8/1/32	42,265	(4,158)
Fixed payer	3.7280%	LIBOR @ 65%	10/17/02	8/1/22	35,755	(3,162)
Fixed payer	3.1480%	LIBOR @ 65%	12/12/02	8/1/22	45,800	(3,621)
Fixed payer	3.0875%	LIBOR @ 60%+.26%	8/1/04	8/1/30	19,450	(1,287)
Fixed payer	3.6100%	LIBOR @ 60%+.26%	2/1/05	2/1/34	38,205	(3,980)

Bond Issue	Type of Bond	Interest Rate Range	Final Maturity Date	Outstanding Fixed	Outstanding Variable	Total
	Bonds					
2004 Series G	Tax-Exempt					
2004 Series I	Tax-Exempt					
2005 Series A	Tax-Exempt	0.060%	2035		72,440	72,440
2005 Series B	Tax-Exempt					
2005 Series B	Tax-Exempt	0.060%	2035		71,780	71,780
2005 Series D	Tax-Exempt	0.070%	2038		37,125	37,125
2005 Series F	Tax-Exempt	0.060%	2037		27,570	27,570
2005 Series F	Tax-Exempt	0.060%	2038		58,945	58,945
2005 Series H	Tax-Exempt					
2006 Series C	Tax-Exempt	0.060%	2037		10,385	10,385
2006 Series C	Tax-Exempt	0.060%	2037		71,120	71,120
2006 Series D	Tax-Exempt	4.250% - 4.400%	2017	19,500		19,500
2006 Series E	Tax-Exempt	4.600% - 5.000%	2026	34,600		34,600
2006 Series F	Tax-Exempt					
2006 Series F	Tax-Exempt	0.050%	2041		35,310	35,310
2006 Series G	Tax-Exempt	3.700% - 3.875%	2016	9,470		9,470
2006 Series H	Tax-Exempt	5.750%	2030	9,850		9,850
2006 Series I	Tax-Exempt	4.600% - 4.875%	2041	53,105		53,105
2006 Series J	Tax-Exempt	4.125% - 4.150%	2016	5,605		5,605
2006 Series K	Tax-Exempt	4.550% - 5.500%	2042	107,380		107,380
2006 Series L	Tax-Exempt	4.100% - 4.150%	2016	7,080		7,080
2006 Series M	Tax-Exempt	4.625% - 5.000%	2042	84,775		84,775
2007 Series A	Taxable	5.720%	2032	84,120		84,120
2007 Series B	Taxable	0.420%	2042		40,000	40,000
2007 Series C	Taxable	0.420%	2042		20,000	20,000
2007 Series D	Tax-Exempt	4.200% - 4.400%	2018	27,065		27,065
2007 Series E	Tax-Exempt	4.700% - 5.000%	2042	88,810		88,810
2007 Series F	Tax-Exempt	4.550% - 4.700%	2017	19,570		19,570
2007 Series G	Tax-Exempt	4.950% - 5.500%	2042	90,870		90,870
2007 Series H	Tax-Exempt					
2007 Series H	Tax-Exempt	0.050%	2042		41,930	41,930
2007 Series I	Tax-Exempt	4.200% - 4.350%	2017	7,580		7,580
2007 Series J	Tax-Exempt	5.750%	2047	9,655		9,655
2007 Series K	Tax-Exempt	0.050%	2037		4,710	4,710
2007 Series K	Tax-Exempt	0.050%	2038		25,000	25,000
2007 Series M	Taxable	5.835%	2032	74,455		74,455
2007 Series N	Taxable	0.420%	2043		60,000	60,000
2008 Series A	Tax-Exempt	3.900% - 4.500%	2020	26,015		26,015
2008 Series B	Tax-Exempt	4.800% - 5.000%	2028	11,710		11,710
2008 Series C	Tax-Exempt					
2008 Series C	Tax-Exempt					
2008 Series C	Tax-Exempt	0.050%	2041		3,310	3,310
2008 Series C	Tax-Exempt	0.050%	2041		7,760	7,760
2008 Series D	Tax-Exempt	0.050%	2043		1,680	1,680
2008 Series D	Tax-Exempt	0.050%	2043		2,595	2,595
2008 Series D	Tax-Exempt	0.050%	2043		1,355	1,355
2008 Series D	Tax-Exempt	0.050%	2043		3,865	3,865
2008 Series D	Tax-Exempt	0.050%	2031		8,445	8,445
2008 Series D	Tax-Exempt	0.050%	2031		9,940	9,940
2008 Series D	Tax-Exempt	0.050%	2043		4,210	4,210
2008 Series E	Tax-Exempt					
2008 Series F	Tax-Exempt	0.050%	2032		12,415	12,415
2008 Series G	Taxable	6.000%	2025	50,000		50,000
2008 Series H	Taxable	4.950%	2020	60,275		60,275
2008 Series I	Taxable					

Swaps

Type	Fixed Rate Paid By Agency	Floating Rate Received By Agency	Effective Date	Termination Date	Outstanding Notional/Applicable Amount	Fair Value
Fixed payer	4.0821%	LIBOR @ 60%+.26%	8/1/04	2/1/35	1,645	(5)
Fixed payer	3.5600%	LIBOR @ 60%+.26%	8/4/04	2/1/33	11,980	(1,199)
Fixed payer	3.8040%	LIBOR @ 60%+.26%	4/5/05	8/1/35	72,440	(12,184)
Fixed payer	3.0490%	LIBOR @ 60%+.26%	7/1/05	2/1/16	12,010	(261)
Fixed payer	3.7260%	LIBOR @ 60%+.26%	7/1/05	2/1/35	2,430	(124)
Fixed payer	3.1580%	LIBOR @ 60%+.26%	5/19/05	2/1/36	35,130	(526)
Fixed payer	3.3860%	LIBOR @ 60%+.26%	7/28/05	2/1/38	32,135	(1,030)
Fixed payer	3.8570%	LIBOR @ 62%+.25%	12/15/05	2/1/36	24,860	(915)
Fixed payer	4.0590%	LIBOR @ 62%+.25%	4/19/06	2/1/37	56,835	(3,102)
Fixed payer	4.2550%	LIBOR @ 62%+.25%	7/27/06	8/1/40	36,000	(1,584)
Fixed payer	4.1360%	LIBOR @ 62%+.25%	7/27/06	2/1/41	60,000	(4,348)
Fixed payer	4.0480%	LIBOR @ 62%+.25%	8/8/07	2/1/31	50,000	(3,928)
Fixed payer	4.2360%	LIBOR @ 62%+.25%	8/8/07	2/1/38	50,000	(5,008)
Fixed payer	3.9870%	LIBOR @ 63%+.24%	11/7/07	8/1/32	25,000	(1,424)
Fixed payer	4.0400%	LIBOR @ 63%+.24%	11/7/07	2/1/38	25,000	(1,391)
Fixed payer	4.8000%	LIBOR @ 65%	4/6/00	2/1/23	2,225	(546)
Fixed payer	4.1430%	LIBOR @ 65%	5/31/01	8/1/24	9,715	(1,890)
Fixed payer	3.9940%	LIBOR @ 65%	6/6/02	2/1/24	7,005	(1,354)
Fixed payer	3.8630%	LIBOR @ 65%	8/8/02	8/1/32	7,760	(1,768)
Fixed payer	4.9000%	LIBOR @ 65%	5/25/00	8/1/30	1,680	(607)
Fixed payer	4.1430%	LIBOR @ 65%	5/31/01	8/1/24	2,595	(428)
Fixed payer	3.9910%	LIBOR @ 65%	7/26/01	8/1/18	1,355	(166)
Fixed payer	4.1300%	SIFMA less .15%	12/6/01	8/1/32	3,865	(823)
Fixed payer	4.8500%	LIBOR @ 65%	11/18/08	2/1/17	11,275	(448)
Fixed payer	4.8000%	LIBOR @ 65%	4/6/00	2/1/23	8,070	(911)
Fixed payer	4.8000%	LIBOR @ 65%	11/18/00	2/1/17	4,210	(464)
Fixed payer	4.6600%	LIBOR @ 65%	11/18/08	2/1/16	4,255	(154)
Fixed payer	3.8700%	LIBOR @ 65%	11/18/08	8/1/17	12,415	(590)
Fixed payer	6.1950%	LIBOR	8/1/02	8/1/14	505	(3)

Bond Issue	Type of Bond	Interest Rate Range	Final Maturity Date	Outstanding Fixed	Outstanding Variable	Total
			Bonds			
2008 Series I	Taxable					
2008 Series J	Tax-Exempt	4.850% - 5.125%	2018	21,355		21,355
2008 Series K	Tax-Exempt	5.300% - 5.550%	2033	81,720		81,720
2008 Series L	Tax-Exempt	5.200% - 5.550%	2038	99,705		99,705
Housing Program Bonds:						
2006 Series A	Tax-Exempt	4.750% - 4.950%	2036	40,390		40,390
Residential Mortgage Revenue Bonds:						
2009 Series A-5	Tax-Exempt	3.160%	2041	327,060		327,060
2009 Series A-6	Tax-Exempt	3.270%	2030	69,950		69,950
2010 Series A	Tax-Exempt	2.000% - 4.625%	2027	17,420		17,420
2011 Series A	Tax-Exempt	1.750% - 4.750%	2028	47,850		47,850
2013 Series A	Taxable	2.900%	2042	79,631		79,631
2013 Series B	Taxable	2.900%	2042	29,641		29,641
Multifamily Loan Purchase Bonds:						
2000 Series A	Taxable	Variable	2017		3,759	3,759
Multifamily Housing Revenue Bonds III:						
1997 Series A	Tax-Exempt	5.950% - 6.000%	2038	52,275		52,275
1998 Series A	Tax-Exempt	5.400% - 5.500%	2038	23,610		23,610
1998 Series B	Tax-Exempt	5.400% - 5.500%	2039	57,860		57,860
1998 Series C	Tax-Exempt	5.200% - 5.300%	2022	3,470		3,470
1999 Series A	Tax-Exempt	5.200% - 5.375%	2036	26,930		26,930
2000 Series B	Tax-Exempt					
2000 Series D	Tax-Exempt					
2001 Series D	Tax-Exempt	0.051%	2021		520	520
2001 Series E	Tax-Exempt	0.063%	2036		30,295	30,295
2001 Series F	Tax-Exempt	0.052%	2032		10,710	10,710
2001 Series G	Tax-Exempt	0.130%	2025		2,885	2,885
2001 Series G	Tax-Exempt	0.130%	2036		9,895	9,895
2001 Series G	Tax-Exempt	0.130%	2036		7,730	7,730
2002 Series A	Tax-Exempt					
2002 Series A	Tax-Exempt					
2002 Series B	Tax-Exempt					
2002 Series C	Tax-Exempt					
2002 Series C	Tax-Exempt					
2002 Series D	Tax-Exempt	0.051%	2033		3,795	3,795
2002 Series E	Tax-Exempt	0.063%	2037		2,915	2,915
2002 Series E	Tax-Exempt	0.063%	2037		11,795	11,795
2003 Series C	Tax-Exempt	0.384%	2038		25,915	25,915
2004 Series A	Tax-Exempt					
2004 Series B	Tax-Exempt	0.884%	2036		1,610	1,610
2004 Series B	Tax-Exempt	0.884%	2036		5,530	5,530
2004 Series B	Tax-Exempt	0.884%	2036		4,880	4,880
2004 Series B	Tax-Exempt	0.884%	2036		11,720	11,720
2004 Series B	Tax-Exempt	0.884%	2036		1,520	1,520
2004 Series C	Tax-Exempt	0.302%	2037		5	5
2004 Series C	Tax-Exempt	0.302%	2037		6,630	6,630
2004 Series D	Tax-Exempt	0.302%	2039		41,330	41,330
2005 Series A	Tax-Exempt					
2005 Series B	Tax-Exempt					
2005 Series B	Tax-Exempt					

Swaps

Type	**Fixed Rate Paid By Agency**	**Floating Rate Received By Agency**	**Effective Date**	**Termination Date**	**Outstanding Notional/Applicable Amount**	**Fair Value**
Fixed payer	7.1100%	LIBOR	11/18/08	8/1/22	27,025	(5,858)
Fixed payer	4.5850%	LIBOR @ 64%	7/12/00	2/1/31	1,015	(157)
Fixed payer	4.3950%	LIBOR @ 64%	11/18/08	2/1/31	11,890	(2,583)
Fixed payer	4.4520%	SIFMA less .20%	6/28/01	8/1/22	1,895	(267)
Fixed payer	4.7120%	SIFMA less .15%	6/28/01	2/1/36	42,775	(9,987)
Fixed payer	4.0290%	SIFMA less .20%	2/1/02	2/1/32	12,100	(1,674)
Fixed payer	4.2050%	SIFMA less .15%	2/1/02	8/1/36	2,900	(445)
Fixed payer	4.2050%	SIFMA less .15%	2/1/02	8/1/36	35,175	(6,438)
Fixed payer	4.5950%	SIFMA less .15%	2/1/04	2/1/34	8,430	(1,877)
Fixed payer	4.5000%	SIFMA less .15%	8/1/02	8/1/32	14,775	(2,850)
Fixed payer	4.8900%	SIFMA less .15%	2/2/04	2/1/37	10,375	(2,788)
Fixed payer	4.0370%	SIFMA less .20%	2/1/03	2/1/35	21,080	(3,463)
Fixed payer	4.4050%	SIFMA less .15%	2/1/04	2/1/37	12,465	(2,748)
Fixed payer	4.6380%	SIFMA less .15%	8/1/05	8/1/37	14,605	(3,500)
Fixed payer	4.0850%	SIFMA less .20%	2/3/03	2/1/35	10,460	(1,923)
Fixed payer	4.1510%	SIFMA less .15%	2/3/03	2/1/35	13,845	(2,591)
Fixed payer	4.5710%	SIFMA less .15%	11/1/04	8/1/37	37,120	(9,264)
Fixed payer	3.0590%	LIBOR @ 60%+.21%	8/1/04	8/1/34	17,230	(1,656)
Fixed payer	3.6920%	LIBOR @ 60%+.26%	8/1/06	8/1/36	11,340	(1,376)
Fixed payer	3.3300%	LIBOR @ 60%+.26%	8/1/04	8/1/34	4,740	(388)
Fixed payer	4.9783%	SIFMA less .15%	8/1/06	2/1/39	11,755	(2,166)
Fixed payer	4.5390%	SIFMA less .15%	8/1/04	8/1/34	2,245	(331)
Fixed payer	3.4350%	LIBOR @ 60%+.21%	2/1/05	8/1/25	6,750	(743)
Fixed payer	3.5640%	SIFMA less .20%	7/1/05	8/1/35	2,105	(282)
Fixed payer	3.9540%	SIFMA less .15%	6/15/05	8/1/35	2,410	(303)
Fixed payer	4.0790%	SIFMA less .15%	2/1/07	2/1/37	22,215	(3,145)

Bond Issue	Type of Bond	Interest Rate Range	Final Maturity Date	Bonds Outstanding Fixed	Outstanding Variable	Total
2005 Series B	Tax-Exempt					
2005 Series C	Tax-Exempt	4.000% - 4.900%	2036	7,835		7,835
2005 Series D	Tax-Exempt	0.060%	2038		15,805	15,805
2005 Series E	Tax-Exempt	4.450% - 5.125%	2038	18,655		18,655
2006 Series A	Tax-Exempt					
2006 Series A	Tax-Exempt					
2006 Series A	Tax-Exempt					
2007 Series B	Tax-Exempt					
2007 Series B	Tax-Exempt					
2007 Series C	Tax-Exempt	0.051%	2042		5,000	5,000
2007 Series C	Tax-Exempt	0.051%	2040		4,535	4,535
2008 Series A	Tax-Exempt	0.051%	2040		7,415	7,415
2008 Series B	Tax-Exempt	0.063%	2036		16,890	16,890
2008 Series B	Tax-Exempt	0.063%	2038		9,230	9,230
2008 Series C	Tax-Exempt	0.071%	2038		5,290	5,290
2008 Series C	Tax-Exempt	0.071%	2036		12,625	12,625
2008 Series C	Tax-Exempt	0.708%	2038		740	740
2014 Series A	Tax-Exempt	0.850% - 4.800%	2049	38,915		38,915
Affordable Multifamily Housing Revenue Bonds:						
2009 Series A-21	Tax-Exempt	2.320%	2046	53,920		53,920
2009 Series A-22	Tax-Exempt	2.320%	2039	35,180		35,180
				2,014,862	1,512,069	3,526,931
Unamortized discount						(215)
Unamortized premium						6,036
						$ 3,532,752

Swaps

Type	**Fixed Rate Paid By Agency**	**Floating Rate Received By Agency**	**Effective Date**	**Termination Date**	**Outstanding Notional/Applicable Amount**	**Fair Value**
Fixed payer	3.9570%	SIFMA less .15%	8/1/07	2/1/38	3,630	(476)
Fixed payer	3.7010%	LIBOR @ 60%+.26%	2/1/06	2/1/38	27,420	(4,368)
Fixed payer	4.042% * HR	97% SIFMA & HR	6/15/06	8/1/27	5,720	(704)
Fixed payer	4.381% * HR	97% SIFMA & HR	6/15/06	8/1/39	8,595	(1,257)
Fixed payer	4.492% * HR	97% SIFMA & HR	6/15/06	2/1/41	3,925	(611)
Fixed payer	3.9370%	LIBOR @ 64%+.25%	7/12/07	2/1/22	1,910	(189)
Fixed payer	4.2220%	LIBOR @ 64%+.25%	8/1/09	2/1/40	5,585	(1,010)
Fixed payer	3.7280%	LIBOR @ 63%+.30%	2/1/08	8/1/42	5,620	(631)
Fixed payer	3.9190%	LIBOR @ 63%+.30%	11/1/09	8/1/40	13,260	(2,128)
Fixed payer	3.2950%	LIBOR @ 61%+.24%	11/1/09	8/1/40	9,755	(1,496)
Fixed payer	3.3850%	SIFMA less .15%	8/1/03	8/1/36	20,285	(2,086)
Fixed payer	4.2950%	SIFMA less .15%	8/1/05	2/1/38	25,820	(2,947)
Fixed payer	3.8830%	LIBOR @ 60%+.26%	12/1/04	8/1/38	8,085	(1,670)
Fixed payer	3.9680%	LIBOR @ 60%+.26%	7/1/05	2/1/36	12,625	(2,518)
Fixed payer	4.0600%	LIBOR @ 60%+.26%	2/1/06	8/1/38	8,395	(1,887)
					$ 1,516,605	$ (186,402)

Note Payable: The Agency entered into a loan agreement with Citibank N.A. on March 1, 2010. The Agency received funds for special bond redemptions in exchange for a total note payable of $95.1 million. The loan is collateralized by multifamily loan receivables. The outstanding maturity dates for the multifamily loan receivables range from September 1, 2015 to January 1, 2046 and the interest rates range from 5.25% to 9.00%. The Agency collects and remits the mortgage payments less servicing fees to Citibank on 27 multifamily loans. The Citibank loans note payable balance was $63.6 million and $81.1 million as of June 30, 2014 and 2013, respectively, as included in Notes Payable in the combined statements of net position. The table below provides a summary of the note payment requirements for the next five years and in five year increments thereafter (dollars in thousands).

Fiscal Year Ending June 30	Principal	Interest	Total
2015	$ 2,253	$ 3,342	$ 5,595
2016	2,339	3,210	5,549
2017	2,388	3,093	5,481
2018	2,529	2,962	5,491
2019	2,685	2,823	5,508
2020-2024	15,262	11,759	27,021
2025-2029	16,302	7,512	23,814
2030-2034	13,003	3,392	16,395
2035-2039	4,058	1,096	5,154
2040-2044	2,017	468	2,485
2045-2046	759	33	792
Total	$ 63,595	$ 39,690	$ 103,285

Conduit Debt Obligations: Beginning in 2009, the Agency has issued conduit housing revenue debt obligations to provide financial assistance for the acquisition, construction, and development of multifamily rental housing. They are limited obligations of the Agency, payable solely from the revenues and other funds and money pledged and assigned under the applicable indenture, series indenture, master pledge and assignment, or funding loan agreement. For the year ended June 30, 2014, the Agency elected to only disclose the conduit debt obligations in the notes to the financial statements. For the year ended June 30, 2013, the Agency adjusted the statement of net position by decreasing “Cash and cash equivalents” by $0.3 million, “Current portion-program loans receivable, net allowance” by $0.1 million, “Interest Receivable: Program loans, net” by $24 thousand, “Program loans receivable, net of allowance” by $320.0 million, “Current liabilities: Bonds payable” by $19.4 million, “Interest payable” by $23 thousand, and “Noncurrent liabilities: Bonds payable” by $300.9 million. Furthermore for the year ended June 30, 2013, the Agency adjusted the statements of cash flows by decreasing “Proceeds from sales of bonds” by $2.8 million, “Payment of bond principal” by $0.6 million, and “Early bond redemptions” by $23.5 million.

The Agency had 31 series of conduit debt obligations aggregating $341.0 million as of June 30, 2014 and 27 series of conduit debt obligations aggregating $320.4 million as of June 30, 2013. For the years ended June 30, 2014 and 2013, all the authorized conduit debt obligations were issued. For the years ended June 30, 2014 and 2013, the Agency issued $39.2 million and $2.5 million in conduit debt obligations, respectively.

The Agency may collect amounts from borrowers for application processing, issuance fees, administration fees, special issuer fees, unearned revenue-prepaid administration fees, and California Debt Limit Allocation Committee (CDLAC) performance fees. If the conduit debt obligations are issued, the CDLAC performance fees are returned. For the year ended June 30, 2014, the Agency collected $13 thousand in issuance fees, $2.6 million in administration fees, $0.2 million in special issuer fees, and $0.4 million in unearned revenue-prepaid administration fees. For the year ended June 30, 2013, the Agency collected $0.2 million in issuance fees, $1.9 million in administration fees, $0.3 million in special issuer fees, and $0.3 million in unearned revenue-prepaid administration fees. The collected amounts are used to pay the Agency’s operating expenses.

Reconciliation of Bonds Payable: Changes in bonds payable for the years ended June 30, 2014 and 2013 are as follows (dollars in thousands):

	2014 Totals	Restated 2013 Totals
Beginning of year balance	$ 4,498,536	$ 6,167,877
New bonds issued	38,915	133,760
Scheduled maturities	(63,893)	(99,328)
Redemptions	(943,972)	(1,700,310)
Amortized discount	27	173
Amortized premium	(1,657)	(2,105)
Amortized deferred loss	-	988
Additions to deferred loss	-	(2,519)
Reclassified deferred loss to deferred outflow	4,898	-
Additions to discount	(102)	-
End of year balance	$ 3,532,752	$ 4,498,536
Current portion	$ 67,904	$ 86,548
Noncurrent portion	3,464,848	4,411,988
Total	$ 3,532,752	$ 4,498,536

Variable Rate Debt and Debt Service Requirements: The Agency's variable rate debt is typically related to remarketed rates or common indices such as the Securities Industry and Financial Markets Association ("SIFMA") or the London Inter-Bank Offered Rate ("LIBOR") and resets periodically. The interest calculations shown in the table below are based on the variable rate in effect at June 30, 2014, and may not be indicative of the actual interest expense that will be incurred by the Fund. As rates vary, variable rate bond interest payments and net swap payments will vary. The table below provides a summary of debt service requirements and net swap payments for the next five years and in five year increments thereafter (dollars in thousands).

Fiscal Year	Fixed/Variable Unswapped		Variable Swapped		Interest Rate	
Ending June 30	Principal	Interest	Principal	Interest	Swaps, Net	Total
2015	$ 60,460	$91,049	$ 7,440	$ 930	$ 59,235	$ 219,114
2016	110,810	87,887	7,555	998	54,277	261,527
2017	100,365	84,064	8,105	993	49,760	243,287
2018	91,784	80,041	16,140	964	45,877	234,806
2019	83,160	76,435	16,685	909	42,208	219,397
2020-2024	511,670	332,847	98,285	3,687	166,938	1,113,427
2025-2029	551,950	230,872	130,550	2,587	118,379	1,034,338
2030-2034	624,350	133,212	264,000	1,211	67,388	1,090,161
2035-2039	357,570	70,784	178,415	281	19,022	626,072
2040-2044	254,222	22,341	38,595	39	930	316,127
2045-2049	14,025	1,684				15,709
2050	795	19				814
Total	$ 2,761,161	$ 1,211,235	$ 765,770	$ 12,599	$ 624,014	$ 5,374,779

As of June 30, 2014, the difference between the gross bonds payable and the net bonds payable was $5.8 million. This represented the aggregate of the unamortized bond premium and bond discount.

Objective of the Interest Rate Swaps*:* In order to protect against rising rates, the Agency primarily entered into swaps to establish synthetic fixed rates for a like amount of the Agency's variable rate bond obligations. The majority of the Agency's interest rate swap transactions are structured for the Agency to pay a fixed interest rate while receiving a variable interest rate (fixed payer swaps) and exceptions are listed under Basis Risk Associated with Interest Rate Swaps. Synthetic fixed rates provide the Agency with a significantly lower fixed cost of funds compared to issuing fixed-rate bonds; however, the increased risks related to the synthetic fixed rates have the effect of increasing costs to the Agency.

Terms, Fair Value and Credit Risk*:* The terms and fair values of the outstanding fixed payer swaps as of June 30, 2014 are summarized in the table at the beginning of Note 8. The terms and fair values of the outstanding basis swaps are summarized in the table under Basis Risk.

The fair value of the swaps is reported as "Derivative swap asset" within "Other assets" or as "Derivative swap liability" within "Other liabilities" in the statements of net position. The accumulated decrease or increase in the fair value of the effective swaps is reported as "Accumulated decrease in fair value of hedging derivatives" within "Deferred outflow of resources" or "Accumulated increase in fair value of hedging derivatives" within "Deferred inflow of resources" in the statements of net position. Alternatively, the gain or loss on the fair value of the ineffective swaps is reported as "Investment swap revenue" within "Other revenues" in the statements of revenues, expenses and changes in net position.

The Agency did not pay or receive any cash when swap transactions were initiated except for in-substance assignments. For the year ended June 30, 2014, 29 swaps with associated outstanding bonds were considered investment derivatives because they no longer met the criteria for effectiveness. Accordingly, the accumulated changes in fair value that were reported as deferred outflow of resources of $52.5 million as of June 30, 2013, along with the decrease in the fair value of the swaps for the year ended June 30, 2014 of $2.9 million are reported as "Investment swap revenue" within "Other revenues" for the year ended June 30, 2014. For the year ended June 30, 2013, 13 swaps with associated outstanding bonds were considered investment derivatives because they no longer met the criteria for effectiveness. Accordingly, the accumulated changes in fair value that were reported as deferred outflow of resources of $13.6 million as of June 30, 2012, along with the decrease in the fair value of the swaps for the year ended June 30, 2013 of $4.4 million are reported as "Investment swap revenue" within "Other revenues" for the year ended June 30, 2013. The following table summarizes the swap fair value activity in the statements of net position as of June 30, 2014 and 2013 and the statements of revenues, expenses, and changes in net position for the years ended June 30, 2014 and 2013 (dollars in thousands):

	2014	**2013**
Statements of Net Position:		
Derivative swap asset	$ 215	$ 137
Accumulated decrease in fair value of hedging derivatives	25,042	126,717
Derivative swap liability	186,402	217,718
Statements of Revenues, Expenses, and Changes in Net Position:		
Investment swap revenue	$ (70,280)	$ (6,124)

Except as discussed under rollover risk, the Agency's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated "bonds payable" category.

As of June 30, 2014, the Agency executed interest rate swap transactions with 11 swap counterparties. All of the Agency's interest rate swap agreements require the Agency to post collateral if its general obligation credit ratings, as issued by Moody's and Standard and Poor's fall below a certain level and if the fair value of the swaps breach a certain threshold. The collateral can be posted in several forms: cash, mortgage-backed securities, or treasuries. If the Agency does not post collateral, the interest rate swap can be terminated by the counterparty. The cash collateral and securities collateral are reported as "Current assets: Other Assets" and "Noncurrent assets: Investments," respectively, in the statements of net position. As of June 30, 2014, the Agency posted cash and fair value of mortgage-backed securities as collateral with swap counterparties in the amounts of $13.3 million and $42.7 million, respectively. As of June 30, 2013, the Agency posted cash and fair value of mortgage-backed securities as collateral in the amounts of $3.1 million and $58.7 million, respectively.

Because interest rates are generally lower than the rates in effect at inception of the swap agreements, the Agency's fixed payer swap agreements had an aggregate negative fair value of $186.4 million as of June 30, 2014 and $217.7 million as of June 30, 2013. Fair values are as reported by the Agency's dealer counterparties and are estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

As of June 30, 2014, the Agency's swap portfolio had an aggregate asset position of $0.2 million. This represents the maximum loss that would be reported at the reporting date if all counterparties failed to perform as contracted. However, this maximum exposure is eliminated by the applicable counterparty swap liabilities included in the $186.4 million total. Therefore, the Agency has no net exposure to credit risk.

The following table shows the number of fixed payer swaps and outstanding notional amounts by the counterparties' respective credit ratings as of June 30, 2014 (dollars in thousands).

Moody's	Standard & Poors	Outstanding Notional Amount	Number of Swap Transactions
Aa1	AA-	$ 25,000	1
Aa2	AAA	191,610	7
Aa3	A+	834,065	48
A2	A+	188,320	12
A2	A	12,100	1
Baa1	A-	173,140	5
Baa2	A-	82,615	4
Baa2	BBB	9,755	1
		$ 1,516,605	79

Interest Rate Risk: The Agency is exposed to interest rate risk on its fixed payer swaps. As the LIBOR or the SIFMA swap index decreases, the Agency's net payments on the swaps increase.

Basis Risk: All of the Agency's interest rate swaps contain an element of basis risk, the risk that the floating rate component of the swap will not match the floating rate of the underlying bonds. This risk arises because floating rates paid by swap counterparties are based on indices, which consist of market-wide averages, while interest paid on the Agency's variable rate bonds is specific to individual bond issues.

Historically, the Agency's variable rate tax-exempt bonds trade at a slight discount to the SIFMA index. For those swaps associated with tax-exempt bonds for which the Agency receives a variable rate payment based on a percentage of LIBOR, the Agency is exposed to basis risk should the relationship between SIFMA and LIBOR converge.

Multiple swap formulas have been used by the Agency. As of June 30, 2014, the formulas for the swap portfolio utilized the SIFMA, the 1 month LIBOR, the 3 month LIBOR, and the 6 month LIBOR rates. As of June 30, 2014, rates for the SIFMA, the 1 month LIBOR, the 3 month LIBOR, and the 6 month LIBOR were 0.06%, 0.16%, 0.23%, and 0.33% respectively. The swap formulas will continue to be monitored for its effectiveness in case the Agency chooses to enter into any future interest rate swaps. In addition, the Agency holds 8 basis swaps as a means to change the variable rate formula received for $167.6 million of swap notional amount. These basis swaps changed the variable rate formula received from counterparties from 65% of LIBOR to those described in the following table as of June 30, 2014 (dollars in thousands):

Bond Issue	Variable Rate Paid By Agency	Floating Rate Received By Agency */**	Effective Date	Termination Date	Outstanding Notional/Applicable Amount	Fair Value
Home Mortgage Revenue Bonds:						
2000 Series C	LIBOR @ 65%	LIBOR @ 85%-0.019%	2/1/04	2/1/17	$ 15,485	$ 9
2000 Series J	LIBOR @ 65%	LIBOR @ 85%-0.019%	2/1/04	8/1/30	19,455	27
2000 Series U	LIBOR @ 65%	LIBOR @ 85%-0.019%	2/1/04	8/1/15	7,670	1
2000 Series X-2	LIBOR @ 65%	LIBOR @ 85%-0.019%	2/1/04	8/1/31	20,540	27
2001 Series N	LIBOR @ 65%	LIBOR @ 85%-0.019%	2/1/04	8/1/18	5,005	9
2002 Series B	LIBOR @ 65%	LIBOR @ 85%-0.019%	2/1/04	8/1/27	31,535	32
2002 Series F	LIBOR @ 65%	LIBOR @ 85%-0.019%	2/1/04	2/1/24	32,130	58
2002 Series M	LIBOR @ 65%	LIBOR @ 85%-0.019%	2/1/04	8/1/22	35,755	52
					$ 167,575	$ 215

* The notional amount and the amortization of these swaps mirror the initial 65% of LIBOR swaps, basically overlaying the swaps so that the effective rate received from the counterparties are the rates shown in the table above.

**The variable interest rate received by the counterparties is dependent on the LIBOR interest rate at the time of settlement. The rate shown in the table is the effective rate at June 30, 2014.

Termination Risk: Counterparties to the Agency's interest rate swap agreements have ordinary termination rights that require settlement payments by the Agency or the counterparty based on the fair value of the swap at the date of termination.

Rollover Risk: The Agency is exposed to rollover risk on interest rate swaps that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these swaps terminate, the Agency will be re-exposed to the risks being hedged by the swaps. The fixed payer interest rate swaps' termination dates and associated debts' maturities are listed in the previous bonds payable and interest rate swap table.

Over Hedged Bonds: All notional amounts (or "applicable amounts") of the fixed payer swaps match the principal amounts of the associated debt with the following exceptions as of June 30, 2014 (dollars in thousands):

Bond Issue	Bonds Outstanding	Swap Notional Amount	Unmatched Swap	Fair Value
Home Mortgage Revenue Bonds				
2000 Series J *		$ 17,775	$ 17,775	$ (3,820)
2000 Series X2 *		20,540	20,540	(3,899)
2001 Series J		23,460	23,460	(2,031)
2001 Series N *		3,650	3,650	(293)
2001 Series U	$ 18,000	31,440	13,440	(1,684)
2002 Series B *		31,535	31,535	(4,944)
2002 Series F *		25,125	25,125	(3,120)
2002 Series J	36,100	42,265	6,165	(607)
2002 Series M *	18,390	35,755	17,365	(1,510)
2002 Series P		45,800	45,800	(3,621)
2004 Series A		19,450	19,450	(1,287)
2004 Series G		38,205	38,205	(3,980)
2004 Series G		1,645	1,645	(5)
2004 Series I		11,980	11,980	(1,199)
2005 Series B		12,010	12,010	(261)
2005 Series H		24,860	24,860	(915)
2006 Series F		36,000	36,000	(1,584)
2006 Series F	35,310	60,000	24,690	(1,789)
2007 Series H	41,930	50,000	8,070	(808)
2007 Series H		50,000	50,000	(3,928)
2007 Series K	4,710	25,000	20,290	(1,156)
2008 Series C		2,225	2,225	(546)
2008 Series C		9,715	9,715	(1,890)
2008 Series C	3,310	7,005	3,695	(714)
2008 Series D	8,445	11,275	2,830	(112)
2008 Series E		4,255	4,255	(154)
2008 Series I		505	505	(3)
2008 Series I		27,025	27,025	(5,858)
Multifamily Housing Revenue Bonds III				
2000 Series B		1,015	1,015	(157)
2000 Series D		11,890	11,890	(2,583)
2001 Series D	520	1,895	1,375	(193)
2001 Series E	30,295	42,775	12,480	(2,914)
2001 Series F	10,710	12,100	1,390	(192)
2001 Series G	2,885	2,900	15	(2)
2001 Series G	9,895	35,175	25,280	(4,627)
2001 Series G	7,730	8,430	700	(156)
2002 Series A		14,775	14,775	(2,850)
2002 Series A		10,375	10,375	(2,788)
2002 Series B		21,080	21,080	(3,463)
2002 Series C		12,465	12,465	(2,748)
2002 Series C		14,605	14,605	(3,501)
2002 Series D	3,795	10,460	6,665	(1,225)
2002 Series E	2,915	13,845	10,930	(2,046)
2002 Series E	11,795	37,120	25,325	(6,321)
2004 Series A		17,230	17,230	(1,656)
2004 Series B	1,610	11,340	9,730	(1,181)
2004 Series B	1,520	2,245	725	(107)
2004 Series B	11,720	11,755	35	(6)
2004 Series C	6,630	6,750	120	(13)
2005 Series A		2,105	2,105	(282)
2005 Series B		2,410	2,410	(303)
2005 Series B		22,215	22,215	(3,145)
2005 Series B		3,630	3,630	(476)
2005 Series D	15,805	27,420	11,615	(1,850)

Bond Issue	Bonds Outstanding	Swap Notional Amount	Unmatched Swap	Fair Value
Multifamily Housing Revenue Bonds III (continued)				
2006 Series A		5,720	5,720	(704)
2006 Series A		8,595	8,595	(1,257)
2006 Series A		3,925	3,925	(611)
2007 Series B		5,585	5,585	(1,011)
2007 Series B		1,910	1,910	(189)
2007 Series C	4,535	13,260	8,725	(1,400)
2007 Series C	5,000	5,620	620	(70)
2008 Series A	7,415	9,755	2,340	(359)
2008 Series B	16,890	20,285	3,395	(349)
2008 Series B	9,230	25,820	16,590	(1,894)
2008 Series C	5,290	8,085	2,795	(577)
2008 Series C	740	8,395	7,655	(1,720)
Total	$ 333,120	$ 1,143,460	$ 810,340	$ (106,644)

*Includes Basis Swap.

Note 9 – NONMORTGAGE INVESTMENT AND MORTGAGE YIELD

In accordance with Federal law, the Agency is required to rebate to the Internal Revenue Service (“IRS”) the excess of the amount actually earned on all nonmortgage investments (derived from investing the bond proceeds) over the amount that would have been earned had those investments borne a rate equal to the yield on the bond issue, plus any income attributable to such excess. As of June 30, 2014 and 2013, the Fund had liabilities to the IRS totaling $1.1 million and $1.2 million, respectively, and reported in the statements of net position as “Due to IRS” within “Due to other government entities.” For the years ended June 30, 2014 and 2013, the net effects of changes in the liability account have been recorded as increases in “Interest income: Investments” in the statements of revenues, expenses and changes in net position.

Additionally, the Agency has identified all the bond series that were issued as variable rate plans of finance and subject to review and monitoring of mortgage yield excess. As of June 30, 2014 and 2013, the Fund had liabilities to the IRS totaling $13.0 million and $9.8 million, respectively, and reported in the statements of net position as “Due to IRS” within “Due to other government entities.” For the years ended June 30, 2014 and 2013, the net effects of changes in the liability account have been recorded as a decrease and an increase, respectively, in “Interest income: Program loans” in the statements of revenues, expenses and changes in net position. The Agency will continue to monitor the status of mortgage yield compliance to mitigate further liability.

Note 10 – PENSION PLAN AND OTHER EMPLOYEE BENEFITS

The Fund contributes to the Public Employees’ Retirement Fund (“PERF”) as part of the State of California, the primary government. The PERF is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employment Retirement System (“CalPERS”). CalPERS provides retirement, death, disability and post retirement health care benefits to members as established by state statute. CalPERS issues a publicly available Comprehensive Annual Financial Report (“CAFR”) that includes financial statements and required supplementary information for the Public Employees’ Retirement Fund. A copy of that report may be obtained from CalPERS Fiscal Services Division, P.O. Box 942703, Sacramento, CA 95229-2703 or via the internet at www.calpers.ca.gov.

For the CalPERS fiscal year ended June 30, 2014 the employer contribution rates were 21.203% - 21.355% for the period from July 2013 to June 2014. The employer contribution rates were 20.503% - 20.457% for July 2012 to June 2013.

The Fund’s contributions to the PERF for the years ended June 30, 2014 and 2013 were $7.2 million and $8 million, respectively, equal to the required contributions for each fiscal year.

Required contributions are determined by actuarial valuation using the individual entry age normal actuarial cost method. The most recent actuarial valuation available is as of June 30, 2013 which actuarial economic assumptions included (a) 7.5% investment rate of return compounded annually (net of administrative expenses and investment expenses), (b) individual employee’s future pay growth of 2.75% inflation component, .25% per annum productivity component, and an annual merit increase based on the member’s length of service and (c) overall payroll growth factor of 3.00% annually (2.75% inflation component and .25% per annum productivity component). The non-economic assumptions are based upon the most recent CalPERS Experience Study (covering the period June 30, 1997 through June 30, 2007) that was completed and adopted by the CalPERS Board in April 2010.

The most recent actuarial valuation of the PERF indicated that there was an unfunded actuarial accrued liability. The amount of the underfunded liability applicable to each agency or department cannot be determined. For trend information, which presents CalPERS progress in accumulating sufficient assets to pay benefits when due, please see the June 30, 2013 CalPERS CAFR.

The Other Postemployment Benefits ("OPEB") is a cost-sharing multiple-employer defined benefit healthcare plan administered by CalPERS. The State of California is required to include the information in its financial reports. State Controller's Office sets the employer contribution rate based on the annual required contribution ("ARC") of the employers, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The Agency's estimated unfunded OPEB liabilities were $21.5 million and $17.9 million for the year ended June 30, 2014 and June 30, 2013. As of June 30, 2014, the allocated contribution of OPEB from the Fund was $1.9 million, compared to $2.5 million for the year ended June 30, 2013. CalPERS issues a publicly available CAFR that includes financial statements and required supplementary information for the OPEB.

Note 11 – COMMITMENTS

As of June 30, 2014, the Agency had no outstanding commitments and conditionally approved loan reservation to fund Homeownership Program loans and had outstanding commitments to fund Multifamily Program loans totaling $5.2 million. As of June 30, 2014, the Agency had proceeds available from bonds issued to fund $0.9 million of Homeownership Program loans and $14.5 million of Multifamily Program loans.

Note 12 – LEASES

The Agency has three office locations in California and has entered into three separate lease agreements for office space. The Base Rent Schedules are as follows (dollar in thousands):

Fiscal years ended June 30	500 Capitol Mall Tower, LLC (Sacramento Office) Lease ends 7/31/23	Harsch Investment Properties, LLC (West Sacramento Office) Lease ends 5/31/16	Slauson Investors, LLC (Culver City Office Lease ends 2/28/19	Total
2014	$ 2,280	$ 291	$ 122	$ 2,693
2015	2,325	302	235	2,862
2016	2,372	268	242	2,882
2017	2,419		249	2,668
2018	2,468		257	2,725
2019-2023	13,099		154	13,253
2024	228			228
Total	$ 25,191	$ 861	$ 1,259	$ 27,311

Note 13 – ARRANGEMENTS WITH THE MORTGAGE INSURANCE FUND

All operating and administrative expenses of the Agency are initially paid from the Fund including certain operating and administrative expenses in support of mortgage guarantee insurance programs which are reported in the Mortgage Insurance Fund. Monthly, the Fund charges the Mortgage Insurance Fund for these expenses and is reimbursed from the share of premiums from policies still in force and the remaining amount is used to pay outstanding claims of the Mortgage Insurance Fund.

The Agency Board of Directors approved Resolution 03-19 on March 20, 2003 authorizing the Agency to utilize the resources of the fund to support the mortgage guaranty insurance programs of the Agency in the following two ways: 1) the Executive Director of the Agency is authorized to create one or more supplementary reserve accounts within the Supplementary Bond Security Account ("SBSA")of the Fund to indemnify the Mortgage Insurance Fund for losses incurred or to pay claims against the Mortgage Loan Insurance Fund in connection with loans financed by the Agency, and 2) the Executive Director of the Agency may establish an inter-fund credit agreement by which the Mortgage Insurance Fund may borrow such sums from the Fund as may be required to maintain the claims paying rating of any credit rating service.

Subsequently, the Agency Executive Director established an inter-fund credit agreement in the amount of $10 million in which the Mortgage Insurance Fund may borrow from the Fund as needed for the purpose of paying claims arising out of policies of mortgage guarantee insurance and costs and expenses related to the payment of such claims. This inter-fund credit agreement expired on May 1, 2013.

Resolution 03-19 authorized the Executive Director of the Agency to create one or more supplementary reserve accounts within the SBSA of the California Housing Finance Fund to indemnify the Mortgage Insurance Fund for losses incurred or to pay claims. The amendment places a limitation on the indemnity obligation to an aggregate amount not to exceed $135 million. In August 2011, the cap was reached and the aggregate total of $135 million in gap claim payments was paid from May 2008 to August 2011. As of June 30, 2014, the allowance for loan loss reserve established under the HMRB indenture decreased $30.2 million from $69.6 million to $39.4 million.

Effective March 1, 2003, the Mortgage Insurance Fund entered into a reinsurance treaty and administrative services agreement with Genworth Mortgage Insurance Corporation ("Genworth"). This agreement cedes to Genworth a 75% quota share of the insurance risk for most loans insured by the Mortgage Insurance Fund and provides for certain administrative services to be performed by Genworth. Prior to February 2011, Genworth was paying the full amount of the loss (100%) to the insured and was billing the Mortgage Insurance Fund for its portion of the loss (25%) each month. Effective February 1, 2011, Genworth is paying for their portion of the loss (75%) directly to the insured and the Mortgage Insurance Fund is paying for its portion of the loss (25%) directly to the insured. As of June 30, 2014, there was no cash or investments remaining in the Mortgage Insurance Fund to pay outstanding claims. The California Housing Finance Fund has written off foreclosed loans insured by the Housing Loan Insurance Fund. As of June 30, 2014, the reserve amount established under the HMRB indenture was $39.4 million.

Note 14 – LITIGATION

Certain lawsuits and claims arising in the ordinary course of business have been filed or are pending against the Agency. Based upon information available to the Agency, its review of such lawsuits and claims and consultation with counsel, the Agency believes the liability relating to these actions, if any, would not have a material adverse effect on the Fund's financial statements.

Note 15 – RELATED PARTY TRANSACTIONS

CalHFA MAC entered into an administrative agreement with CalHFA for support services, which include an allocation of CalHFA staff to provide program oversight, administrative and legal support, and direct reimbursement for goods and services of outside vendors. Due to its status as a state governmental agency, CalHFA enjoys the benefit of discounts for goods and services with strategic business partners. The administrative agreement enables CalHFA MAC to leverage these discounts by providing for CalHFA to purchase goods and services during program implementation and ongoing operations. CalHFA MAC reimburses CalHFA for these items at the actual cost expended. CalHFA MAC had liabilities to CalHFA of $177 thousand and $93 thousand for the fiscal year ended June 30, 2014 and June 30, 2013, respectively. These amounts were comprised of accounts payable and accrued expenses resulting from unbilled vendor invoices for materials and services. Additionally, actual cash reimbursements paid to CalHFA totaled $0.6 million and $1.1 million for the fiscal year ended June 30, 2014 and June 30, 2013, respectively.

CalHFA MAC also leases office space from the CalHFA under an operation lease with a term of four years and five months that expires December 31, 2017.

Note 16 – SUBSEQUENT EVENTS

As of October 13, 2014, there were no subsequent events.

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CALIFORNIA HOUSING FINANCE FUND
STATEMENTS OF NET POSITION
WITH ADDITIONAL COMBINING INFORMATION
June 30, 2014
(Dollars in Thousands)

	HOMEOWNERSHIP PROGRAMS	MULTIFAMILY RENTAL HOUSING PROGRAMS	OTHER PROGRAMS AND ACCOUNTS	COMBINED TOTALS
ASSETS				
Current assets:				
Cash and cash equivalents	$ 6,316	$ 22	$ 34,169	$ 40,507
Investments	356,951	62,903	721,644	1,141,498
Current portion - program loans receivable	70,360	31,667	22,703	124,730
Interest receivable - Program loans	11,351	5,408	15,469	32,228
Interest receivable - Investments	1,980	450	629	3,059
Accounts receivable	7,947	-	4,496	12,443
Due (to) from other funds	(6,999)	-	6,999	-
Other assets	51	461	13,357	13,869
Total current assets	447,957	100,911	819,466	1,368,334
Noncurrent assets:				
Investments	275,592	68,856	58,664	403,112
Program loans receivable	2,471,918	765,285	544,352	3,781,555
Deferred financing costs	-	-	-	-
Other assets	16,617	-	892	17,509
Total Noncurrent assets	2,764,127	834,141	603,908	4,202,176
Total Assets	3,212,084	935,052	1,423,374	5,570,510
DEFERRED OUTFLOWS OF RESOURCES				
Accumulated decrease in fair value of hedging derivatives	-	21,965	3,077	25,042
Deferred loss on refunding	-	668		668
Total Deferred outflows of resources	-	22,633	3,077	25,710
LIABILITIES				
Current liabilities:				
Bonds payable	49,704	18,200	-	67,904
Notess payable	-	-	2,253	2,253
Interest payable	28,011	13,134	17,025	58,170
Due (from) to other government entities	(112)	-	1,020	908
Compensated absences	-	-	4,034	4,034
Deposits and other liabilities	3,451	287	231,515	235,253
Total current liabilities	81,054	31,621	255,847	368,522
Noncurrent liabilities:				
Bonds payable	2,833,580	631,268	-	3,464,848
Notess payable	-	-	61,342	61,342
Due to other government entities	3,013	11,123	21,485	35,621
Other liablities	-	86,923	99,479	186,402
Unearned revenues	-	-	891	891
Total noncurrent liabilities	2,836,593	729,314	183,197	3,749,104
Total Liabilities	2,917,647	760,935	439,044	4,117,626
DEFERRED INFLOWS OF RESOURCES				
Accumulated increase in fair value of hedging derivatives	-	-	-	-
NET POSITION				
Net investment in capital assets	-	-	842	842
Restricted by indenture	294,437	196,750	-	491,187
Restricted by statute	-	-	986,565	986,565
Total Net position	$ 294,437	$ 196,750	$ 987,407	$ 1,478,594

CALIFORNIA HOUSING FINANCE FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
WITH ADDITIONAL COMBINING INFORMATION
Year Ended June 30, 2014
(Dollars in Thousands)

	HOMEOWNERSHIP PROGRAMS	MULTIFAMILY RENTAL HOUSING PROGRAMS	OTHER PROGRAMS AND ACCOUNTS	COMBINED TOTALS
OPERATING REVENUES				
Interest income:				
Program loans and loan agreements -- net	$ 151,623	$ 46,199	$ 20,893	$ 218,715
Interest income - Investments -- net	14,457	3,651	4,411	22,519
Increase (decrease) in fair value of investments	2,010	(569)	(1,749)	(308)
Loan commitment fees	-	-	668	668
Other loan fees	44	6,513	22,759	29,316
Other revenues	631	(45,016)	(3,016)	(47,401)
Total Operating revenues	168,765	10,778	43,966	223,509
SALARIES AND GENERAL EXPENSES				
Interest	81,760	25,549	14,968	122,277
Amortization of bond discount and bond premium	(1,567)	198	-	(1,369)
Mortgage servicing fees	8,440	2	2	8,444
(Reversal) provision for estimated loan losses	(18,069)	3,540	1,507	(13,022)
Salaries and general expenses	-	-	41,053	41,053
Other expenses	33,757	10,776	54,600	99,133
Total salaries and general expenses	104,321	40,065	112,130	256,516
Operating income (loss) income before transfers	64,444	(29,287)	(68,164)	(33,007)
Transfers in	-	-	53,462	53,462
Transfers intrafund	2,406	66,812	(69,218)	-
Increase (decrease) in net position	66,850	37,525	(83,920)	20,455
Net position at beginning of year, as restated	227,587	159,225	1,071,327	1,458,139
Net position at end of year, as restated	$ 294,437	$ 196,750	$ 987,407	$ 1,478,594

CALIFORNIA HOUSING FINANCE FUND
STATEMENTS OF CASH FLOWS
WITH ADDITIONAL COMBINING INFORMATION
Year Ended June 30, 2014
(Dollars in Thousands)

	HOMEOWNERSHIP PROGRAMS	MULTIFAMILY RENTAL HOUSING PROGRAMS	OTHER PROGRAMS AND ACCOUNTS	COMBINED TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 154,375	$ 46,395	$ 16,667	$ 217,437
Payments to suppliers	(8,946)	(141)	(11,203)	(20,290)
Payments to employees	-	-	(29,935)	(29,935)
Other receipts (payments)	527,306	55,509	(42,468)	540,347
Net cash provided by (used for) operating activities	672,735	101,763	(66,939)	707,559
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intrafund transfers	2,406	66,812	(69,218)	-
Changes in due from other government entities	(26)	-	3,586	3,560
Net cash provided by (used for) noncapital financing activities	2,380	66,812	(65,632)	3,560
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from sales of bonds	-	38,814	-	38,814
Payment of bond principal	(37,840)	(26,054)	(17,464)	(81,358)
Early bond redemptions	(795,017)	(148,955)	-	(943,972)
Interest paid on debt	(87,595)	(26,854)	(20,322)	(134,771)
Interfund transfers	-	-	53,462	53,462
Increase in deferred financing costs	14,903	2,822	3	17,728
Net cash (used for) provided by capital and related financing activities	(905,549)	(160,227)	15,679	(1,050,097)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from maturity and sale of investments	1,851,650	381,235	576,641	2,809,526
Purchase of investments	(1,640,170)	(393,787)	(454,737)	(2,488,694)
Interest on investments	15,509	3,753	4,659	23,921
Net cash provided by (used for) investing activities	226,989	(8,799)	126,563	344,753
Net (decrease) increase in cash and cash equivalents	(3,445)	(451)	9,671	5,775
Cash and cash equivalents at beginning of year	9,761	473	24,498	34,732
Cash and cash equivalents at end of year	$ 6,316	$ 22	$ 34,169	$ 40,507
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating income (loss)	$ 64,444	$ (29,287)	$ (68,164)	$ (33,007)
Adjustments to reconcile operating (loss) income to net cash provided by (used for) operating activities:				
Interest expense on debt	81,760	25,549	14,968	122,277
Interest on investments	(14,457)	(3,651)	(4,411)	(22,519)
Changes in fair value of investments	(2,010)	569	1,749	308
Amortization of bond discount	27	-	-	27
Amortization of deferred losses	2,797	1,432	-	4,229
Amortization of bond premium	(1,658)	-	-	(1,658)
Amortization of unearned revenue	-	-	(668)	(668)
Depreciation	-	-	264	264
(Reversal) provision for estimated loan losses	(18,069)	3,540	1,507	(13,022)
Provision for yield reduction payments	830	2,410	-	3,240
Provision (Reversal) for nonmortgage investment excess	37	(95)	-	(58)
Effect of changes in operating assets and liabilities:				
(Purchase) sale of program loans-net	(2,863)	6,463	(81,184)	(77,584)
Collection of principal from program loans - net	559,783	61,439	75,744	696,966
Interest receivable	2,752	196	(4,226)	(1,278)
Accounts receivable	4,064	-	(413)	3,651
Due (from) to other funds	(1,946)	-	1,946	-
Increase in other assets and deferred outflow	9	36,957	54,268	91,234
Compensated absences	-	-	(229)	(229)
Deposits and other liabilities	(1,268)	(147)	(11,527)	(12,942)
Unearned revenue	(1,497)	(3,612)	(46,563)	(51,672)
Net cash provided by (used for) operating activities	$ 672,735	$ 101,763	$ (66,939)	$ 707,559
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Noncash transfer of program loan to REO	$ 11,073	$ -	$ -	$ 11,073

CALIFORNIA HOUSING FINANCE FUND
STATEMENTS OF NET POSITION
HOMEOWNERSHIP PROGRAMS
June 30, 2014
(Dollars in Thousands)

	HOME MORTGAGE REVENUE BONDS	SINGLE FAMILY HOUSING PROGRAM BONDS	RESIDENTIAL MORTGAGE REVENUE BONDS
ASSETS			
Current assets:			
Cash and cash equivalents	$ 6,027	$ 10	$ 277
Investments	314,476	1,947	37,259
Current portion - program loans receivable	59,615	-	8,689
Interest receivable - Program loans	9,943	116	1,110
Interest receivable - Investments	1,376	-	582
Accounts receivable	7,258	-	591
Due (to) from other funds	(7,666)	662	(882)
Other assets	33	-	18
Total current assets	391,062	2,735	47,644
Noncurrent assets:			
Investments	79,557	-	189,257
Program loans receivable	2,126,443	33,790	282,760
Deferred financing costs	-	-	-
Other assets	14,744		1,873
Total Noncurrent assets	2,220,744	33,790	473,890
Total Assets	2,611,806	36,525	521,534
DEFERRED OUTFLOWS OF RESOURCES			
Accumulated decrease in fair value of hedging derivatives	-	-	-
Deferred loss on refunding	-	-	-
Total Deferred outflows of resources	-	-	-
LIABILITIES			
Current liabilities:			
Bonds payable	37,569	-	12,135
Notess payable	-	-	-
Interest payable	24,116	824	3,071
Due from other government entities	(112)	-	-
Deposits and other liabilities	3,342	1	102
Total current liabilities	64,915	825	15,308
Noncurrent liabilities:			
Bonds payable	2,303,723	40,390	489,467
Notess payable	-	-	-
Due to other government entities	3,013	-	-
Other liablities	-	-	-
Unearned revenues	-	-	-
Total noncurrent liabilities	2,306,736	40,390	489,467
Total Liabilities	2,371,651	41,215	504,775
DEFERRED INFLOWS OF RESOURCES			
Accumulated increase in fair value of hedging derivatives	-	-	-
NET POSITION			
Net investment in capital assets	-	-	-
Restricted by indenture	240,155	(4,690)	16,759
Restricted by statute	-	-	-
Total Net position	$ 240,155	$ (4,690)	$ 16,759

RESIDENTIAL MORTGAGE REVENUE BONDS OVERCOLLATERALIZATION	TOTAL HOMEOWNERSHIP PROGRAMS
$ 2	$ 6,316
3,269	356,951
2,056	70,360
182	11,351
22	1,980
98	7,947
887	(6,999)
-	51
6,516	447,957
6,778	275,592
28,925	2,471,918
-	-
	16,617
35,703	2,764,127
42,219	3,212,084
-	-
-	-
-	-
-	49,704
-	-
-	28,011
-	(112)
6	3,451
6	81,054
-	2,833,580
-	-
-	3,013
-	-
-	-
-	2,836,593
6	2,917,647
-	-
-	-
42,213	294,437
-	-
$ 42,213	$ 294,437

CALIFORNIA HOUSING FINANCE FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
HOMEOWNERSHIP PROGRAM
Year Ended June 30, 2014
(Dollars in Thousands)

	HOME MORTGAGE REVENUE BONDS	SINGLE FAMILY HOUSING PROGRAM BONDS	RESIDENTIAL MORTGAGE REVENUE BONDS
OPERATING REVENUES			
Interest income:			
Program loans and loan agreements -- net	$ 131,694	$ 1,595	$ 15,934
Interest income - Investments -- net	6,084	5	8,110
Increase (decrease) in fair value of investments	370	-	1,643
Loan commitment fees	-	-	-
Other loan fees	7	-	2
Other revenues	589	-	41
Total Operating revenues	138,744	1,600	25,730
SALARIES AND GENERAL EXPENSES			
Interest	62,044	2,060	17,656
Amortization of bond discount and bond premium	(1,567)	-	-
Mortgage servicing fees	7,361	-	1,009
(Reversal) provision for estimated loan losses	(22,479)	536	3,894
Salaries and general expenses	-	-	-
Other expenses	26,077	478	7,280
Total salaries and general expenses	71,436	3,074	29,839
Operating income (loss) before transfers	67,308	(1,474)	(4,109)
Transfers in	-	-	-
Transfers intrafund	(22,321)	24,725	12,592
Increase (decrease) in net position	44,987	23,251	8,483
Net position at beginning of year, as restated	195,168	(27,941)	8,276
Net position at end of year, as restated	$ 240,155	$ (4,690)	$ 16,759

RESIDENTIAL MORTGAGE REVENUE BONDS OVERCOLLATERALIZATION	TOTAL HOMEOWNERSHIP PROGRAMS
$ 2,400	$ 151,623
258	14,457
(3)	2,010
-	-
35	44
1	631
2,691	168,765
-	81,760
-	(1,567)
70	8,440
(20)	(18,069)
-	-
(78)	33,757
(28)	104,321
2,719	64,444
-	-
(12,590)	2,406
(9,871)	66,850
52,084	227,587
$ 42,213	$ 294,437

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL STATEMENTS OF CASH FLOWS -
HOMEOWNERSHIP PROGRAMS
Year Ended June 30, 2014
(Dollars in Thousands)

	HOME MORTGAGE REVENUE BONDS	SINGLE FAMILY HOUSING PROGRAM BONDS	RESIDENTIAL MORTGAGE REVENUE BONDS
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 134,017	$ 1,738	$ 16,154
Payments to suppliers	(7,820)	(6)	(1,048)
Payments to employees	-	-	-
Other receipts (payments)	467,161	3,176	51,276
Net cash provided by operating activities	593,358	4,908	66,382
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Intrafund transfers	(22,321)	24,725	12,592
Changes in due from other government entities	(26)	-	-
Net cash (used for) provided by provided by noncapital financing activities	(22,347)	24,725	12,592
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from sales of bonds	-	-	-
Payment of bond principal	(24,770)	-	(13,070)
Early bond redemptions	(656,575)	(29,335)	(109,107)
Interest paid on debt	(67,069)	(2,115)	(18,411)
Interfund transfers	-	-	-
Increase in deferred financing costs	13,369	415	1,119
Net cash (used for) provided by capital and related financing activities	(735,045)	(31,035)	(139,469)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from maturity and sale of investments	1,487,837	34,804	315,767
Purchase of investments	(1,333,791)	(33,440)	(263,842)
Interest on investments	6,989	5	8,253
Net cash provided by (used for) investing activities	161,035	1,369	60,178
Net decrease in cash and cash equivalents	(2,999)	(33)	(317)
Cash and cash equivalents at beginning of year	9,026	43	594
Cash and cash equivalents at end of year	$ 6,027	$ 10	$ 277
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:			
Operating income (loss)	$ 67,308	$ (1,474)	$ (4,109)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Interest expense on debt	62,045	2,060	17,655
Interest on investments	(6,084)	(5)	(8,110)
Changes in fair value of investments	(370)	-	(1,643)
Amortization of bond discount	27	-	-
Amortization of deferred losses	594	-	2,203
Amortization of bond premium	(1,658)	-	-
Amortization of unearned revenue	-	-	-
Provision for estimated loan losses	(22,479)	536	3,894
Provision for yield reduction payments	830	-	-
Provision for nonmortgage investment excess	37	-	-
Effect of changes in operating assets and liabilities:			
(Purchase) sale of program loans-net	(3,141)	-	324
Collection of principal from program loans - net	493,856	3,960	56,287
Interest receivable	2,322	143	221
Accounts receivable	4,627	-	(589)
Due (from) to other funds	(1,948)	(280)	284
Decrease (increase) in other assets and deferred outflow	8	-	1
Compensated absences	-	-	-
Deposits and other liabilities	(1,198)	(32)	(36)
Unearned revenue	(1,418)	-	-
Net cash provided by (used for) operating activities	$ 593,358	$ 4,908	$ 66,382
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Noncash transfer of program loan to REO	$ 10,560	$ -	$ 466

RESIDENTIAL MORTGAGE REVENUE BONDS OVERCOLLATERALIZATION	TOTAL HOMEOWNERSHIP PROGRAMS
$ 2,466	$ 154,375
(72)	(8,946)
-	-
5,693	527,306
8,087	672,735
(12,590)	2,406
-	(26)
(12,590)	2,380
-	-
-	(37,840)
-	(795,017)
-	(87,595)
-	-
-	14,903
-	(905,549)
13,242	1,851,650
(9,097)	(1,640,170)
262	15,509
4,407	226,989
(96)	(3,445)
98	9,761
$ 2	$ 6,316
$ 2,719	$ 64,444
-	81,760
(258)	(14,457)
3	(2,010)
-	27
-	2,797
-	(1,658)
-	-
(20)	(18,069)
-	830
-	37
(46)	(2,863)
5,680	559,783
66	2,752
26	4,064
(2)	(1,946)
-	9
-	-
(2)	(1,268)
(79)	(1,497)
$ 8,087	$ 672,735
$ 47	$ 11,073

CALIFORNIA HOUSING FINANCE FUND
STATEMENTS OF NET POSITION
MULTIFAMILY RENTAL HOUSING PROGRAMS
June 30, 2014
(Dollars in Thousands)

	MULTIFAMILY LOAN PURCHASE BONDS	MULTIFAMILY HOUSING REVENUE BONDS II	MULTIFAMILY HOUSING REVENUE BONDS III	MULTIFAMILY HOUSING PROGRAM BONDS
ASSETS				
Current assets:				
Cash and cash equivalents	$ -	$ -	$ 22	$ -
Investments	343	-	38,616	1,356
Current portion - program loans receivable	2,500	-	26,732	1,563
Interest receivable - Program loans	-	-	3,277	1,667
Interest receivable - Investments	-	-	327	-
Accounts receivable	-	-	-	-
Due from other funds	-	-	-	-
Other assets	-	-	292	-
Total current assets	2,843	-	69,266	4,586
Noncurrent assets:				
Investments	-	-	31,150	-
Program loans receivable	933	-	636,765	20,501
Deferred financing costs	-	-	-	-
Other assets	-	-	-	-
Total Noncurrent assets	933	-	667,915	20,501
Total Assets	3,776	-	737,181	25,087
DEFERRED OUTFLOWS OF RESOURCES				
Accumulated decrease in fair value of hedging derivatives	-	-	21,965	-
Deferred loss on refunding	-	-	668	-
Total Deferred outflows of resources	-	-	22,633	-
LIABILITIES				
Current liabilities:				
Bonds payable	-	-	16,460	-
Notess payable	-	-	-	-
Interest payable	20	-	12,389	-
Deposits and other liabilities	-	-	285	-
Total current liabilities	20	-	29,134	-
Noncurrent liabilities:				
Bonds payable	3,759	-	470,199	-
Notes payable	-	-	-	-
Due to other government entities	-	-	11,123	-
Other liablities	-	-	86,923	-
Unearned revenues	-	-	-	-
Total noncurrent liabilities	3,759	-	568,245	-
Total Liabilities	3,779	-	597,379	-
DEFERRED INFLOWS OF RESOURCES				
Accumulated increase in fair value of hedging derivatives	-	-	-	-
NET POSITION				
Net investment in capital assets	-	-	-	-
Restricted by indenture	(3)	-	162,435	25,087
Restricted by statute	-	-	-	-
Total Net position	$ (3)	$ -	$ 162,435	$ 25,087

AFFORDABLE MULTIFAMILY HOUSING REVENUE BONDS	MULTIFAMILY RESIDENTIAL MORTGAGE REVENUE BONDS	TOTAL MULTIFAMILY RENTAL HOUSING PROGRAMS
$ -	$ -	$ 22
6,751	15,837	62,903
1,010	(138)	31,667
230	234	5,408
121	2	450
-	-	-
-	-	-
48	121	461
8,160	16,056	100,911
37,706	-	68,856
52,618	54,468	765,285
-	-	-
-	-	-
90,324	54,468	834,141
98,484	70,524	935,052
-	-	21,965
-	-	668
-	-	22,633
1,740	-	18,200
-	-	-
344	381	13,134
1	1	287
2,085	382	31,621
87,360	69,950	631,268
-	-	-
-	-	11,123
-	-	86,923
-	-	-
87,360	69,950	729,314
89,445	70,332	760,935
-	-	-
-	-	-
9,039	192	196,750
-	-	-
$ 9,039	$ 192	$ 196,750

CALIFORNIA HOUSING FINANCE FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
MULTIFAMILY PROGRAM
Year Ended June 30, 2014
(Dollars in Thousands)

	MULTIFAMILY LOAN PURCHASE BONDS	MULTIFAMILY HOUSING REVENUE BONDS II	MULTIFAMILY HOUSING REVENUE BONDS III	MULTIFAMILY HOUSING PROGRAM BONDS	F
OPERATING REVENUES					
Interest income:					
Program loans and loan agreements -- net	$ 369	$ -	$ 38,016	$ 1,453	
Interest income - Investments -- net	-	-	2,176	3	
Decrease in fair value of investments	-	-	(493)	-	
Loan commitment fees	-	-	-	-	
Other loan fees	-	-	5,106	1,407	
Other revenues	-	-	(45,016)	-	
Total Operating revenues	369	-	(211)	2,863	
SALARIES AND GENERAL EXPENSES					
Interest	368	-	20,809	-	
Amortization of bond discount and bond premium	-	-	198	-	
Mortgage servicing fees	-	-	2	-	
Provision (reversal) for estimated loan losses	-	-	2,876	(78)	
Salaries and general expenses	-	-	-	-	
Other expenses	1	-	8,209	-	
Total salaries and general expenses	369	-	32,094	(78)	
Operating (loss) income before transfers	-	-	(32,305)	2,941	
Transfers in	-	-	-	-	
Transfers intrafund	-	(1)	74,806	(7,990)	
(Decrease) increase in net position	-	(1)	42,501	(5,049)	
Net position at beginning of year, as restated	(3)	1	119,934	30,136	
Net position at end of year, as restated	$ (3)	$ -	$ 162,435	$ 25,087	

AFFORDABLE MULTIFAMILY HOUSING REVENUE BONDS	MULITIFAMILY RESIDENTIAL MORTGAGE REVENUE BONDS	TOTAL MULTIFAMILY RENTAL HOUSING PROGRAMS
$ 2,968	$ 3,393	$ 46,199
1,465	7	3,651
(76)	-	(569)
-	-	-
-	-	6,513
-	-	(45,016)
4,357	3,400	10,778
2,085	2,287	25,549
-	-	198
-	-	2
(18)	760	3,540
-	-	-
1,644	922	10,776
3,711	3,969	40,065
646	(569)	(29,287)
-	-	-
-	(3)	66,812
646	(572)	37,525
8,393	764	159,225
$ 9,039	$ 192	$ 196,750

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL STATEMENTS OF CASH FLOWS -
MULTIFAMILY RENTAL HOUSING PROGRAMS
Year Ended June 30, 2014
(Dollars in Thousands)

	MULTIFAMILY LOAN PURCHASE BONDS	MULTIFAMILY HOUSING REVENUE BONDS II	MULTIFAMILY HOUSING REVENUE BONDS III	MULTIFAMILY HOUSING PROGRAM BONDS
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 369	$ -	$ 38,271	$ 1,312
Payments to suppliers	(1)	-	(131)	-
Other receipts (payments)	5,212	-	33,145	5,915
Net cash provided by (used for) operating activities	5,580	-	71,285	7,227
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intrafund transfers	-	(1)	74,806	(7,990)
Net cash (used for) provided by provided by noncapital financing activities	-	(1)	74,806	(7,990)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from sales of bonds	-	-	38,814	-
Payment of bond principal	(5,329)	-	(19,075)	-
Early bond redemptions	-	-	(148,955)	-
Interest paid on debt	(397)	-	(22,078)	-
Increase in deferred financing costs	-	-	2,502	-
Net cash (used for) provided by capital and related financing activities	(5,726)	-	(148,792)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from maturity and sale of investments	6,333	-	344,280	7,992
Purchase of investments	(6,187)	-	(344,295)	(7,241)
Interest on investments	-	1	2,275	3
Net cash provided by (used for) investing activities	146	1	2,260	754
Net (decrease) increase in cash and cash equivalents	-	-	(441)	(9)
Cash and cash equivalents at beginning of year	-	-	463	9
Cash and cash equivalents at end of year	$ -	$ -	$ 22	$ -
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED FOR) PROVIDED BY OPERATING ACTIVITIES:				
Operating (loss) income	$ -	$ -	$ (32,305)	$ 2,941
Adjustments to reconcile operating (loss) income to net cash provided by (used for) operating activities:				
Interest expense on debt	368	-	20,809	-
Interest on investments	-	-	(2,176)	(3)
Changes in fair value of investments	-	-	493	-
Amortization of bond discount	-	-	-	-
Amortization of deferred losses	-	-	993	-
Provision (reversal) for estimated loan losses	-	-	2,876	(78)
Provision for yield reduction payments	-	-	2,410	-
Provision for nonmortgage investment excess	-	-	(95)	-
Effect of changes in operating assets and liabilities:				
Sale (purchase) of program loans-net	-	-	6,463	-
Collection of principal from program loans - net	5,212	-	38,244	4,507
Interest receivable	-	-	255	(140)
Increase (decrease) in other assets and deferred outflow	-	-	37,077	-
Deposits and other liabilities	-	-	(147)	-
Unearned revenue	-	-	(3,612)	-
Net cash provided by (used for) operating activities	$ 5,580	$ -	$ 71,285	$ 7,227
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Noncash transfer of program loan to REO	$ -	$ -	$ -	$ -

AFFORDABLE MULTIFAMILY HOUSING REVENUE BONDS	MULITIFAMILY RESIDENTIAL MORTGAGE REVENUE BONDS	TOTAL MULTIFAMILY RENTAL HOUSING PROGRAMS
$ 2,972	$ 3,471	$ 46,395
(4)	(5)	(141)
(234)	11,471	55,509
2,734	14,937	101,763
-	(3)	66,812
-	(3)	66,812
-	-	38,814
(1,650)	-	(26,054)
-	-	(148,955)
(2,091)	(2,288)	(26,854)
146	174	2,822
(3,595)	(2,114)	(160,227)
15,275	7,355	381,235
(15,881)	(20,183)	(393,787)
1,467	7	3,753
861	(12,821)	(8,799)
-	(1)	(451)
-	1	473
$ -	$ -	$ 22
$ 646	$ (569)	$ (29,287)
2,086	2,286	25,549
(1,465)	(7)	(3,651)
76	-	569
-	-	-
439	-	1,432
(18)	760	3,540
-	-	2,410
-	-	(95)
-	-	6,463
965	12,511	61,439
4	77	196
1	(121)	36,957
-	-	(147)
-	-	(3,612)
$ 2,734	$ 14,937	$ 101,763
$ -	$ -	$ -

CALIFORNIA HOUSING FINANCE FUND
STATEMENTS OF NET POSITION
OTHER PROGRAMS AND ACCOUNTS
June 30, 2014
(Dollars in Thousands)

	HOUSING ASSISTANCE TRUST	CONTRACT ADMINISTRATION PROGRAMS	SUPPLEMENTAL BOND SECURITY ACCOUNT	EMERGENCY RESERVE ACCOUNT
ASSETS				
Current assets:				
Cash and cash equivalents	$ 5,371	$ 1,126	$ -	$ -
Investments	121,853	325,059	15,681	32,165
Current portion - program loans receivable	18,229	2,238	-	-
Interest receivable - Program loans	1,570	13,565	-	-
Interest receivable - Investments	296	173	9	18
Accounts receivable	792	-	-	98
Due from (to) other funds	315	1,876	10,376	-
Other assets	13,328	-	-	-
Total current assets	161,754	344,037	26,066	32,281
Noncurrent assets:				
Investments	58,664	-	-	-
Program loans receivable	151,779	331,289	-	-
Deferred financing costs	-	-	-	-
Other assets	50	-	-	-
Total Noncurrent assets	210,493	331,289	-	-
Total Assets	372,247	675,326	26,066	32,281
DEFERRED OUTFLOWS OF RESOURCES				
Accumulated decrease in fair value of hedging derivatives	3,077	-	-	-
Deferred loss on refunding	-	-	-	-
Total Deferred outflows of resources	3,077	-	-	-
LIABILITIES				
Current liabilities:				
Bonds payable	-	-	-	-
Notess payable	-	-	-	-
Interest payable	16,680	-	-	-
Due to other government entities	-	685	-	-
Compensated absences	-	-	-	-
Deposits and other liabilities	3	2,363	-	-
Total current liabilities	16,683	3,048	-	-
Noncurrent liabilities:				
Bonds payable	-	-	-	-
Notess payable	-	-	-	-
Due to other government entities	-	-	-	-
Other liablities	99,479	-	-	-
Unearned revenues	-	-	-	-
Total noncurrent liabilities	99,479	-	-	-
Total Liabilities	116,162	3,048	-	-
DEFERRED INFLOWS OF RESOURCES				
Accumulated increase in fair value of hedging derivatives	-	-	-	-
NET POSITION				
Net investment in capital assets	-	-	-	-
Restricted by indenture	-	-	-	-
Restricted by statute	259,162	672,278	26,066	32,281
Total Net position	$ 259,162	$ 672,278	$ 26,066	$ 32,281

LOAN SERVICING	LOAN WAREHOUSING	CITIGROUP GLOBAL MARKETS	OPERATING ACCOUNT	TOTAL OTHER PROGRAMS AND ACCOUNTS
$ 23,146	$ -	$ 26	$ 4,500	$ 34,169
208,806	-	-	18,080	721,644
-	-	2,236	-	22,703
-	-	334	-	15,469
121	-	-	12	629
3,132	-	-	474	4,496
(6,507)	-	-	939	6,999
-	-	-	29	13,357
228,698	-	2,596	24,034	819,466
-	-	-	-	58,664
-	-	61,284	-	544,352
-	-	-	-	-
-	-	-	842	892
-	-	61,284	842	603,908
228,698	-	63,880	24,876	1,423,374
-	-	-	-	3,077
-	-	-	-	-
-	-	-	-	3,077
-	-	-	-	-
-	-	2,253	-	2,253
-	-	345	-	17,025
-	-	-	335	1,020
-	-	-	4,034	4,034
222,763	-	-	6,386	231,515
222,763	-	2,598	10,755	255,847
-	-	-	-	-
-	-	61,342	-	61,342
-	-	-	21,485	21,485
-	-	-	-	99,479
-	-	-	891	891
-	-	61,342	22,376	183,197
222,763	-	63,940	33,131	439,044
-	-	-	-	-
-	-	-	842	842
-	-	-	-	-
5,935	-	(60)	(9,097)	986,565
$ 5,935	$ -	$ (60)	$ (8,255)	$ 987,407

CALIFORNIA HOUSING FINANCE FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
OTHER PROGRAMS AND ACCOUNTS
Year Ended June 30, 2014
(Dollars in Thousands)

	HOUSING ASSISTANCE TRUST	CONTRACT ADMINISTRATION PROGRAMS	SUPPLEMENTAL BOND SECURITY ACCOUNT	EMERGENCY RESERVE ACCOUNT
OPERATING REVENUES				
Interest income:				
Program loans and loan agreements -- net	$ 12,832	$ 8,061	$ -	$ -
Interest income - Investments -- net	3,506	716	61	75
(Decrease) increase in fair value of investments	(1,749)	-	-	-
Loan commitment fees	-	-	-	-
Other loan fees	5,829	-	-	-
Other revenues	(65,018)	1,436	-	-
Total Operating revenues	(44,600)	10,213	61	75
SALARIES AND GENERAL EXPENSES				
Interest	14,968	-	-	-
Mortgage servicing fees	2	-	-	-
(Reversal) provision for estimated loan losses	(3,594)	5,156	-	-
Salaries and general expenses	-	-	-	-
Other expenses	236	12,123	-	-
Total salaries and general expenses	11,612	17,279	-	-
Operating (loss) income before transfers	(56,212) -	(7,066)	61	75 -
Transfers in	-	53,462	-	-
Transfers intrafund	(81,676)	(320)	-	-
(Decrease) increase in net assets	(137,888)	46,076	61	75
Net position at beginning of year, as restated	397,050	626,202	26,005	32,206
Net position at end of year, as restated	$ 259,162	$ 672,278	$ 26,066	$ 32,281

LOAN SERVICING	LOAN WAREHOUSING	CITIGROUP GLOBAL MARKETS	OPERATING ACCOUNT	TOTAL OTHER PROGRAMS AND ACCOUNTS
$ -	$ -	$ -	$ -	$ 20,893
2	-	-	51	4,411
-	-	-	-	(1,749)
-	-	-	668	668
4,465	-	-	12,465	22,759
60,140	-	-	426	(3,016)
64,607	-	-	13,610	43,966
-	-	-	-	14,968
-	-	-	-	2
-	-	(55)	-	1,507
-	-	-	41,053	41,053
60,757	-	-	(18,516)	54,600
60,757	-	(55)	22,537	112,130
3,850	-	55	(8,927)	(68,164)
-	-	-	-	53,462
(4,000)	-	-	16,778	(69,218)
(150)	-	55	7,851	(83,920)
6,085	-	(115)	(16,106)	1,071,327
$ 5,935	$ -	$ (60)	$ (8,255)	$ 987,407

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL STATEMENTS OF CASH FLOWS -
OTHER PROGRAMS AND ACCOUNTS
Year Ended June 30, 2014
(Dollars in Thousands)

	HOUSING ASSISTANCE TRUST	CONTRACT ADMINISTRATION PROGRAMS	SUPPLEMENTAL BOND SECURITY ACCOUNT	EMERGENCY RESERVE ACCOUNT
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 12,475	$ 4,140	$ -	$ -
Payments to suppliers	(3)	-	-	-
Payments to employees	-	-	-	-
Other (payments) receipts	(45,872)	(31,431)	2,363	11
Net cash (used for) provided by operating activities	(33,400)	(27,291)	2,363	11
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intrafund transfers	(81,676)	(320)	-	-
Due from (to) other government entities	-	-	-	-
Net cash (used for) provided by noncapital financing activities	(81,676)	(320)	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Payment of bond principal	-	-	-	-
Interest paid on debt	(20,230)	-	-	-
Interfund transfers	-	53,462	-	-
Increase in deferred financing costs	-	-	-	-
Net cash (used for) provided bycapital and related financing activities	(20,230)	53,462	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from maturity and sale of investments	322,995	108,236	8	3,914
Purchase of investments	(186,045)	(134,874)	(2,433)	(4,003)
Interest on investments - net	3,723	727	61	77
Net cash (used for) provided by investing activities	140,673	(25,911)	(2,364)	(12)
Net increase (decrease) in cash and cash equivalents	5,367	(60)	(1)	(1)
Cash and cash equivalents at beginning of year	4	1,186	1	1
Cash and cash equivalents at end of year	$ 5,371	$ 1,126	$ -	$ -
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED FOR) PROVIDED BY OPERATING ACTIVITIES:				
Operating (loss) income	$ (56,212)	$ (7,066)	$ 61	$ 75
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Interest expense on debt	14,968	-	-	-
Interest on investments	(3,506)	(716)	(62)	(75)
Changes in fair value of investments	1,749	-	-	-
Amortization of bond premium	-	-	-	-
Amortization of deferred revenue	-	-	-	-
Depreciation	-	-	-	-
(Reversal) provision for estimated loan losses	(3,594)	5,156	-	-
Provision for nonmortgage investment excess	-	-	-	-
Effect of changes in operating assets and liabilities:				
(Purchase) sale of program loans-net	(31,750)	(49,434)	-	-
Collection of principal from program loans - net	27,601	30,710	-	-
Interest receivable	(357)	(3,920)	-	-
Accounts receivable	(114)	-	-	11
Due (from) to ther funds	(8,863)	(1,597)	2,364	-
Increase (Decrease) in other assets and deferred outflow	54,395	-	-	-
Compensated absences	-	-	-	-
Deposits and other liab	-	(424)	-	-
Unearned revenue	(27,717)	-	-	-
Net cash provided by (used for) operating activities	$ (33,400)	$ (27,291)	$ 2,363	$ 11
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Noncash transfer of program loan to REO	$ -	$ -	$ -	$ -

LOAN SERVICING	LOAN WAREHOUSING	CITIGROUP GLOBAL MARKETS	OPERATING ACCOUNT	TOTAL OTHER PROGRAMS AND ACCOUNTS
$ -	$ -	$ 52	$ -	$ 16,667
-	-	-	(11,200)	(11,203)
-	-	-	(29,935)	(29,935)
(11,942)	-	17,432	26,971	(42,468)
(11,942)	-	17,484	(14,164)	(66,939)
(4,000)	-	-	16,778	(69,218)
-	-	-	3,586	3,586
(4,000)	-	-	20,364	(65,632)
-	-	(17,464)	-	(17,464)
-	-	(92)	-	(20,322)
-	-	-	-	53,462
-	-	-	3	3
-	-	(17,556)	3	15,679
103,007	-	-	38,481	576,641
(86,746)	-	-	(40,636)	(454,737)
20	-	-	51	4,659
16,281	-	-	(2,104)	126,563
339	-	(72)	4,099	9,671
22,807	-	98	401	24,498
$ 23,146	$ -	$ 26	$ 4,500	$ 34,169
$ 3,850	$ -	$ 55	$ (8,927)	$ (68,164)
-	-	-	-	14,968
(2)	-	-	(50)	(4,411)
-	-	-	-	1,749
-	-	-	-	-
-	-	-	(668)	(668)
-	-	-	264	264
-	-	(55)	-	1,507
-	-	-	-	-
-	-	-	-	(81,184)
-	-	17,433	-	75,744
-	-	51	-	(4,226)
(409)	-	-	99	(413)
760	-	-	9,282	1,946
-	-	-	(127)	54,268
-	-	-	(229)	(229)
(16,141)	-	-	5,038	(11,527)
-	-	-	(18,846)	(46,563)
$ (11,942)	$ -	$ 17,484	$ (14,164)	$ (66,939)
$ -	$ -	$ -	$ -	$ -

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CALIFORNIA HOUSING FINANCE FUND
(A Component Unit of the State of California)

SINGLE AUDIT REPORT
June 30, 2014

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
California Housing Finance Fund
Sacramento, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the California Housing Finance Fund (the Fund), which is administered by the California Housing Finance Agency (the Agency), a component unit of the State of California, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated October 13, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal* control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 2014-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Fund's Response to Findings

The Fund's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Fund's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Bellevue, Washington
October 13, 2014

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
California Housing Finance Fund
Sacramento, California

Report on Compliance for Each Major Federal Program

We have audited California Housing Finance Fund's (the Fund) compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Fund's major federal programs for the year ended June 30, 2014. The Fund's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Fund's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Fund's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Fund's compliance.

Opinion on Each Major Federal Program

In our opinion, the Fund complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2014-002. Our opinion on each major federal program is not modified with respect to this matter.

The Fund's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Fund's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Fund is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Fund's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-002, that we consider to be a significant deficiency.

The Fund's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Fund's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the Fund as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements. We issued our report thereon dated October 13, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Bellevue, Washington
October 13, 2014

CALIFORNIA HOUSING FINANCE FUND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA #	Federal Expenditures
U.S. Department of Housing and Urban Development		
Section 8 Housing Assistance Payment Program	14.195	$ 59,724,481
U.S. Department of Treasury		
National Foreclosure Mitigation Counseling	21.000	1,436,074
Total Federal Expenditures		$ 61,160,555

See accompanying note to the schedule.

CALIFORNIA HOUSING FINANCE FUND
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2014

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the California Housing Finance Fund (the Fund), and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. Therefore, some of the amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the financial statements. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies or other entities, if any, are included in the schedule.

CALIFORNIA HOUSING FINANCE FUND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

I. Summary of Independent Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

• Material weakness(es) identified?	X	Yes		No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?		Yes	X	None reported
• Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Internal control over major programs:

• Material weakness(es) identified?		Yes	X	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	X	Yes		None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	X	Yes		No

Identification of Major Programs

Name of Federal Program	CFDA Number	Expenditures
Section 8 Project-Based Cluster	14.195	$ 59,724,781

Dollar threshold used to distinguish type A programs $ 1,834,817

Auditee qualified as low-risk auditee?	X	Yes		No

CALIFORNIA HOUSING FINANCE FUND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

II. Financial Statement Findings

Finding 2014-001 – Material Adjustments

Condition

During FY 2014, management revised their methodology for allowance for loan loss of the single family mortgage receivables and determined that the allowance account was overstated by $39,494,450 which is the estimated amount of claims payable owed to the Housing Finance Fund from the Housing Loan Insurance Fund. The Agency's staff discovered the error during the process of switching the allowance for loan loss methodology to a loan-by-loan analysis of the single family mortgage receivables and identifying the variance between the old and new allowance calculation.

Criteria

Management did not have an adequate system of internal controls for reviewing and monitoring the allowance for loan loss of the single family receivables.

Cause

The estimated amount of claims payable owed to the Housing Finance Fund from the Housing Loan Insurance Fund was inadvertently added to the allowance for loan loss accrual. However, the amount of claims payable was related to REO properties and short sales that had already been written-off.

Effect

The allowance for loan loss account was materially overstated. The cumulative effect to the ending net position of the Housing Finance Fund for FY 2013 and FY 2012 was an understatement of net position in the amount of $39,494,450 and $23,076,874, respectively.

Recommendation

We recommend that management enhance its processes for reviewing, monitoring and accounting for the allowance for loan loss account of the single family mortgage receivables.

Management's Response

Management will implement a more stringent process for reviewing, monitoring and accounting for the allowance for loan loss each quarter. Meetings will be held quarterly with CalHFA's Risk Management Unit to review the factors and assumptions to be used in the current allowance methodology and calculation.

CALIFORNIA HOUSING FINANCE FUND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

III. Federal Award Findings and Questioned Costs

Finding 2014-002: U.S. Department of Housing and Urban Development, Section 8 Project-Based Cluster, CFDA # 14.195, Subrecipient Monitoring, Other Noncompliance, Significant Deficiency

Condition/Context
6 out of 18 project files tested did not have the Management and Occupancy Review (MOR) results sent within 30 days of the completed onsite visit.

Criteria
U.S. Department of Housing and Urban Development's (HUD) Management and Occupancy Review Handbook, 4350.1 REV-1, Section 6-9 states that findings noted in the Management and Occupancy Review Report must be followed up by the officer assigned to the Project within 30 calendar days.

Cause
The individuals responsible for sending MOR results encountered unforeseen circumstances during the 30 day timeframe, such as being sick and travel issues, which contributed to the delay of MOR results.

Effect
The Fund has not complied with subrecipient monitoring procedures established by the U.S. Department of Housing and Urban Development.

Questioned Costs
None

Recommendation
We recommend that Management ensure MOR results are communicated in a timely fashion to the projects, as required by their internal controls and HUD requirements.

Management's Response
Management is in the process of cross-training staff from the compliance team to assist the MOR Specialist and is implementing a tickler system that notifies the MOR Specialist and management on the 20th calendar day in order to meet the 30 calendar day deadline.

CALIFORNIA HOUSING FINANCE FUND
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

Finding 2013-01, 2012-01: <u>U.S. Department of Housing and Urban Development, Section 8 Project-Based Cluster, CFDA # 14.195, Cash Management</u>

Condition/Context
13 of the 18 federal draws tested for Housing Assistance Payments paid out to Projects between July 1, 2012 – June 30, 2013 were disbursed more than three business days after the receipt of the funds. The time frame ranged from seven to ten days.

All 15 federal draws tested for Housing Assistance Payments paid out to Projects between July 1, 2011 – June 30, 2012, were disbursed more than three business days after the receipt of the funds. The time frame ranged from seven to eleven days.

Status
This finding was corrected in FY 2014.

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Management
California Housing Finance Fund
Sacramento, California

In planning and performing our audit of the financial statements of California Housing Finance Fund (the Fund), which is administered by the California Housing and Finance Agency (the Agency), a component unit of the State of California, as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the Fund's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

However, during our audit we became aware several matters that are opportunities to strengthen your internal control and improve the efficiency of your operations. Our comments and suggestions regarding those matters are summarized below.

INFORMATION TECHNOLOGY

As part of the audit, CLA's information technology auditors obtained an understanding of the information technology controls around the core financial accounting system and other systems that have an effect on the financial statements. The following observation was noted during the review:

Change Management
There are 8 user accounts with administrative access to the Multifamily Loan Accounting System development SQL server that also have access to the production SQL server. In addition, during our testing over the change management process, we determined that two of the five changes we sampled did not follow the formalized process, which requires documented testing and approvals. Additionally, the Change Management Policy had not been formally approved by management.

This issue could result in misrepresentation of financial data. Inadequate change management controls to financial applications could lead to unauthorized changes being implemented into financial systems.

We recommend that segregation of duties be established between development activities and the production environment to prevent unauthorized changes from being made by personnel. We also recommend that the Agency obtain documentation of the formal approval of the Change Management Policy, and enforce the policy for all changes to production servers.

REPLACEMENT RESERVE

One of the six properties tested did not deposit the correct monthly amount into the replacement reserve account. We recommend that the Agency's staff review replacement reserve deposits to ensure the correct amount is deposited each month.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Agency personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, Board of Directors, and others within the Fund, and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Bellevue, Washington
October 13, 2014

State of California

MEMORANDUM

To: Audit Committee

Date: November 5, 2014

Lori Hamahashi, Comptroller

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: Housing Finance Fund – Responses to CliftonLarsonAllen Management Letter Recommendations

Information Technology

Change Management

Recommendation #1: We recommend that segregation of duties be established between development activities and the productions environment to prevent unauthorized changes from being made by personnel. We also recommend that the Agency obtain documentation of the formal approval of the Change Management Policy, and enforce the policy for all changes to production servers.

Response: CalHFA IT has a formal documented change management process which includes segregation of duties between programmers. The Agency is in the process of hiring an additional programmer, which will make it feasible to reinstitute our more formal process which will help prevent unauthorized changes from being made by personnel while still ensuring we are responsive to the business needs and that all changes are thoroughly tested and approved before migration to production.

This year we will also obtain documentation of the formal approval of the Change Management Policy, and enforce the policy for all changes to production servers.

Section 8 Housing Assistance Program

Replacement Reserve

Recommendation #2: We recommend that the Agency's staff review replacement reserve deposits to ensure the correct amount is deposited each month.

Response: CalHFA Asset Management staff are reviewing a monthly replacement reserve report produced by CalHFA Accounting to ensure the correct amount is being deposited each month. Requests to increase/decrease replacement reserve deposits will now be processed using Microsoft SharePoint Workflow which will help ensure each request submitted has been processed.

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INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors
California Housing Finance Agency
Sacramento, California

We have performed the procedures enumerated below, which were agreed to by the California Housing Finance Agency (the Agency) solely to assist you with respect to the disbursement of Proposition 1C Funds by the Agency in accordance with the requirements of the California Homebuyer's Down Payment Assistance Program for the year ended June 30, 2014. The Agency's management is responsible for the disbursement of the Proposition 1C Funds. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedures
Our procedures were as follows:

1. Obtain and read the California Homebuyer's Down Payment Assistance Program (CHDAP) guidelines.
2. Obtain the CHDAP Commitment/Disbursement schedules for the fiscal year ending June 30, 2014. Haphazardly select a sample of 25 loans for testing.
3. Read the eligibility requirements for CHDAP loans, program announcements and commitments.
4. For each selected CHDAP loan, determine if the amount of funds committed/disbursed was used for the specified purpose, as specified in the approved loan application. Determine if the borrower qualifies based on income level and sales price, or other criteria that may be established by CHDAP as provided in the eligibility requirements obtained in Step 3.
5. For each selected CHDAP loan, determine that the proper loan agreement/lien was recorded against the property by agreeing the recorded loan/lien with the amount listed in the disbursement schedule.

Results
We did not identify any exceptions with respect to the disbursement of Proposition 1C Funds in accordance with the California Homebuyer's Down Payment Assistance Program.

***

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the disbursement of the Proposition 1C Funds in accordance with the California Homebuyer's Down Payment Assistance Program. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the California Housing Finance Agency and is not intended to be and should not be used by anyone other than these specified party.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Bellevue, Washington
August 4, 2014

FANNIE MAE
Herndon, Virginia

REPORT OF AGREED-UPON PROCEDURES

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Independent Accountants' Report on Applying Agreed Upon Procedures

Fannie Mae
Herndon, Virginia

We have performed the procedures enumerated below, which were agreed to by Fannie Mae and the California Housing Finance Agency (CalHFA), solely to assist Fannie Mae in determining compliance and the propriety of financial reporting of CalHFA. CalHFA management is responsible for the propriety of accounting and compliance with Fannie Mae requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

<u>Quality of Certification Practices and Procedures</u>
Procedures

1. Obtain a list of loans on hand and haphazardly select a loan sample that:
   a. Contains 150 loans certified since the previous review.
      i. If less than 150 loans were delivered to Fannie Mae since the previous review, sample all of the loans delivered.
   b. Represents all loan products certified since the last review (performed by Fannie Mae or the independent auditor), with an emphasis on ARMs, or loan types that the Document Custodian has previously demonstrated difficulty in certifying.
2. Complete a re-certification of all loans in the sample following the certification guidelines established in Fannie Mae's Requirements for Document Custodians, while taking into account previously granted waivers that are documented in existing Letters of Instruction or Exhibit A to the Custodial Agreement.
   a. Document any issues discovered for inclusion in the Findings Report.
   b. Obtain copies of all loan documents containing issues for submission with the Findings Report.
   c. Communicate issues to the document custodian for remediation upon discovery. Do not withhold the issues identified until the findings report is published.
3. Based on the procedures performed above, document the identified errors in the final report. The report should:
   a) Identify each error discovered
   b) Establish error rates for:
      i. Data errors;
      ii. Document errors; and,
      iii. Combined errors

c) Include copies of documents as attachments containing evidence of all issues discovered during testing of the loan sample.

Results

We did not identify any errors in our review of the Document Custodian's activities. CalHFA did not have any new loans delivered to Fannie Mae during the period and was previously granted a waiver since no more loans have been issued.

The summary of procedures and associated findings are as set forth below:

	Total	Adjustable	Fixed	MBS	Cash
Loans Requested	150	0	150	0	0
Loans Released/Transferred Out	0	0	0	0	0
Loans Reviewed	150	0	150	0	0
Standard Document Errors	0	0	0	0	0
Standard Document Error Rate	*0%*	*0%*	*0%*	*0%*	*0%*
Standard Data Errors	0	0	0	0	0
Standard Data Error Rates	*0%*	*0%*	*0%*	*0%*	*0%*
Combined Document + Data Errors	0	0	0	0	0
Combined Error Rate	*0%*	*0%*	*0%*	*0%*	*0%*

General Custodian Data

Procedures

1. Obtain a list of Fannie Mae loans on hand as of December 31, 2013 and document the number of Fannie Mae loans on-hand.
2. Request and review executed Form 2001 (Annual Statement of Eligibility for Document Custodians) for any existing waivers granted to the:
   a. Document Custodian
   b. Lender (related to certification)
3. Review data regarding previous audits and verify if there are any:
   a. Previous findings
      i. If previous findings exist, validate that they have been resolved and include a status update in the report to Fannie Mae.
   b. Outstanding issues
      i. If outstanding issues exist, validate that they have been resolved and include a status update in the report to Fannie Mae.

Results

CalHFA currently has 2,952 loans on hand. We obtained 150 loan files and reviewed the executed Form 2001 for any existing waivers granted to the document custodian without exception. There were no previous findings or outstanding issues noted.

General Compliance

Procedures

1. Request copies of executed Custodial Agreement (Form 2003) between the custodian and each of its Fannie Mae Lender customers as listed in the executed Form 2001.
2. If variances are noted, determine that all variances are documented in the form of a Letter of Instruction (which represents a variance granted to lender) or Exhibit A (which represents a variance granted to the Custodian) to the Custodial Agreement.
3. Determine through staff interviews and observations that the document custodian employs well-trained and knowledgeable staff that is familiar with pool certification procedures and Fannie Mae document control methods.

Results

We obtained and reviewed the executed Custodial Agreement (Form 2003) between CalHFA and Fannie Mae without exception. There were no variances noted, but an Exhibit A (Waivers and Variances) was still included in the custodial agreement. Based on staff interviews and observations, staff appears trained and knowledgeable and are familiar with pool certification procedures and Fannie Mae document control methods.

Regulation

Procedures

If the custodian is a regulated entity, perform the following:

1. Ask the Custodian to provide evidence of their regulator(s); a custodian must be regulated by:
   a. Federal Deposit Insurance Corp. (FDIC)
   b. Board of Governors of the Federal Reserve System
   c. Office of the Comptroller of the Currency (OCC)
   d. Office of Thrift Supervision (OTS)
   e. National Credit Union Administration (NCUA)
2. Identify/name the regulated institution (i.e. name of parent, subsidiary, etc.).
3. Identify the regulated institution's relationship to the Custodian.
4. Determine and document if the custodian is subject to periodic review by the primary regulator.
   a. If yes, request the frequency and date of the last review.

Results

CalHFA is not a regulated custodian, under the terms of the waiver, granted by Fannie Mae.

Reporting and Organizational Structure

Procedures

1. Obtain an organization chart. Based on the organizational chart and interviews with management:
   a. Determine that the document custodian operates as a physically separate department from departments that perform mortgage origination, selling and servicing functions.
   b. Determine that duties are completely segregated between lending and custodian activities.
   c. Determine that the document custodian maintains separate personnel, files and operations.
2. Determine if this is a lender, or an affiliate of a lender, acting as custodian for Fannie Mae documents.

Results
We obtained the most recent organizational chart for CalHFA. Employees responsible for Fannie Mae documents are part of the MRS department, which does not perform mortgage origination, selling, or servicing. The lending activities and custodian activities are completely segregated. CalHFA maintains separate personnel, files, and operations relating to Fannie Mae documents. CalHFA is a lender acting as a document custodian for Fannie Mae documents.

Financial Ratings

Procedures
If the custodian is a regulated entity, perform the following:

1. Request evidence of the regulated institution's most recent:
   a. IDC Ranking and date;
   b. KROLL Rating and date; and/or,
   c. Alternate financial rating and date
2. Determine through observation that the document custodian was able to produce rating evidence upon request.
3. Determine that the rating provided by the Custodian meets Fannie Mae's requirements as specified in the Requirements for Document Custodians.
4. Determine that the Custodian has a procedure in place to monitor their financial ratings for compliance.

Results
CalHFA is not a regulated custodian and does not have a ranking or rating under the terms of the waiver granted by Fannie Mae.

Trust Powers

Procedures
If the custodian is a regulated entity, perform the following:

1. If the Custodian is self-affiliated, obtain evidence of their Trust Powers.
2. Determine if there are custodial officers who are authorized to act for the institution in a trust capacity.

Results
CalHFA has obtained a waiver for the requirements related to Trust powers and has adhered to the terms and conditions of the Trust Power waiver imposed by Fannie Mae.

Insurance Coverage

Procedures

1. Read the Custodian's E&O policy to assure that it meets Fannie Mae's requirements, as specified in the Requirements for Document Custodians, and notate:
   a. Amount of Policy
   b. Amount of Deductible
   c. Deductible as percentage of face
   d. Policy expiration date

2. Read the Custodian's Financial Institution Bond coverage to assure that it meets Fannie Mae's requirements, as specified in the Requirements for Document Custodians, and notate:
   a. Amount of Bond Coverage
   b. Amount of Deductible
   c. Deductible as percentage of face
   d. Policy expiration date
3. Read the Custodian's documentation that demonstrates that the Custodian verified that the insurance carrier is rated by one of the following:
   a. A.M. Best Company, with a rating of 'B' or better
   b. Standard and Poor's Inc., with a rating of 'BBB' or better

Results
CalHFA obtained a waiver for the requirements related to insurance coverage.

Physical Facilities
Procedures

1. Obtain, observe and review the documentation that indicates that the facilities for storage of the custodial documents and files are fire-resistant storage facilities that provide at least two hours of fire protection.
2. Observe that the location and layout of the vault facility effectively limits access to the area.
3. Determine through observation that the custodian is able to account for the control of the keys, or have access to, all external vault exits.
4. Read the procedures for granting access to vault facilities to assure that access is granted to personnel on an as-needed basis to determine that personnel not working directly in custodian functions should not have access to the vault.
5. Observe the location in which documents are stored, while awaiting filing, to assure that it is secure.
6. Read and observe the vault's primary access control.
7. Read and observe that the vault has secondary access control.
8. Read and observe that there are controls in place to prevent unauthorized access by non-custodial employees to custodial facilities and systems.

Results
We observed the storage facilities for the custodial documents and noted that they are fire-resistant. The cabinets are FireKing, equipped with two hour fire protection.

We observed the location and layout of the vault facility. The facility is located on the 4th floor, which requires an access badge to enter. Within the 4th floor, the file room requires a special access badge maintained by only two authorized employees.

The document custodian is able to account for the control of keys. The primary key is kept by the Accounting Manager in a locked desk drawer on the 9th floor. The secondary key is kept with Business Services on the 4th floor. There are only two employees who have access to the vault facilities. The primary access person is an accountant. If he is unavailable, the backup person, a seasonal clerk, is responsible.

In order to obtain the vault key, they must sign the log-out sheet kept by the primary key holder. Once they are finished with the key, they return it and report the time returned key holder in the log.

We observed the location in which the documents are stored and determined it is secure.

The vault's primary access controls include the primary key holder keeping a locked key in her office, with only two staff having access to the Fannie Mae cabinets.

The secondary access controls include a second key held by the Business Services Manager. This key is also only available to two staff members. Based on our observations, controls appear to be in place to prevent unauthorized access by non-custodial employees to custodial facilities and systems.

Written Procedures for Certification and Custody

Procedures

1. Read the following written procedures to assure that they meet Fannie Mae's requirements, as specified in the Requirements for Document Custodians:
   a. Receipt of documents
   b. Registration into the document tracking system
   c. Certification of all required data elements
   d. Verification of all required documents
   e. Process for certification and custody of Fannie Mae cash loans, if applicable
   f. Process for certification and custody of Fannie Mae LTSC Class I and/or Class IV loans, if applicable
   g. Bailee letter processing, if applicable
   h. Satisfaction of prior creditor interests in Fannie Mae loans, if applicable
   i. Process for handling missing/incorrect documents and/or data errors found during the document-to-data review (including communication, tracking, and follow-up until certification or removal)
   j. Document release practices (including execution of Form 2009)
   k. Document reinstatement
   l. Servicing transfers (in and out)
   m. Details regarding how vault access is controlled and secured
   n. Process for moving documents within vault/file room as loans are sold to investors
   o. Process for granting/removing/periodic review (at least annually) of unauthorized access to the document tracking system
   p. Notification to Fannie Mae when users of the Doc Cert application cease to be authorized users.
   q. Certification that Fannie Mae is the controller (eNote custodians only)
   r. Follow-up and receipt of original Form 3269 Balloon Loan Modifications and verification that the document is endorsed in blank (RDC Section 8.5)
   s. Process for monthly quality controls
2. Interview and observe, through staff, to verify that employees have access to and follow written procedures

Results
We obtained and reviewed written procedures for the items identified in the procedures and determined that they meet Fannie Mae requirements. Based on staff interviews and observations, employees are knowledgeable of the written procedures and follow them accordingly.

Practices – Certification

Procedures

Determine if there are any new loans during the year. If so, perform the following:

1. Sit with certification staff to review certification practices. Assure that these practices meet Fannie Mae's requirements and the custodian's documented procedures.
2. Verify and document the certification method used by the document custodian.
   a. If certification is performed on an "As Submitted" basis:
      i. Request evidence to show that certification is performed against Form 2005 data obtained from the DocCert application.
      ii. Request evidence to show that all Fannie Mae-required fixed and adjustable rate certification fields are included in the data comparison.
   b. If pre-submission certification (meaning that certification is performed prior to submission of loan data to Fannie Mae) is performed using lender data:
      i. Request evidence to show that data used in pre-submission certification is compared to Form 2005 data obtained from the DocCert application prior to pool certification. This comparison may be an automated comparison (for cash loans, pre-submission data from Loan Delivery should be used). Any exceptions should have been noted and communicated to the lender for resolution prior to transmission of a certification status to Fannie Mae.
      ii. Request evidence to show that all the Fannie Mae-required data fields are included in the data certification process and in the data comparison, if applicable.
      iii. Request evidence that demonstrates how the document custodian ensures that all pre-certified loans are in their possession at the time of pool certification.
      iv. Request evidence that demonstrates how the document custodian ensures that all loans identified as Fannie Mae deliveries are not allocated to any other investor.
3. Request evidence to show that the document custodian validates MBS Corrections in the DocCert application.
4. Request evidence to show that the document custodian has ongoing feedback and communication regarding outstanding items with its lender customers.
5. Verify that all notes are endorsed in blank from the lender. If the document custodian executes, verify presence of a power of attorney allowing them to perform this function.
6. If facsimile signatures are used on blank endorsements:
   a. Obtain and review the Corporate Resolution recognizing the use of such signatures.
7. If the document custodian certifies and holds Fannie Mae cash loans, review the documentation that supports that:
   a. The Custodian sends a cash certification status to the lender; and,
   b. The Custodian maintains records of these notifications.
8. If the Custodian certifies and holds loans delivered as Long Term Standby Commitment (LTSC) Class I and/or Class IV, review the documentation that supports that:
   a. Communicates certification status to the lender; and,
   b. Identifies LTSC Class I and/or Class IV loans in their tracking system with Fannie Mae as the investor after loans are funded.
9. Read the Custodian's practices and policies to assure that all practices and procedures comply with Fannie Mae requirements and any updates are promptly incorporated.
10. If the document custodian certified eNotes, verify that the document custodian's certification practice includes validation that Fannie Mae is the controller for all eNotes.

11. Read the Custodian's procedure and tracking process to assure that the document custodian has a process in place to ensure receipt of the original Form 3269 (Balloon Loan Modification Agreement, endorsed to blank) when certification was based on a certified true copy of this document.

Results
These procedures were not applicable as there were no new loans certified.

Practices – Custody

Procedures
1. Ask the custodian to provide an overview and walk-through of the system they use to track the physical location of all Fannie Mae documents and files. Determine if the system has sufficient controls in place or document any gaps.
2. Determine if the document custodian is able to indentify Fannie Mae loans by a physical location and/or through use of a document tracking system.
3. Determine that appropriate access controls are in place to protect the document tracking system from unauthorized viewing and updating.
4. Haphazardly select 10 loans and request that the document custodian locate and retrieve the loans successfully and timely. This is in addition to the loan sample.

Results
CalHFA maintains physical copies of all Fannie Mae documents and files in file cabinets on the 4th floor. This location does not change and files are not moved. The system has sufficient controls in place in accordance with the guidelines.

CalHFA is able to identify Fannie Mae loans by a specific physical location on the 4th floor, as well as through the use of their document tracking system. There are appropriate access controls in place to prevent unauthorized personnel from accessing the document tracking system.

There are only 2 employees who have access to the document tracking system, and the same two employees are the only ones who have access to the room the Fannie Mae loans are physically held. We selected 10 loans from the Active Loan listing and observed as the Accountant located each note from the file cabinets successfully and timely.

Practices – Funding

Procedures
1. If indicated in the executed Form 2001 that bailee letters are delivered to the document custodian, request evidence that shows that the custodian has a process in place to withhold certification until Fannie Mae has validated and approved the wiring instructions.
2. Inquire if the document custodian issues trust receipts. If yes, obtain evidence that loans are removed from the trust receipts prior to certification.
3. Inquire if loans are self-funded prior to sale to Fannie Mae. If yes, obtain evidence that shows release of interest prior to certification.
4. Inquire if loans are funded through a warehouse line prior to sale to Fannie Mae. If yes, obtain evidence that either bailee letters are submitted to Fannie Mae or release of interest prior to certification.

5. Inquire if loans are funded through a FHLB prior to sale to Fannie Mae. If yes, obtain evidence of release of interest prior to certification.
6. Inquire if loans are funded through a funding facility prior to sale to Fannie Mae.
   a. If yes, determine the name of the facility and verify that funding agreements between the facility and document custodian are on file.
7. Determine if the lender has entered into any inter-creditor (tri-party) agreements.
   a. If yes, determine with whom and verify that copies of the agreements are on file.
8. Inquire if the document custodian has knowledge of, or operational involvement in, satisfying prior creditor interest of Fannie Mae loans. If yes, verify that:
   a. The document custodian has a process in place to ensure that the loans are released prior to funding.
   b. The process is documented in a procedure.
   c. The procedure is testable.

Results
These procedures were not applicable as there were no new loans funded.

Practices – Releases

Procedures
1. Observe the custody staff to conduct a review of document release practices.
2. Determine that the document custodian receives a Form 2009 (Request for Release of Documents) or equivalent prior to document release. Further verify that the form:
a. Contains all the required data elements.
b. Is maintained in either hard copy or electronic format.
   i. If electronic, verify that the Form can be printed in a suitable format upon request.
3. Haphazardly select one loan and request evidence to show that releases are processed only when the Form is signed and dated by authorized personnel.
4. Haphazardly select one loan and request evidence to show that the document custodian includes either Form 2009 or a loan manifest with the release package.

Results
We observed the document custodian staff review of the document release practices and noted that they follow the written procedures provided by Fannie Mae.

The document custodian receives a Request for Release of Documents from the Loan Servicing department prior to the release of documents. The electronic listing contains all necessary elements to accurately release the requested notes. The electronic form is available to be printed in a suitable format upon request.

We observed the FNMA Release Forms folder, which includes all necessary information that is completed and approved before the requested notes are released.

The document custodian maintains a loan manifest that is completed, reviewed, and approved each time documents are released.

Practices – Transfers

Procedures
Determine if there were any loan transfers during the year. If so, perform the following:

1. Inquire if the document custodian processes incoming servicing transfers. If yes, document the following:
   a. Evidence of the recertification completion date(s).
   b. Evidence of a reconciliation of documents to a loan trial balance.
   c. Evidence that the custodian completes the recertification of loans within the 6-month period required by Fannie Mae.
   d. Evidence of tracking system's ability to indicate whether pools have been recertified following an incoming transfer.

Results
These procedures were not applicable as there were no incoming loan servicing transfers during the period.

Practices – Monthly QC

Procedures
1. Verify through observation that the document custodian has a monthly QC process in place.
2. Request evidence that for each monthly QC over the past 12 months, the following documents have been retained:
   a. Loan sample list (including product type and certifier)
   b. Findings Report
   c. Evidence that the Findings Report was reviewed by document custody management staff
   d. Remediation evidence for all issues identified
3. Verify that the document custodian's documented procedures for the monthly QC include details on how to determine the loan sample size. Verification should include the method used for the regular monthly QC sample and the method(s) used when additional sampling is required (added) if:
   a. The previous three months QC identified systemic errors or errors related to an individual certifier.
   b. The overall error rate exceeds 3% for three consecutive months.
4. Provide a summary of the method(s) used to determine sample size.
5. Verify that the monthly QCs for the previous 12 months meet the sample size requirements outlined in the document custodian's documented procedures.

Results
We obtained and reviewed the monthly QC procedures put in place by the Document Custodian. Since CalHFA has not had any new loans since 2007, they are exempt from performing the monthly loan testing. We obtained and reviewed documentation of this exemption.

Disaster Recovery

Procedures
1. Request evidence of the existence of the custodian's (or affiliated entity's) written business continuity/disaster recovery plan.
2. Ensure through review that the plan:
   a. Identifies critical functions and resources.

b. Covers procedures and responsibility assignments, including a "Call Tree" to identify whom to call during an emergency and in what order.
c. Includes provisions for off-site retention of critical systems and data file resources.
d. Outlines a plan for the existing documents in the vault in the event of fire, water damage or any other disaster such that there is a need to move documents to a back-up facility or restore the documents.
e. Includes alternate processing facilities, and network and telecommunication capabilities.
f. Covers restoration of facilities and backup and recovery of data processing systems.

3. Request evidence to show that the business continuity/disaster recovery plan is tested at least annually and note the date of the last test.

Results
We obtained and reviewed CalHFA's written Business Continuity Plan and Disaster Recovery plan.

We ensured the plan included all required information identified in the procedure above. We obtained confirmation that CalHFA is in compliance with all FNMA Security Reporting requirements and noted their most recent plan was submitted in March 2014. We verified that the disaster recovery plan is tested annually, noting the date of the last test was September, 27, 2013.

* * *

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on compliance and financial reporting of the California Housing Finance Agency. Accordingly, we did not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of California Housing Finance Agency and Fannie Mae and is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Bellevue, Washington
July 17, 2014

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State of California

M E M O R A N D U M

To: Board of Directors Date: March 1, 2015

Timothy Hsu, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: REPORT OF ISSUANCE OF SUBSTITUTE LETTERS OF CREDIT FROM JPMORGAN CHASE BANK

On November 9, 2014 $81,340,000 of existing multifamily variable rate bonds received new credit enhancement in the form of direct-pay Letter of Credit (LOC) from J.P. Morgan Chase Bank. The J.P. Morgan LOC is substituting CalHFA's previous LOCs with Fannie Mae and Freddie Mac on the bonds, pursuant to the U.S. Treasury's Temporary Credit and Liquidity Program (TCLP). The LOC is scheduled to expire four years from the issuance date.

All of the TCLP facilities currently expire on or before December 23, 2015. The Agency expects to substitute new credit enhancement for the rest of multifamily variable rate bonds at the end of first quarter of 2015.

The bonds are rated Aa1/VMIG-1 by Moody's and A+/A-1 by S&P.

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-State of California

M E M O R A N D U M

To: Board of Directors **Date:** March 1, 2015

Tim Hsu, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: ANNUAL INVESTMENT REPORT

In 2012 the Board adopted an investment policy and asked for a periodic investment report. Attached for your information is an investment report as of June 30, 2014, the end date for the most recent fiscal year. This report shows that CalHFA moneys continue to be invested in accordance with the Board-approved investment policy.

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INVESTMENT REPORT
JUNE 30, 2014

SUMMARY

As of June 30, 2014, CalHFA had $5.6 billion of assets, $4.1 billion of liabilities, and $1.5 billion of fund equity. Out of the $5.6 billion of assets, $1.5 billion (28%) consisted of cash equivalents and investments (together "investments").

When comparing the investment balance as of June 30, 2014 to the investment balance as of June 30, 2013, there is a $321.1 million decrease. The primary reason for the decrease is the use of investment funds to redeem variable rate bonds.

The portfolio is still heavily concentrated in the State Investment Pool (67% of the total), which means the investment earnings are likely to remain very low. The State Investment Pool's year-to-date yield at June 30, 2014 was 0.228%.

The persistence of lower interest rates is the key risk of the investment portfolio. Looking at the entire balance sheet, however, the interest rate risk on the investments is partially offset by the Agency's unhedged variable rate bonds, which benefit from lower interest rates.

Amount Invested
($ in millions)

Investment Type	Bond Indentures	CalHFA G-O	Admin	Total
Investment Agreements	$ 66.2	$ 0.0	$ 0.0	$ 66.2
State Investment Pool	318.9	96.9	624.8	1,040.6
Securities (Fair market value)	344.4	58.7	0.0	403.1
U.S. Bank N.A. Open CP	34.7	0.0	0.0	34.7
Money Market and Bank Deposit	1.4	0.0	0.0	1.4
Totals	$ 765.6	$ 155.6	$ 624.8	$ 1,546.0

INVESTMENT AGREEMENTS

As stated in the Investment Policy, we have always strived to invest bond moneys in investment agreements. Such agreements give us a high level of security of principal, a fixed rate of return to match the fixed cost of our debt, and complete liquidity so that we can use them like interest-bearing checking accounts and make deposits and withdrawals on short notice. Balances invested in investment agreements decreased to $66.2 million ($105.6 million as of June 30, 2013). This decrease is primarily due to 1) the withdrawal of proceeds that were used to make debt service payments and to redeem bonds during the fiscal year; and 2) the decrease of investment mortgage proceeds and the decrease in reserve requirements due to the decline of the mortgage loan portfolio.

It is worth noting that the universe of investment agreement providers has diminished greatly due to credit rating downgrades and lower interest rates. The Agency will monitor this marketplace and attempt to acquire more eligible investment agreements as the opportunities arise.

Investment Agreement Balances
($ in millions)

	Bond Proceeds (For Loan Purchases)	Reserve Funds	Debt Service Funds	Totals
Single Family	$ 0.0	$ 20.5	$ 35.6	$ 56.1
Multifamily	0.0	0.0	10.1	10.1
Totals	$ 0.0	$ 20.5	$ 45.7	$ 66.2

The first two attachments show information about our $66.2 million of deposits with financial institutions providing us with investment agreements. If the financial institution's credit ratings were to fall below a certain threshold level, we have the right to request collateralization or the return of our deposits. In recent years, the Agency has liquidated its position in investment agreements provided by DEPFA bank, AIG, MBIA, Aegon and certain Westdeutsche LB investment agreements. The liquidated proceeds were invested in the State Investment Pool

STATE INVESTMENT POOL (SURPLUS MONEY INVESTMENT FUND "SMIF")

As shown in the table on page 2, we have $1.0 billion invested in the State Investment Pool, also referred to as Surplus Money Investment Fund ("SMIF"), which, over time, has given us security, a relatively competitive return (relative to similar investment vehicles such as Money Market Funds), complete liquidity, and administrative simplicity.

As stated in the Investment Policy, we invest most of the non-bond indenture moneys (funds invested under our Housing Assistance Trust, Contract Administration Programs, money received from HUD for the Section 8 projects, servicing impound account moneys, funds held in the Agency's operating account and general reserves of the Agency), in the SMIF. In recent years the Agency has been investing an increasing amount of bond moneys in the State Investment Pool.

The State's treasury operations are managed in compliance with the California government code and according to a statement of investment policy which sets forth permitted investment vehicles, liquidity parameters and maximum maturity of investments. The Pooled Money Investment Account (PMIA) operates with the oversight of the Pooled Money Investment Board (consisting of the State Treasurer, the State Controller and Director of Finance).

SECURITIES

The third attachment provides additional information about the $403.1 million (fair market value) of securities held by the Agency, which are largely Fannie Mae and Ginnie Mae securities backed by loans originated for our single family and multifamily programs.

U.S. BANK N.A. COMMERCIAL PAPER

The Agency invests funds under the Residential Mortgage Revenue Bond and the Affordable Multifamily Housing Revenue Bond indentures in U.S. Bank Open Commercial Paper (CP). On these transactions, U.S. Bank also serves as the bond trustee. The Open CP agreements are unsecured promissory notes issued by U.S. Bank National Association and are not insured by Federal Deposit Insurance Corporation ("FDIC") or guaranteed by any governmental agency or authority, or by U.S. Bank N.A. The Open CP has a short term rating of A1+/P1 and a long term rating of AA- . At June 30, 2014, the amount deposited in CP was $32.7 million.

MONEY MARKET AND BANK DEPOSITS

Occasionally the Agency will have on deposit, with our bond trustee, bond (indenture) funds which the bond trustee sweeps, nightly, into a U.S. Treasury money market fund. At June 30, 2014, the amount deposited in the MMF was $1.4 million.

Attachments (3)

Attachment #1

SUMMARY OF CALIFORNIA HOUSING FINANCE AGENCY FUNDS DEPOSITED IN INVESTMENT AGREEMENTS - June 30, 2014

INVESTMENT AGREEMENT PROVIDER	COUNTRY	MOODY'S RATING	STANDARD & POOR'S RATING	AMOUNT INVESTED
Societe Generale	France	A2	A	$ 30,834,787
Transamerica Life Insurance Company	Netherlands	A1	AA-	18,495,489
*Bayerische Landesbank (State of Bavaria Guarantee)	Germany	A3	NR	6,050,201
Rabobank Int.	Netherlands	Aa2	AA-	5,051,425
Trinity Funding Company, LLC	US	A1	AA+	3,323,636
NATIXIS	France	A2	A	2,469,624
Total Funds Invested in Investment Agreements				$ 66,225,162
Foreign Sovereign Ratings				
France		Aa1	AA	$ 33,304,411
*State of Bavaria (Germany)		Aaa	AAA	6,050,201
Netherlands		Aaa	AA+	23,546,914
U.S. Sovereign Rating		Aaa	AA+	3,323,636
				$ 66,225,162

*Institution's ratings based on state/government guarantee
"NR" Not Rated

Attachment #2

California Housing Finance Agency		
Funds Invested in Investment Agreements		
as of June 30, 2014		
Totals by Financial Institution Ratings		
Moody's Ratings	**Amount Invested**	**Percentage of Total Invested**
Aa2	$ 5,051,425	7.63%
A1	21,819,125	32.95%
A2	33,304,411	50.29%
A3	6,050,201	9.13%
Total	$ 66,225,162	100.00%
S & P Ratings		
AA+	$ 3,323,636	5.02%
AA-	23,546,914	35.56%
A	33,304,411	50.29%
NR	6,050,201	9.13%
Total	$ 66,225,162	100.00%

Attachment #3

Summary of CalHFA Investments in Securities As of June 30, 2014

By Type of Security

Type of Investment	Par Value Program Account	Par Value Reserve Account	Total Par Value	Book Value	Market Value	Weighted Average Coupon	Weighted Average Remaining Maturity
GNMA Securities	$ 192,813,914	$ 4,336,617	$ 197,150,532	$ 197,150,532	$ 206,142,915	3.79%	26.72 Years
FNMA Securities	88,593,524	99,112,521	187,706,045	187,706,045	196,968,803	3.70%	18.45 Years
Totals	$ 281,407,439	$ 103,449,138	$ 384,856,577	$ 384,856,577	$ 403,111,717		

Summary of CalHFA Investments in Securities As of June 30, 2014

By Indenture or Account

Indenture or Account Description	Par Value Program Account Assets	Par Value Reserve Account Assets	Par Value Unencumbered Assets	Total Par Value	Market Value
Home Mortgage Revenue Bonds	$ 27,349,907	$ 49,172,121		$ 76,522,028	$ 79,557,486
Residential Mortgage Revenue Bonds	180,908,687	6,573,777		187,482,464	196,034,469
Multifamily Housing Revenue Bonds III	20,017,356	9,618,570		29,635,926	31,149,888
Affordable Multifamily Housing Rev. Bonds	37,181,533			37,181,533	37,706,297
Housing Assistance Trust			$ 54,034,626	54,034,626	58,663,577
Totals	$ 265,457,483	$ 65,364,468	$ 54,034,626	$ 384,856,577	$ 403,111,717

State of California

M E M O R A N D U M

To: Board of Directors **Date:** March 3, 2015

Timothy Hsu, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: AGENCY BONDS, INTEREST RATE SWAPS, AND FINANCING RISK FACTORS REPORT

EXECUTIVE SUMMARY:

Since our last report, the variable rate debt decreased by $83 million, from $1,347 million to $1,265 million; and the swap notional outstanding decreased by $141 million, from $1,437 to $1,296 million. In November 2014, we replaced $81.34 million of temporary credit and liquidity program (TCLP) with a Letter of Credit from JPMorgan.

1) We now have more swap notionals than variable rate debt. This is due to our stategy of aggressively deleveraging the balance sheet by redeeming variable rate bonds. At this point we believe this mismatch is manageable.
2) Our collateral posting risk has been contained to around the $50 million range--at its height, it was $132 million.
3) We are continuing our general strategy of winding down our swap portfolio as quickly as we can while incurring as little cost as possible.
4) This report will be provided semi-annually, after February 1 and August 1, which are scheduled bond payment and swap notional reduction dates.

The following report describes our bond and interest rate swap positions as well as the related risks associated with variable rate and swap strategies. The report is divided into sections as follows:

1) Outstanding Bonds
2) Variable Rate Debt
    a) Variable Rate Debt Exposure
    b) Types of Variable Rate Debt
    c) Liquidity Providers
    d) Interest Rate Swaps
3) Financing Risk Factors
    a) Unhedged Variable Rate Risk
    b) Basis Risk
    c) Amortization Risk
    d) Termination Risk
    a) Collateral Posting Risk

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1) OUTSTANDING BONDS

Below is the Agency's outstanding debt position. This table does not include any pass-thru or conduit financings which make up an additional $429 million

BONDS OUTSTANDING
As of February 1, 2015
($ in millions)

	Fixed Rate	Variable Rate	Totals
Single Family	$,1,419	$1,020	$2,439
Multifamily	350	245	595
TOTALS	$1,769	$1,265	$3,034

2) VARIABLE RATE DEBT

a) VARIABLE RATE DEBT EXPOSURE

Over the years the Agency has integrated the use of variable rate debt as a primary issuance strategy in providing capital to support its programmatic goals (this strategy, however, has not been utilized since 2008.) Most of our interest rate exposure from variable rate debt is hedged in the swap market.

This section describes the variable rate bonds of CalHFA and is organized programmatically by indenture as follows: HMRB (Home Mortgage Revenue Bonds--CalHFA's largest single family indenture) and MHRB (Multifamily Housing Revenue Bonds III--CalHFA's largest multifamily indenture). The total amount of CalHFA variable rate debt is $1.2 billion, 36% of our $3.4 billion of total indebtedness as of February 1, 2015.

VARIABLE RATE DEBT
($ in millions)

	Swapped to Fixed Rate	Not Swapped or Tied to Variable Rate Assets	Total Variable Rate Debt
HMRB (SF)	$359	$661	$1,020
MHRB (MF)	177	68	245
Total	$536	$729	$1,265

b) Types of Variable Rate Debt

The following table shows our variable rate debt sorted by type, i.e., whether auction rate, indexed rate, or variable rate demand obligations (VRDOs). Auction and indexed rate securities cannot be "put" back to us or to a third party by investors; hence they typically bear higher rates of interest than do "put-able" bonds such as VRDOs.

Types of Variable Rate Debt
($ in millions)

	Auction Rate & Similar Securities	Indexed Rate Bonds	Variable Rate Demand Obligations	Total Variable Rate Debt
HMRB	$0	$448	$572	$1,020
MHRB	93	0	152	245
Total	$93	$448	$724	$1,265

c) Liquidity Providers

On October 19, 2009, the United States Treasury (Treasury) announced a new initiative for state and local housing finance agencies (HFAs) to provide a new bond purchase program to support new lending by HFAs and to provide a temporary credit and liquidity program (TCLP) to improve access of HFAs to liquidity for outstanding HFA bonds. On December 23, 2009, the Agency closed eight TCLP transactions with Treasury to replace the liquidity for $3.5 billion of variable rate bonds. The new liquidity became effective in January 2010 on the mandatory tender dates of the bonds with an initial expiration date of December 23, 2012. However, the Agency successfully negotiated with Treasury to extend the deadline for the TCLP to December 23, 2015.

With the approaching TCLP expiration date, the Agency has taken steps to obtain substitution liquidity from private banks. On November 19, 2014, the Agency replaced $81.3 million of TCLP with a line of credit from JPMorgan Chase Bank. Under these agreements, if our variable rate bonds cannot be remarketed these liquidity providers are required to buy the bonds from the bondholders. The table below shows the government-sponsored enterprise (GSE) and banks which are providing liquidity.

Liquidity Providers
As of 2/1/2015
($ in millions)

Financial Institution	$ Amount of Bonds
Freddie Mac	$ 322
Fannie Mae	322
JPMorgan Chase	80
Total	$ 724

d) INTEREST RATE SWAP

Currently, we have a total of 74 "fixed-payer" swaps with eleven different counterparties for a combined notional amount of $1.3 billion. All of these fixed-payer swaps are intended to establish synthetic fixed rate debt by converting our variable rate payment obligations to fixed rates. The table below provides a summary of our swap notional amounts.

FIXED PAYER INTEREST RATE SWAPS
(notional amounts)
($ in millions)

	Tax-Exempt	Taxable	Totals
HMRB	$738	$84	$822
MHRB	474	0	474
TOTALS	$1,212	$84	$1,296

SWAPS
($ in millions)

	Hedging Bonds	Not Hedging Bonds	Totals
HMRB	$359	$463	$822
MHRB	180	294	474
TOTALS	$539	$757	$1,296

For all of our fixed-payer swaps, we receive floating rate payments from our counterparties in exchange for a fixed-rate obligation on our part. In today's market, the net periodic payment owed under these swap agreements is from us to our counterparties. As an example, on our February 1, 2015 semiannual debt service payment date we made a total of $27 million of net payments to our counterparties. Conversely, if short-term rates were to rise above the fixed rates of our swap agreements, then the net payment would run in the opposite direction, and we would be on the receiving end.

The table on the following page shows the diversification of our fixed payer swaps among the thirteen firms acting as our swap counterparties.

SWAP COUNTERPARTIES

Swap Guarantor	Credit Ratings: Moody's	Credit Ratings: S & P	Notional Amounts Swapped as of 2/1/2015 ($ in millions)	Number of Swaps
Merrill Lynch Derivative Products	Aa3	A+	$ 431	32
JPMorgan Chase Bank, N.A.	Aa3	A+	280	13
Goldman Sachs Mitsui Marine Derivative Products, , L.P.	Aa2	AAA	179	7
Deutsche Bank AG	A3	A	126	10
AIG Financial Products, Corp. [2]	Baa1	A-	85	3
Citigroup Financial Products, Inc.	Baa2	A-	66	4
Morgan Stanley Capital Services, Inc.	Baa2	A-	50	1
BNP Paribas	A1	A+	34	1
Bank of New York Mellon	Aa2	AA-	25	1
UBS AG	A2	A	11	1
Dexia Credit Local New York Agency [2]	Baa2	BBB	10	1
			$ 1,296 [1]	74

[1] $146.7Mn of Basis Swaps not included in totals; (recent payments have been positive to the Agency, though they have been comparatively small)

[2] Swap counterparty's rating has triggered Additional Termination Event (ATE); Agency has right to terminate the associated swaps; additionally, the rating agencies no longer consider these swaps to be effective hedges see "Termination Risk" section of report

3) FINANCING RISK FACTORS

a) Unhedged Variable Rate Risk

As shown in Sec. 2(a), the Variable Rate Debt table, our "net" variable rate exposure is $729 million. The net amount of variable rate bonds is the amount that is neither swapped to fixed rates nor directly backed by complementary variable rate loans or investments. The $729 million of net variable rate exposure is offset by the Agency’s variable rate investments and excess swap positions. The Agency’s balance sheet has: i) $315 million (six month average balance) invested in the State Treasurer’s investment pool (SMIF) earning a variable rate of interest; and, ii) $757 million notional amount of interest rate swaps in excess of the hedged bonds.

From a risk management perspective, these two positions serve as a balance sheet hedge for the $729 million of net variable rate exposure.

b) BASIS RISK

Almost all of our swaps contain an element of what is referred to as "basis risk" – the risk that the floating rate component of the swap will not match the floating rate of the underlying bonds. This risk arises because our swap floating rates are based on indices, which consist of market-wide averages, while our bond floating rates are specific to our individual bond issues. The only exception is where our taxable floating rate bonds are index-based, as is the case of the taxable floaters we have sold to the Federal Home Loan Banks.

The relationship between the two floating rates changes as market conditions change. Some of the conditions that contributed to our extreme basis mismatch in 2009 and early 2010 were the collapse of the auction rate securities market, the impact of bond insurer downgrades, the funding of bank bonds at higher rates, and SIFMA/LIBOR ratio at historically high levels over 100% We responded to the market disruption by refunding, converting, or otherwise modifying many of the underperforming auction rate securities and insured VRDOs, and we eliminated bank bonds by taking advantage of the Temporary Credit and Liquidity Program offered by the federal government.

The new Temporary Credit and Liquidity Program from the federal government and the GSEs has significantly reduced basis mismatch. This has allowed CalHFA VRDOs to reset with little or no spread to SIFMA.

The floating formulas of Agency swaps are usually indexed to LIBOR or SIFMA. LIBOR is the London Interbank Offered Rate index which is used to benchmark taxable floating rate debt, and SIFMA is the Securities Industry and Financial markets Association Index to benchmark tax-exempt variable rates. When the SIFMA/LIBOR ratio is very high, the swap payment we receive falls short of our bond payment, and the all-in rate we experience is somewhat higher. The converse is true when the percentage is low.

The SIFMA/LIBOR ratio for the past six months has been averaging 39% which means we have received more floating rate payments from the swaps than floating rate payments paid to the bondholders..

c) AMORTIZATION RISK

Our bonds are generally paid down (redeemed or paid at maturity) as our loans are prepaid. Our interest rate swaps amortize over their lives based on assumptions about the receipt of prepayments, and the single family transactions which include swapped bonds have generally been designed to accommodate prepayment rates between two and three times the "normal" rate. Our interest rate swaps generally have had fixed amortization schedules that can be met under a sufficiently wide ranges of prepayment speeds. In addition, swaps that were entered into after 2003 had swap termination options which allowed the Agency to terminate all or portions of the swap at par (no cost to terminate). The table below shows the par terminations that the Agency has exercised to date.

	Actual Swap Par Options Exercised ($ in thousands)		Future Swap Par Options (next 5 years) ($ in thousands)
2004	$12,145	2015	$14,500
2005	35,435	2016	127,630
2006	20,845	2017	126,800
2007	28,120	2018	35,770
2008	18,470	2019	18,865
2009	370,490		$323,565
2010	186,465		
2011	288,700		
2012	361,975		
2013	243,855		
2014	162,140		
2015	82,115		
	$1,810,755		

Of interest is a $757 million overswap mismatch between the notional amount of certain of our swaps and the outstanding amount of the related bonds. This mismatch has occurred for two reasons: 1) as a result of the interplay between loan prepayments and the "10-year rule" of federal tax law and 2) the strategic debt management of the Agency to deleveraging the balance sheet by redeeming variable rate bonds.

d) TERMINATION RISK

Termination risk is the risk that, for some reason, our interest rate swaps must be terminated prior to their scheduled maturity. Our swaps have a market value that is determined based on current interest rates. When current fixed rates are higher than the fixed rate of the swap, our swaps have a positive value to us (assuming, as is the case on all of our swaps today, that we are the payer of the fixed swap rate), and termination would result in a payment from the provider of the swap (our swap "counterparty") to us. Conversely, when current fixed rates are lower than the fixed rate of the swap, our swaps have a negative value to us, and termination would result in a payment from us to our counterparty.

Our swap documents allow for a number of termination "events," i.e., circumstances under which our swaps may be terminated early, or "unwound". One circumstance that would cause termination would be a payment default on the part of either counterparty. Another circumstance would be a sharp drop in either counterparty's credit ratings and, with it, an inability (or failure) of the troubled counterparty to post sufficient collateral to offset its credit problem. It should be noted that, if termination is required under the swap documents, the market determines the amount of the termination payment and who owes it to whom. Depending on the market, it may be that the party who has caused the termination is owed the termination payment.

Termination Value History

Date	Termination Value ($ in millions)
3/31/2013	($294)
6/30/2013	($248)
9/30/2013	($203)
12/30/2013	($176)
3/30/2014	($183)
6/30/2014 *	($186)
9/30/2014	($175)
12/31/2014	($183)

* As reported in financial statements

e) COLLATERAL POSTING RISK

Some ISDA agreements that we have entered into with the swap counterparties have collateral posting requirements. These postings are a function of the mark-to-market, ratings, threshold amounts, independent amounts and any collateral already posted. Our trades are valued weekly, and our collateral position is adjusted weekly based on those valuations. Failure to post the required collateral can result in a termination event.

The Agency's obligation to post collateral under certain of its interest rate swap contracts has declined from its peak of $132 million at the end of January 2012. Between February 12, 2014 and February 18, 2015, the Agency's collateral posting requirements have ranged between $47 million to $59 million.

The table below shows the required collateral amounts currently posted to swap counterparties.

	Swap Collateral Posting as of 2/18/2015 *($ in millions)*
JPMorgan	$23.00
Goldman Sachs	9.90
Bank of America	6.25
BoA/Merrill Lynch	11.00
	$50.15

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State of California

M E M O R A N D U M

To: Board of Directors **Date:** March 1, 2015

Tim Hsu, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: Homeownership Loan Portfolio Report and Highlights for January 31, 2015

- The overall delinquency rate has decreased from a high of 17.94% in January 2010 to 8.84% in January 2015.
  - The delinquency rate for FHA loans has decreased from a high of 19.86% in January 2010 to 10.24% in January 2015.
  - The delinquency rate for Conventional loans has decreased from a high of 16.31% in January 2010 to 7.59% in January 2015.
- Conventional loans with MI continue to have the highest delinquency rate of 11.49% at January 2015.
- The REO inventory reached its peak of 1,391 loans, between the third and fourth quarters of 2010 (315 FHA loans and 1,076 Conventional loans) it is now 80 loans (13 FHA loans and 67 Conventional loans).
- The annualized foreclosure rate for Conventional loans is 1.5% compared to a high of 10% in 2010.
- As of January 2015, loans modified starting in 2011 have a lower default rate, which parallels the introduction of the Keep Your Home California (KYHC) Program. The loans modified starting in 2012 have an even lower default rate, which parallels the increase in the principal reduction program (PRP) maximum payment from $50,000 to $100,000.
- Since 2011 we have modified 597 loans (FHA and conventional) that received KYHC's Principal Reduction Program (PRP) funds, for a total of $35.8 million. In the first quarter of 2013, after changes in PRP criteria, the average dollar amount of PRP received reached a high of $63 thousand per loan. For the month of January 2015 the average is approximately $39.5 thousand per loan.
- "Cure" rates for modified loans (current at time of modification): 83%
- "Cure" rates for modified loans (delinquent at time of modification): 69%

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Cal HFA California Housing Finance Agency

HOMEOWNERSHIP LOAN PORTFOLIO
DELINQUENCY, REO & SHORT SALE, UNINSURED LOSS, AND LOAN MODIFICATION REPORT

January 31, 2015

Reconciled Loan Delinquency Summary
All Active Loans By Insurance Type

	Loan Count	Balance	% of Balance	DELINQUENCY RATIOS - % of Loan Count: Loan Count	30-Day	Loan Count	60-Day	Loan Count	90(+) Day	Totals Count	Totals %
Federal Guaranty											
FHA	6,872	$ 693,921,939	30.39%	350	5.09%	117	1.70%	237	3.45%	704	10.24%
VA	155	14,667,051	0.64%	9	5.81%	2	1.29%	6	3.87%	17	10.97%
RHS	73	12,504,070	0.55%	2	2.74%	0	0.00%	4	5.48%	6	8.22%
Conventional loans											
with MI											
CalHFA MI Fund	2,785	684,012,213	29.96%	114	4.09%	34	1.22%	172	6.18%	320	11.49%
without MI											
Orig with no MI	3,548	613,795,000	26.88%	93	2.62%	30	0.85%	91	2.56%	214	6.03%
MI Cancelled*	1,572	264,551,961	11.59%	29	1.84%	9	0.57%	28	1.78%	66	4.20%
Total CalHFA	15,005	$ 2,283,452,234	100.00%	597	3.98%	192	1.28%	538	3.59%	1,327	8.84%

*Cancelled per Federal Homeowner Protection Act of 1998, which grants the option to cancel the MI with 20% equity.

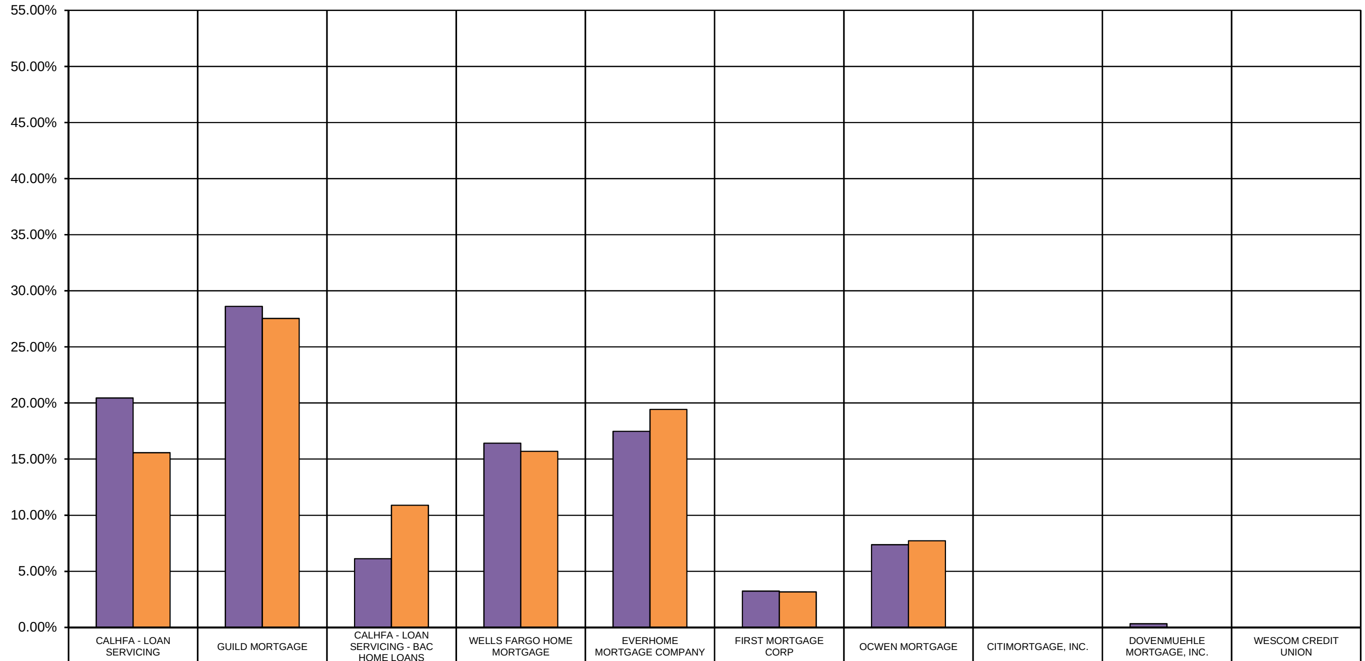
Note: In accordance with CalHFA's policy, *no trustee sale is permitted between December 15 and January 5 of any year without CalHFA's prior written approval.*

Reconciled Loan Delinquency Summary
All Active Loans By Loan Type

	Loan Count	Balance	% of Balance	DELINQUENCY RATIOS - % of Loan Count: Loan Count	30-Day	Loan Count	60-Day	Loan Count	90(+) Day	Totals Count	Totals %
30-yr level amort											
FHA	6,872	$ 693,921,939	30.39%	350	5.09%	117	1.70%	237	3.45%	704	10.24%
VA	155	14,667,051	0.64%	9	5.81%	2	1.29%	6	3.87%	17	10.97%
RHS	73	12,504,070	0.55%	2	2.74%	0	0.00%	4	5.48%	6	8.22%
Conventional - with MI	1,279	273,898,124	11.99%	60	4.69%	15	1.17%	56	4.38%	131	10.24%
Conventional - w/o MI	4,574	758,009,927	33.20%	107	2.34%	30	0.66%	96	2.10%	233	5.09%
40-yr level amort											
Conventional - with MI	259	70,186,598	3.07%	10	3.86%	5	1.93%	22	8.49%	37	14.29%
Conventional - w/o MI	162	30,510,815	1.34%	3	1.85%	5	3.09%	4	2.47%	12	7.41%
***5-yr IOP, 30-yr amort**											
Conventional - with MI	1,247	339,927,491	14.89%	44	3.53%	14	1.12%	94	7.54%	152	12.19%
Conventional - w/o MI	384	89,826,218	3.93%	12	3.13%	4	1.04%	19	4.95%	35	9.11%
Total CalHFA	15,005	$ 2,283,452,234	100.00%	597	3.98%	192	1.28%	538	3.59%	1,327	8.84%
Weighted average of conventional loans:				236	2.99%	73	0.92%	291	3.68%	600	7.59%

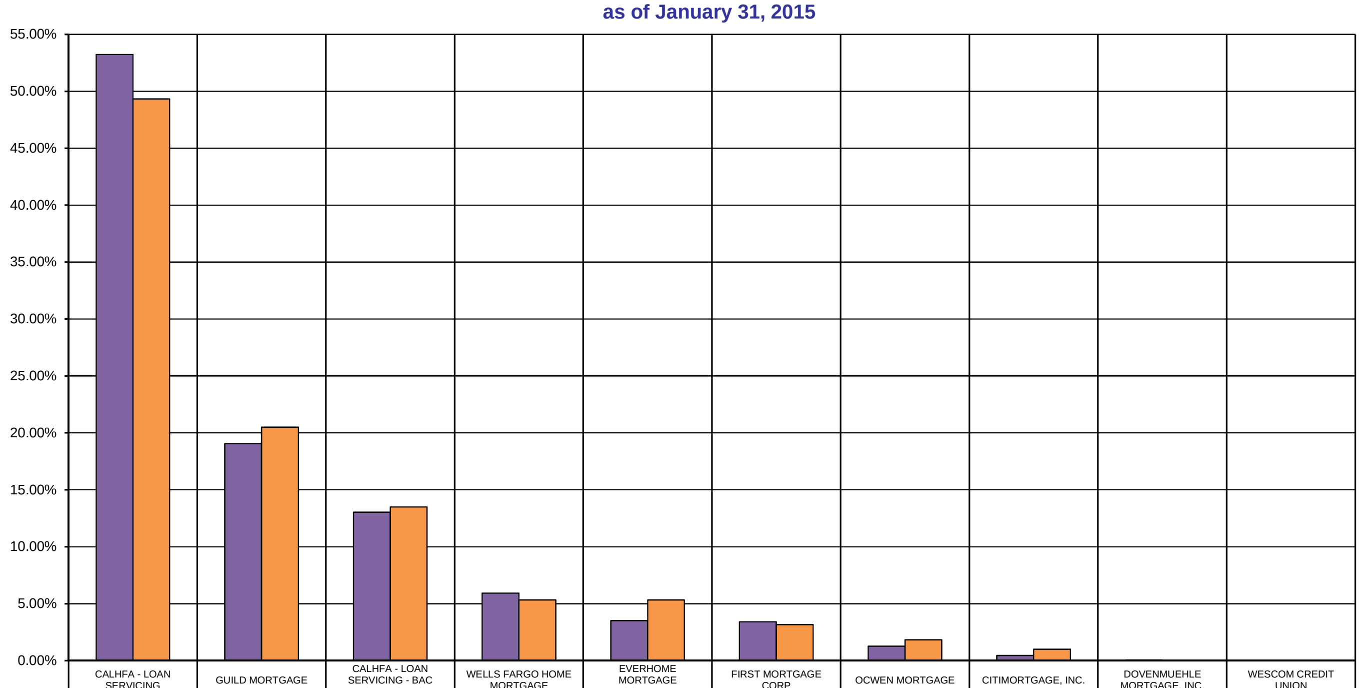
*As of December 1, 2014 all IOP loans (except 14 loans which were modified) were converted to fixed (amortizing) loans.

CalHFA FHA Loan Portfolio Performance Comparison by Servicer
(% of Total Loan Count vs. % of Total Delinquent Loan Count)
as of January 31, 2015



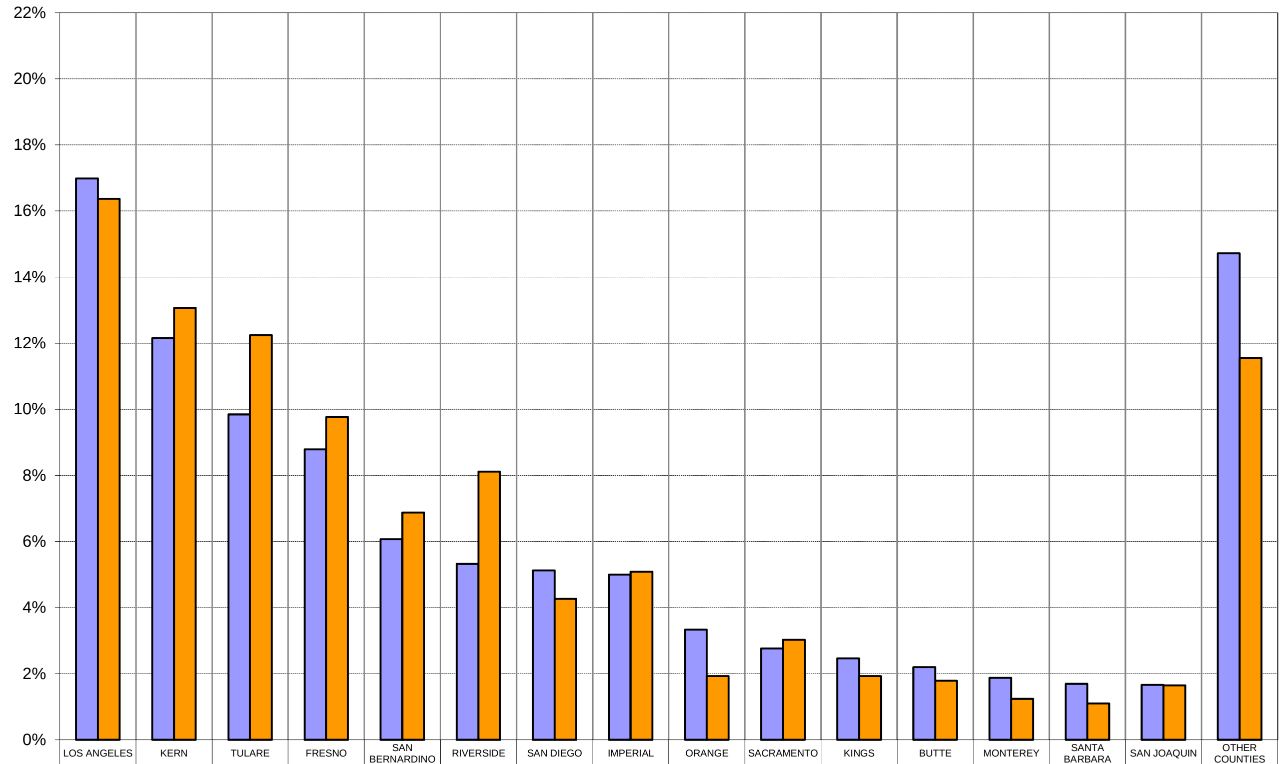
	CALHFA - LOAN SERVICING	GUILD MORTGAGE	CALHFA - LOAN SERVICING - BAC HOME LOANS	WELLS FARGO HOME MORTGAGE	EVERHOME MORTGAGE COMPANY	FIRST MORTGAGE CORP	OCWEN MORTGAGE	CITIMORTGAGE, INC.	DOVENMUEHLE MORTGAGE, INC.	WESCOM CREDIT UNION
% of Total Loan Count	20.45%	28.62%	6.11%	16.42%	17.46%	3.24%	7.37%	0.00%	0.32%	0.00%
% of Total Delinquent Loan Count	15.56%	27.55%	10.88%	15.70%	19.42%	3.17%	7.71%	0.00%	0.00%	0.00%

CalHFA Conventional Loan Portfolio Performance Comparison by Servicer
(% of Total Loan Count vs. % of Total Delinquent Loan Count)
as of January 31, 2015



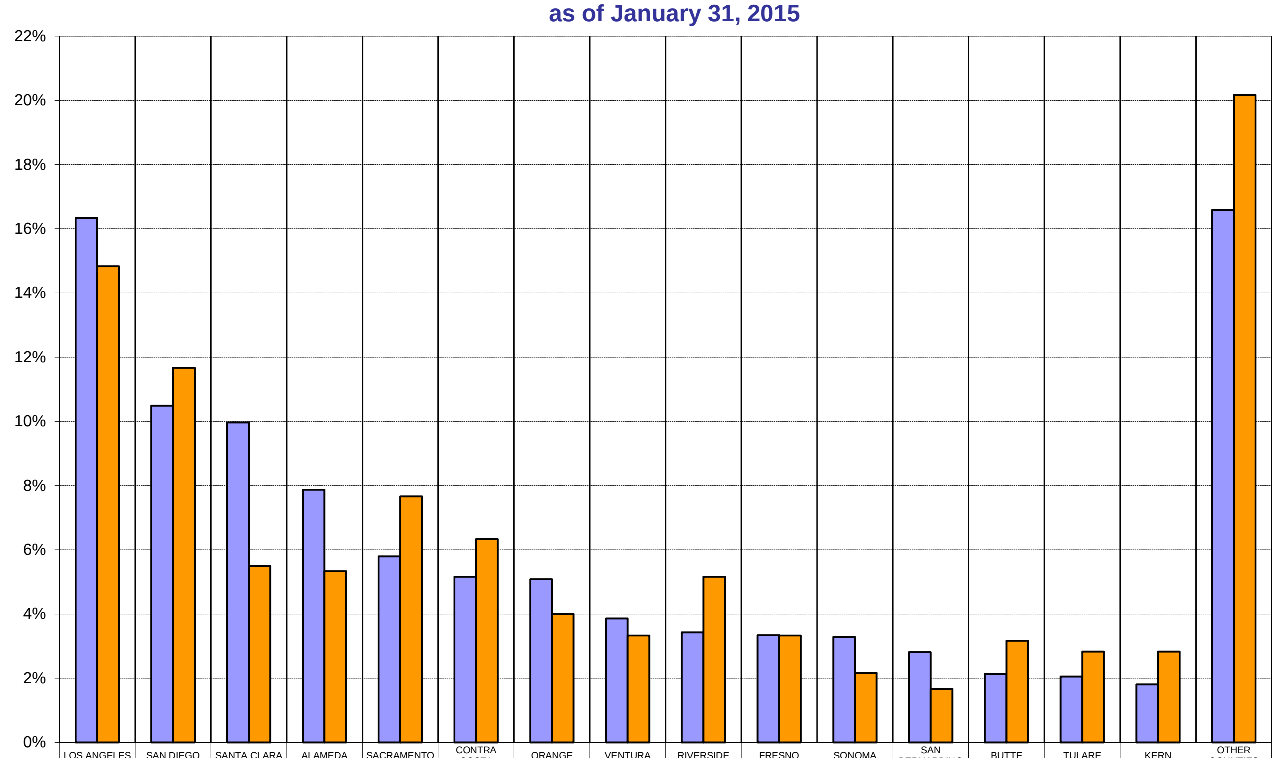
	CALHFA - LOAN SERVICING	GUILD MORTGAGE	CALHFA - LOAN SERVICING - BAC HOME LOANS	WELLS FARGO HOME MORTGAGE	EVERHOME MORTGAGE COMPANY	FIRST MORTGAGE CORP	OCWEN MORTGAGE	CITIMORTGAGE, INC.	DOVENMUEHLE MORTGAGE, INC.	WESCOM CREDIT UNION
% of Total Loan Count	53.23%	19.06%	13.03%	5.93%	3.52%	3.42%	1.27%	0.46%	0.06%	0.03%
% of Total Delinquent Loan Count	49.33%	20.50%	13.50%	5.33%	5.33%	3.17%	1.83%	1.00%	0.00%	0.00%

CalHFA FHA Loan Portfolio Performance Comparison by County
(% of Total Loan Count vs. % of Total Delinquent Loan Count)
as of January 31, 2015



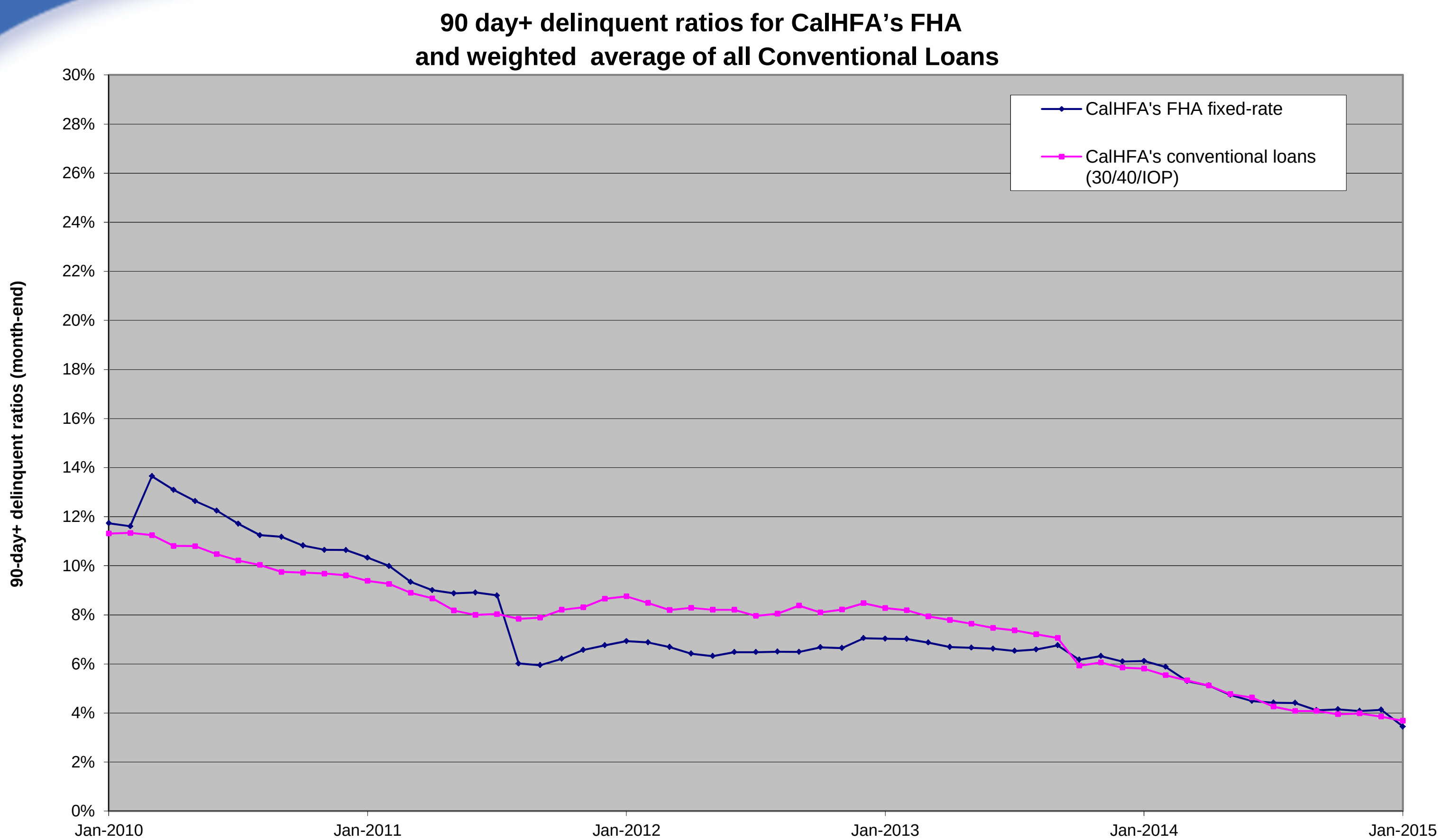
	LOS ANGELES	KERN	TULARE	FRESNO	SAN BERNARDINO	RIVERSIDE	SAN DIEGO	IMPERIAL	ORANGE	SACRAMENTO	KINGS	BUTTE	MONTEREY	SANTA BARBARA	SAN JOAQUIN	OTHER COUNTIES
% of Total Loan Count	16.99%	12.15%	9.85%	8.79%	6.07%	5.32%	5.13%	5.00%	3.34%	2.76%	2.46%	2.20%	1.87%	1.69%	1.66%	14.72%
% of Total Delinquent Loan Count	16.37%	13.07%	12.24%	9.77%	6.88%	8.12%	4.26%	5.09%	1.93%	3.03%	1.93%	1.79%	1.24%	1.10%	1.65%	11.55%

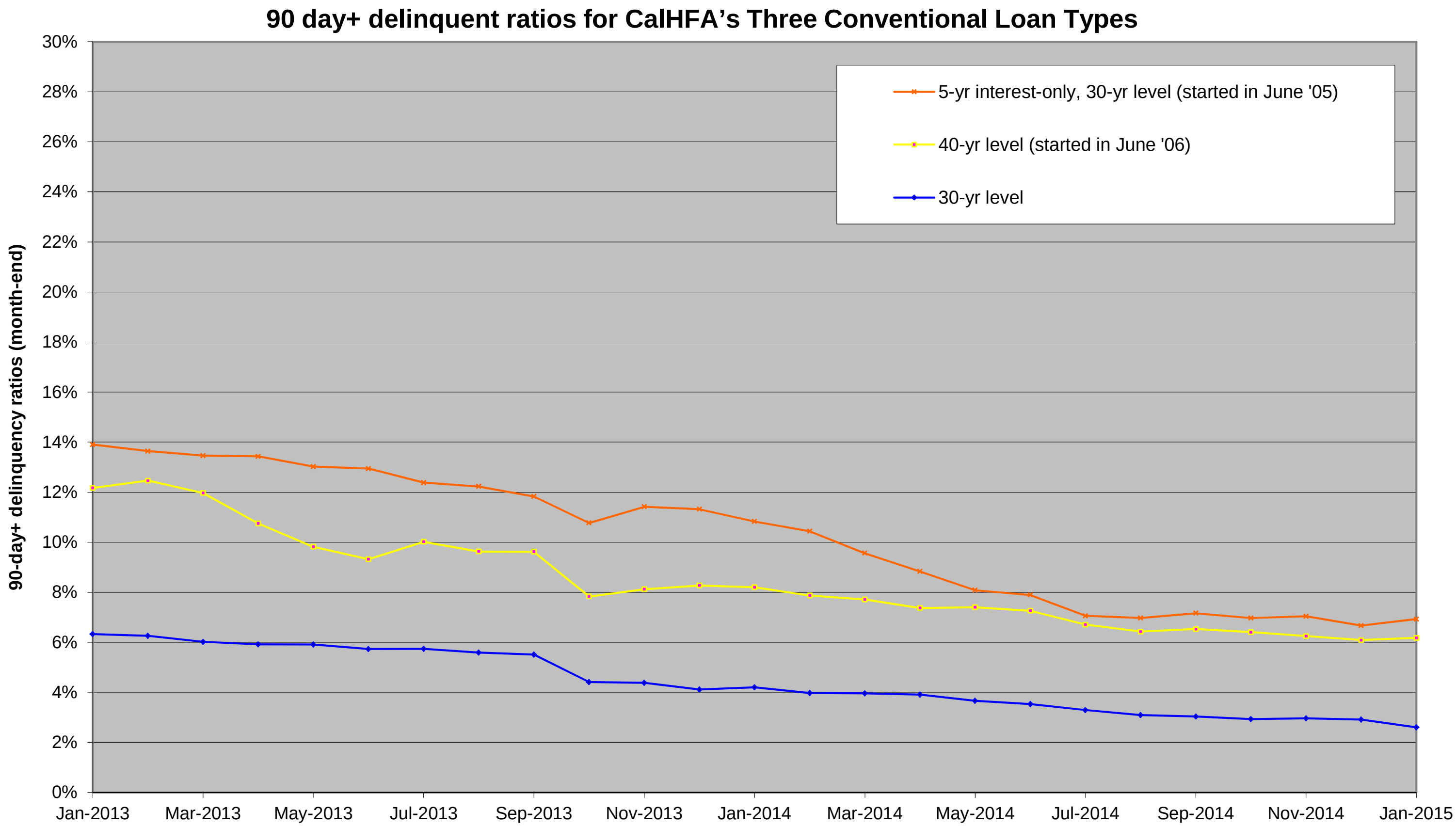
CalHFA Conventional Loan Portfolio Performance Comparison by County
(% of Total Loan Count vs. % of Total Delinquent Loan Count)
as of January 31, 2015



	LOS ANGELES	SAN DIEGO	SANTA CLARA	ALAMEDA	SACRAMENTO	CONTRA COSTA	ORANGE	VENTURA	RIVERSIDE	FRESNO	SONOMA	SAN BERNARDINO	BUTTE	TULARE	KERN	OTHER COUNTIES
% of Total Loan Count	16.33%	10.49%	9.97%	7.87%	5.79%	5.16%	5.09%	3.86%	3.43%	3.34%	3.29%	2.81%	2.14%	2.05%	1.81%	16.58%
% of Total Delinquent Loan Count	14.83%	11.67%	5.50%	5.33%	7.67%	6.33%	4.00%	3.33%	5.17%	3.33%	2.17%	1.67%	3.17%	2.83%	2.83%	20.17%

Cal HFA California Housing Finance Agency





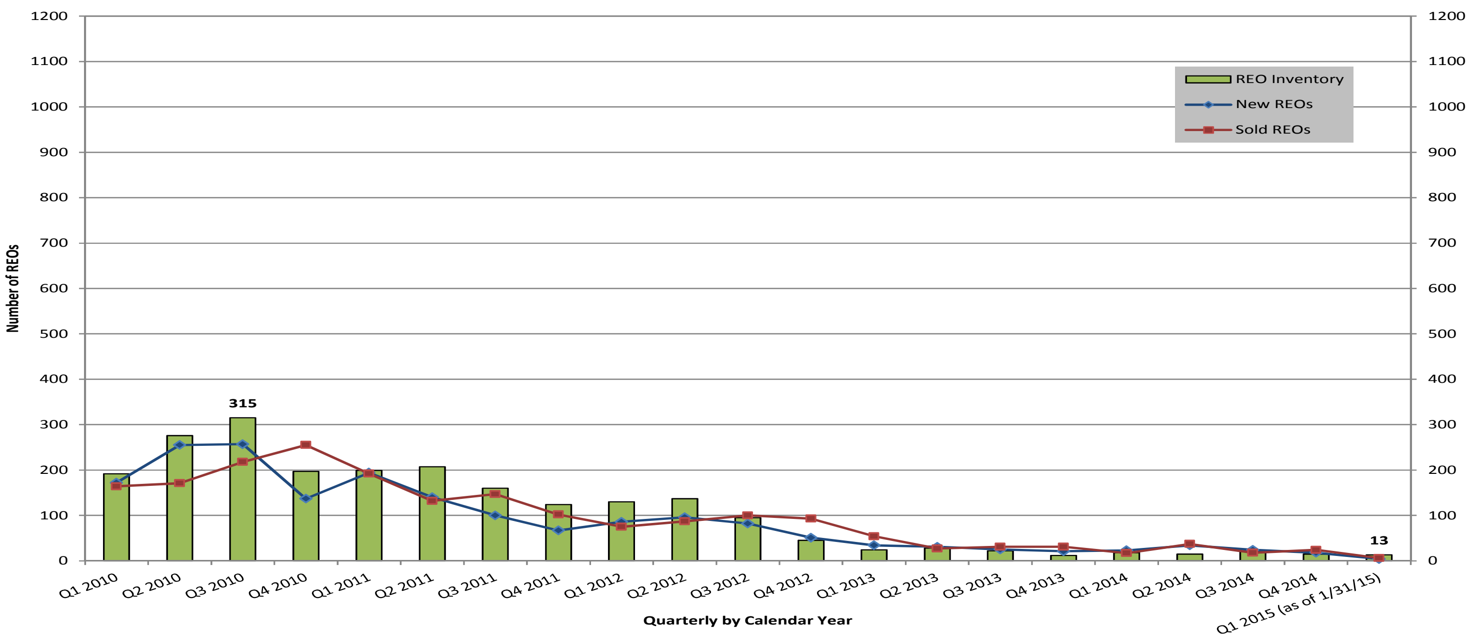
CalHFA California Housing Finance Agency

Real Estate Owned

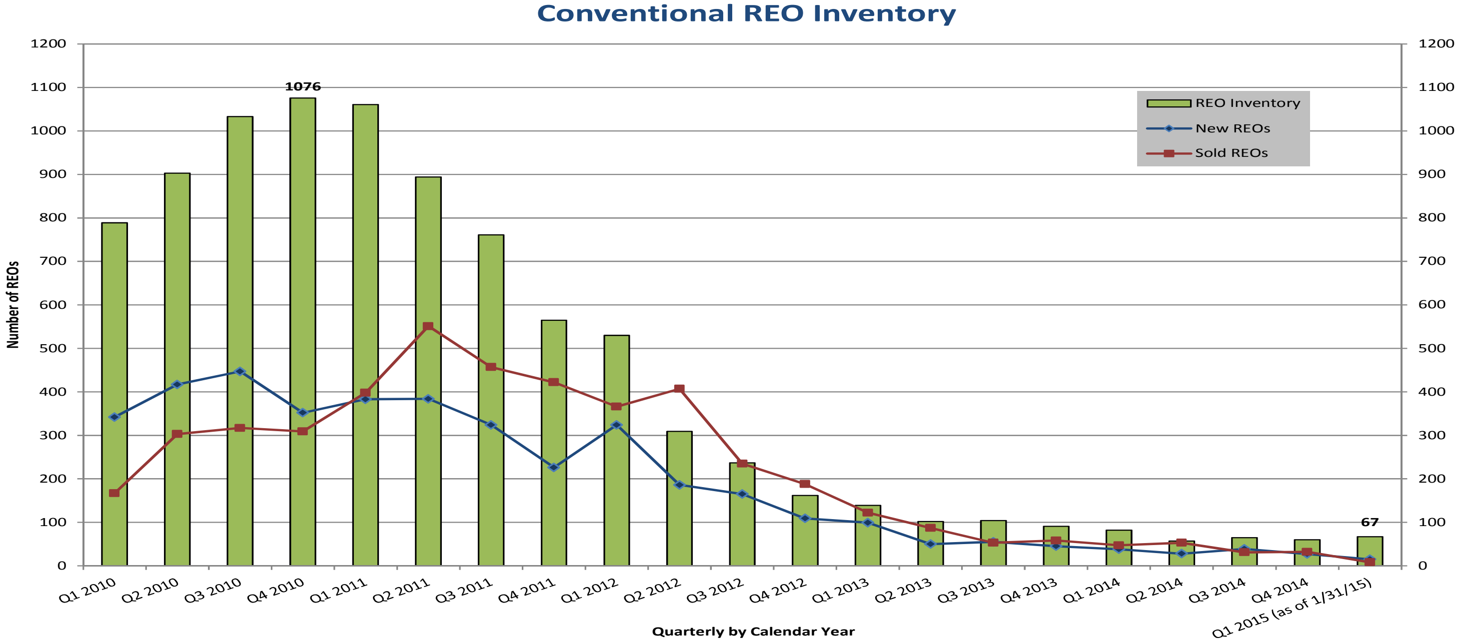
Calendar Year 2015 (As of January 31, 2015)												
			*Trustee Sales			Disposition of REO(s)						
Loan Type	Beginning Balance # of Loans	Prior Calendar Adj.	Reverted to CalHFA	Reverted to CalHFA January	Total Trustee Sales	Repurchased by Lender	Market Sale(s)	Repurchased by Lender January	Market Sale(s) January	Total Disposition of REO(s)	Ending Balance # of Loans	UPB of REO's Owned
FHA/RHS/VA	15	0		4	4			6		6	13	$ 2,178,098
Conventional	60	0		15	15				8	8	67	14,561,559
Total	75	0	0	19	19	0	0	6	8	14	80	$ 16,739,656

*3rd party trustee sales are not shown in this table (title to these loans were never transferred to CalHFA). There were eight (8) 3rd party sales in calendar year 2008, eighteen (18) 3rd party sales in calendar year 2009, thirty nine (39) 3rd party sales in calendar year 2010, twenty two (22) 3rd party sales in calendar year 2011, fourty one (41) 3rd party sales in calendar year 2012, fifty nine (59) 3rd party sales in calendar year 2013, fourty three (43) 3rd party sales in calendar 2014, and there are two (2) 3rd party sales to date 2015.

FHA REO Inventory



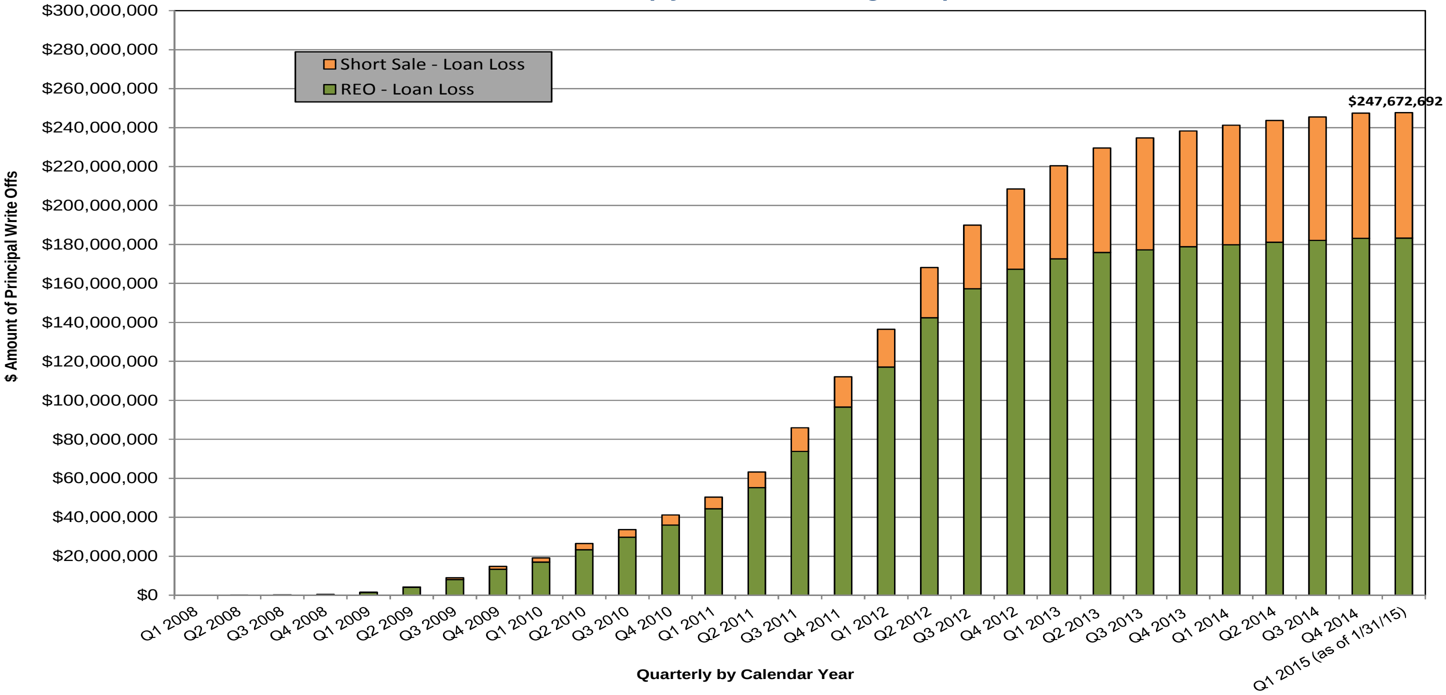
Conventional REO Inventory



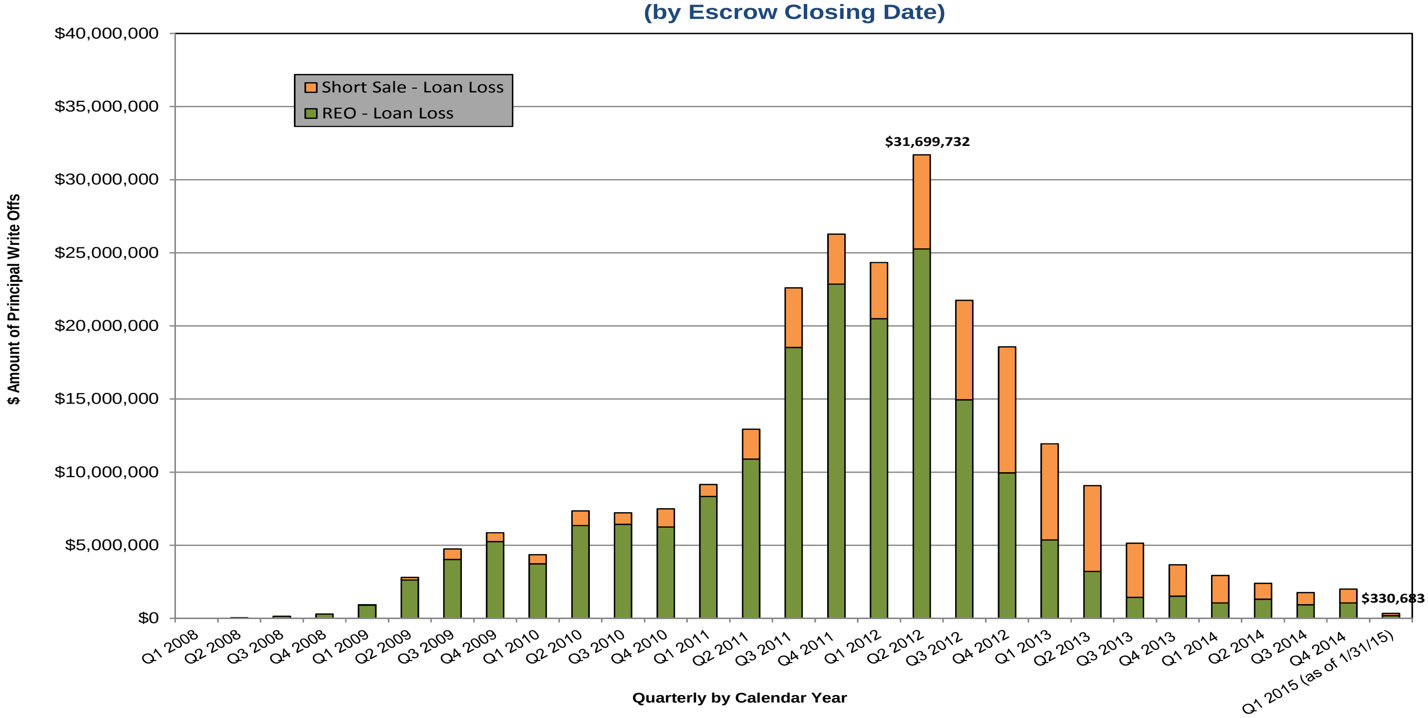
2015 Year to Date Composition of 1st Trust Deed Loss
(As of January 31, 2015)

Loan Type	Disposition: Repurchased by Lender	Disposition: Market Sales	Disposition: Short Sales	Disposition: Loan Balance at Sales	Principal Write-Offs
FHA/RHS/VA	6		1	$ 1,341,129	
Conventional		8	4	2,504,540	$ (330,683)
	6	8	5	$ 3,845,670	$ (330,683)

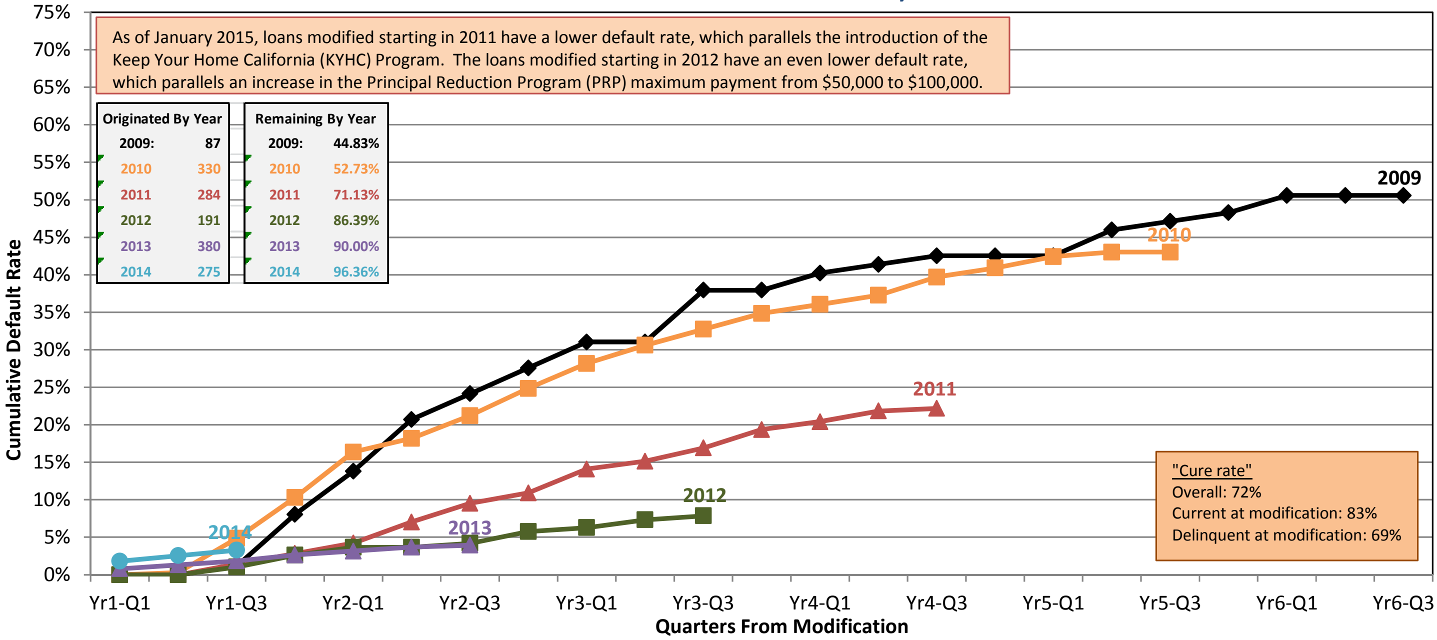
Accumulated Uninsured Loss from Sale of Conventional REOs & Short Sales (by Escrow Closing Date)



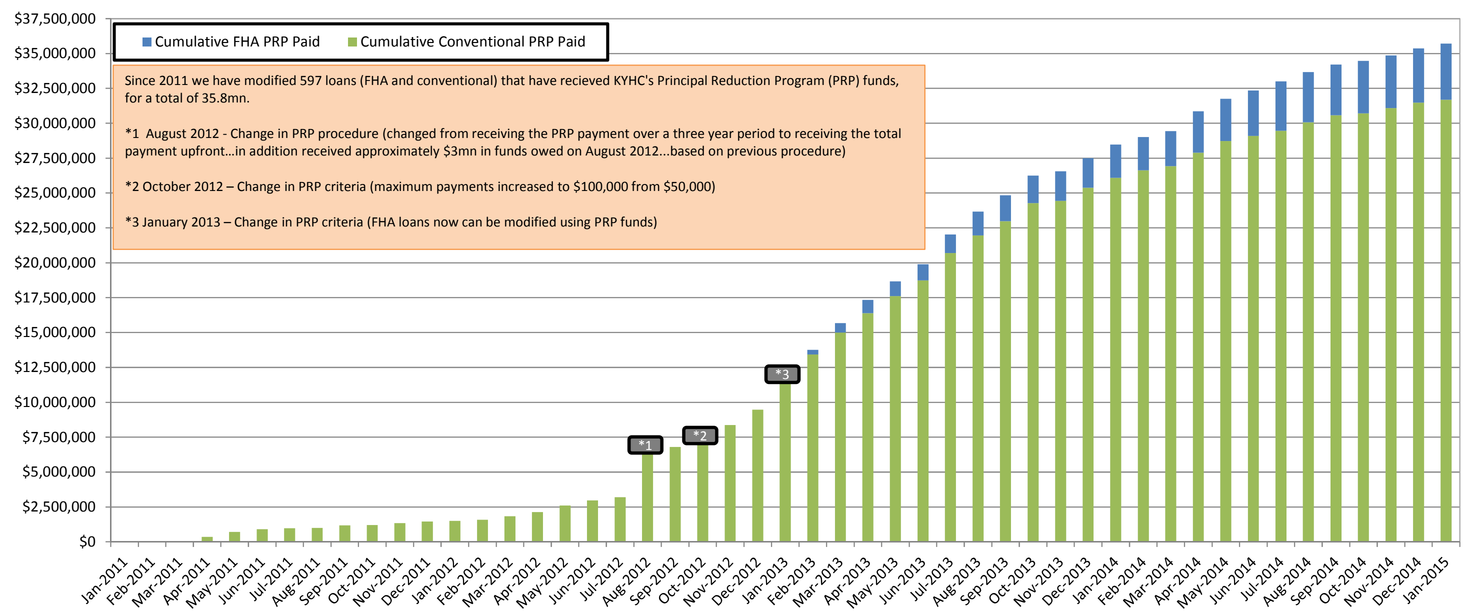
Comparison of Quarterly Uninsured Loss from Sale of Conventional REOs & Short Sales (by Escrow Closing Date)



Cumulative Default Rate For Conventional Modified Loans By Year of Modification



Cumulative Principal Reduction Payments (PRP) received from Keep Your Home California (KYHC)



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State of California

M E M O R A N D U M

To: Board of Directors — Date: March 1, 2015

From: Tony Sertich, Financing Risk Manager
CALIFORNIA HOUSING FINANCE AGENCY

Subject: MORTGAGE INSURANCE SERVICES BIENNIAL PROGRAM EVALUATION REPORT

Every two years, the California Housing Loan Insurance Fund ("CaHLIF") is statutorily required to submit a report on the condition of CaHLIF to the governor and legislature. The attached report explains that CaHLIF no longer has funds to pay claims or issue new insurance due to the financial crisis and housing market downturn. The report was sent to the appropriate parties by November 1, 2014.

CALIFORNIA HOUSING FINANCE AGENCY

MORTGAGE INSURANCE SERVICES

BIENNIAL PROGRAM EVALUATION REPORT

Prepared by the
California Housing Finance Agency

November 1, 2014

Table of Contents

Introduction

This biennial program evaluation report on the California Housing Loan Insurance Fund (CaHLIF) Programs, administered by the California Housing Finance Agency (CalHFA), is submitted in accordance with the statutory reporting requirements of Section 51622 of the Health and Safety Code. The statute provides that the report shall discuss the program's effectiveness in relation to cost and include any recommendations and suggested legislation, if any, for improvement to its programs.

The Mortgage Insurance programs are funded by CalHFA's California Housing Loan Insurance Fund, a public enterprise fund. This fund is not in any way guaranteed by CalHFA or the State of California. As such, neither CalHFA nor the State of California is liable for any claims against CaHLIF.

This report discusses the economic forces that have negatively impacted the mortgage insurance industry as a whole since 2009. While the decline in housing prices has slowed, unemployment is still high in most California markets. There are signs of improvement, evidenced by the decreased number of REO properties in CalHFA's inventory. The sustained mortgage loan delinquencies and defaults, however, have stressed the finances of all mortgage insurers and changed their continued ability to hedge risk in the mortgage industry. Major private mortgage insurers across the country have been downgraded by credit rating agencies, and some have ceased doing business or have gone into receivership (taken over by a trustee to distribute the remaining assets equitably to creditors) as a result of massive claims on reserves. CaHLIF has suffered similar losses. While some mortgage insurers have seen their prospects improve over the last couple of years, CaHLIF's position is less tenable because its portfolio of insured loans is concentrated solely in the California market (where most mortgage insurers are able to diversify their risk geographically across the country) and it insures primarily CalHFA's loans for low and moderate-income, first-time homebuyers. Additionally, it has not had the capital to issue any new policies since 2009. Not only was this customer base more deeply affected, there has been no new insurance business to generate additional income and there has also been an increase in claim payments. Within this broader context, in August 2011 CaHLIF depleted its reserves and began operating at a deficit. As explained further in this report, with the exception of administrative costs, the proceeds from all insurance premiums paid into the fund now are used to pay claims in the order they are received.

Mortgage Insurance Industry
Overview & Trends

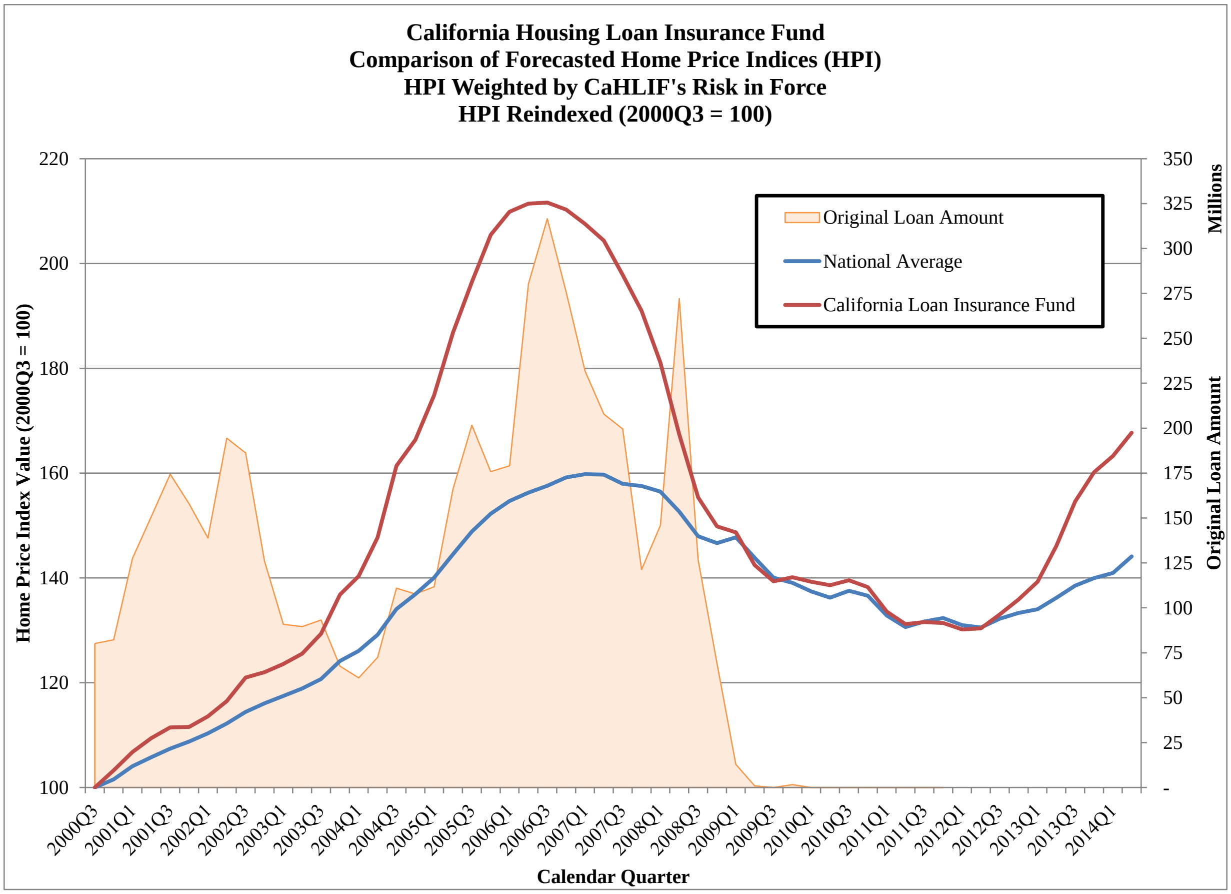
Mortgage insurance protects lenders and investors from potential financial loss should a borrower default on a mortgage. The mortgage insurance industry acts as a link between the primary mortgage originators and the capital markets, such as Fannie Mae, Freddie Mac or other Wall Street investment facilities. Mortgage insurance facilitates investment in high loan-to-value mortgages in the capital mortgage market and expands homeownership opportunities by enabling qualified borrowers to buy homes typically with 5% or 10% down payment, rather than more historically standard 20% of purchase price.

The mortgage insurance industry underwent substantial financial pressure following the run-up and peak in home prices during 2005, 2006 and 2007. California single-family house prices reached their lowest point in early 2012. Since our 2012 Biennial Program Evaluation Report to the Legislature, the real estate market, particularly the California housing market, has slightly rebounded from its low point, but still remains significantly below the peak of the market in 2006.

For loans in CaHLIF's portfolio, declines in average house prices in California were a major factor in the current performance of the portfolio. The portfolio has experienced an increased level of defaults and severity over the past several years compared to historical averages. A fall in average home prices increases both the frequency of defaults and the severity of loss given default.

CaHLIF's portfolio is concentrated in one of the states that experienced the greatest declines in house prices from 2007 through 2012. Federal Housing Finance Agency data shows the average house price in California dropped 42% from its peak in 2006 to its lowest point in 2012; the comparable figure at the national level is 18%. While California home prices have rebounded, average prices are still 32% below peak levels, as opposed to 10% nationally. Chart 1 below provides a visual of the average house price in CaHLIF's portfolio, the red line, compared to the national average, the blue line. The chart also shows CaHLIF's original loan volume by year in the orange area. CaHLIF's origination volume peaked as home prices peaked in 2006.

Chart 1



In addition to large declines in the average house price, CalHFA's portfolio was negatively impacted by increases in unemployment rates. The California Employment Development Department reported that the national unemployment rate reached its highest level of 10% in October 2009. It has dropped significantly since then to 6.2% in July 2014. However, the California unemployment rate was significantly elevated above the national trend, peaking at 12.4% in February 2010. Unemployment in the state has dropped significantly since its peak, measuring 7.4% in July 2014.

The rising home prices and decreasing unemployment rates have led to better performing mortgages. The Mortgage Bankers Association (MBA) reported that in the second quarter of 2014 the percentage of loans in foreclosure or delinquent was 8.53%, down from a peak of 13.52% for the third quarter of 2010. By the time the housing market began its recovery in 2012 CaHLIF had already fully depleted its assets and was no longer able to fully pay claims.

The private mortgage insurance industry has experienced results similar to CaHLIF. For the private mortgage insurance industry, negative economic trends have resulted in increased claim payments, straining available capital resources. During the housing downturn, most major private mortgage insurers received downgrades from rating agencies. Since 2012, some mortgage insurers have seen their credit ratings upgraded due to a better housing market outlook (see Chart 2). The downgrading of mortgage insurers increases the likelihood of default for mortgage insurers as their ability to raise private capital is commensurately diminished with weaker credit ratings.

Chart 2
Standard and Poor's Industry Mortgage Insurance Company Ratings
Comparing 2008, 2010, 2012 and 2014 Ratings

MORTGAGE INSURER	2008	2010	2012	2014
UGC	AA+	BBB	BBB	A-
GENWORTH	AA-	BBB-	B	BB-
RMIC	A+	BBB-	Withdrawal requested by RMIC	Withdrawal requested by RMIC
MGIC	A	B+	B-	BB
PMI	A-	B+	In Receivership	In Receivership
RADIAN	BBB+	B+	B-	BB-

CalHFA Mortgage Insurance Overview & Performance

CalHFA was created in 1975 as California's affordable housing lender. In that capacity, the Agency provides affordable loan products for first time low- to moderate-income homebuyers and developers of affordable rental and special needs housing. In 1977, CalHFA was statutorily authorized to offer mortgage insurance programs for single family or multifamily loans and for construction loans where the underlying loan targets low-to-moderate income homeowners or renters, and to offer bond insurance.

The mission of CalHFA's Mortgage Insurance program has been to expand homeownership opportunities for eligible California homebuyers by providing low cost mortgage insurance programs specifically designed for first-time, low and moderate income homebuyers who often lack sufficient savings for a standard 20% down payment.

Since 1977, CalHFA Mortgage Insurance has insured 35,655 loans with an origination loan balance of $6.7 billion. Chart 3 shows the original amount of loans insured compared to the actual risk amount insured together with the insurance and risk currently covered. CaHLIF does not insure the entire balance of any given loan. CaHLIF typically insures a portion of the original loan amount, known as the coverage amount; therefore, CaHLIF's risk is less than the current balance of the insured loans. As of September 16, 2014 there were 3,667 loans insured for a balance of $986.3 million and a total insured risk, or risk-in-force, of $342.5 million. CaHLIF has mitigated a large share of possible losses by passing off approximately 69% of this risk under a reinsurance treaty with Genworth Mortgage Insurance.

Chart 3
California Housing Finance Agency
Mortgage Insurance Fund - Ever-to-Date Statistics
(Data as of 9/16/2014)

Year	Number of Policies Written	Amount of Insurance Written	Amount of Original Risk Written	Number of Policies Still In Force	Amount of Insurance Still In Force	Amount Risk Still In Force
2003 & Prior	23,285	$ 3,275,020,902	$1,489,404,945	118	$15,673,363	$7,392,028
2004	1,469	$ 351,545,471	$173,536,186	123	$25,901,626	$12,321,666
2005	2,378	$ 653,927,996	$257,539,572	448	$120,097,367	$45,342,912
2006	3,583	$1,050,211,559	$367,800,326	862	$254,078,754	$89,018,694
2007	2,574	$760,560,203	$54,932,984	942	$272,359,534	$89,968,377
2008	2,295	$613,993,809	$205,396,125	1,141	$292,069,163	$96,547,569
2009	71	$15,392,384	$5,054,626	33	$6,113,822	$1,932,091
2010	-	No New Insurance	-	-	-	-
2011	-	"	-	-	-	-
2012	-	"	-	-	-	-
2013	-	"	-	-	-	-
2014	-	"	-	-	-	-
Total	35,655	$ 6,720,652,324	$2,753,664,764	3,667	$986,293,629	$342,523,337

With the collapse of capital markets in 2008, and continuing to present day, traditional sources of funds for bonds were no longer available, particularly for tax-exempt housing bonds. At the same time, the State restricted the uses of the Pooled Money Investment Board (PMIB) fund so that it was no longer available as an interim source for CalHFA's line of credit. Consequently, CalHFA suspended purchasing mortgages due to the lack of bond financing and liquidity. These events impacted the CalHFA Mortgage Insurance program. CaHLIF had been the exclusive mortgage insurer of CalHFA single family conventional loans and consequently lost the major portion of its mortgage insurance business. In 2013, CalHFA started new single-family loan programs, but the programs do not use CaHLIF insurance. CalHFA is not taking loan loss risk on these new programs, but the loans are being insured by either Genworth Mortgage Insurance or the Federal Housing Administration (FHA).

The loss of a source of new business, combined with significant increases in delinquencies and paid claim losses had eroded CaHLIF's capital to the point that, by the fourth quarter of 2009, the California Housing Loan Insurance Fund's statutory surplus capital fell below that required to insure new loans. CaHLIF then withdrew as an insurer of new business. In the fourth quarter of 2011, CaHLIF had completely depleted its loss reserve and began scheduling its portion of claim settlement payments from premium funds as they were received. The remaining portion of claim settlements continues to be paid through a reinsurance risk quota share agreement with Genworth Mortgage Insurance.

Financial Summary

Annual Audited Financial Results 2013 -2012

The audited financial results of CaHLIF show that as of December 31, 2013 insurance in force decreased by $316.6 million, or 22%, to $1.16 billion, compared to $1.47 billion as of December 31, 2012. CaHLIF had an operating income of $30.2 million for 2013. Net operating results of the Fund improved by approximately $49.6 million in 2013, with an operating income of $30.2 million, compared to the operating loss of $19.4 million in 2012. This was primarily due to a decrease in loan loss reserves and net claim payments as delinquencies and foreclosures declined during 2013. The Fund had a net deficit balance of $81.0 million as of December 31, 2013, compared to a net deficit balance of $111.2 million on December 31, 2012. Home mortgage delinquencies declined during 2013, and the ratio for the insured portfolio decreased to 19.3% in December 2013 or $167.6 million, down from 21.2% or $276.8 million in December 2012. CaHLIF's reserves for loan losses decreased by $9.4 million in 2013 to $18.2 million as a result of the Fund's decrease in the number of delinquencies outstanding and the improving California housing market.

The Agency continues to monitor delinquencies closely and is proactive in its actions to mitigate losses. CalHFA has continued the reinsurance treaty and administrative services agreement with Genworth Mortgage Insurance. This reinsurance treaty cedes to Genworth a 75% quota share of the insurance risk for a percentage of the premium. This reinsurance expires after the tenth calendar year of the loan. During the third quarter of 2011, the funds available to pay claims and expenses of CaHLIF were depleted. CaHLIF continues to receive its share of premiums from policies still in force and will use the monthly premiums received along with any other available funds to pay the Fund's claims on a "first-in, first-out" basis in the order in which the claims are received, after paying monthly operating expenses.

Claim Paying Changes

Before December 2008 the total of ever-to-date claims paid was $17.4 million and CaHLIF's portion was $4.3 million. Claims peaked in 2010 and in the fourth quarter of 2011 CaHLIF began to schedule its portion of claim payments only when sufficient CaHLIF funds became available and after Genworth had paid its claim portion (Chart 4).

Chart 4
Claims Payment Schedule and Delinquency Rates (in millions)

Year	Total of Claims	CaHLIF's Share of Claims (Net of Genworth Reinsurance)	Amount of CaHLIF Claim Share Scheduled But Not Yet Paid	Delinquency Rate
1978 to 2008	$17.4	$4.3	-	
2009	$94.4	$24.0	-	22.0%
2010	$167.3	$43.1	-	20.7%
2011	$149.6	$38.9	$2.2	18.8%
2012	$99.7	$26.0	$26.0	18.2%
2013	$52.5	$13.6	$13.6	14.7%
6/30/2014	$13.0	$3.9	$3.9	11.4%
Totals as of 6/30/2014	$593.9	$153.7	$45.7	

CalHFA is not authorized to use its assets as at-risk capital in support of mortgage insurance programs. Rather, insurance programs are solely supported by the California Housing Loan Insurance Fund. As of June 30, 2014, the Agency's insurance fund had insurance in force of $1.0 billion, an operating income of $5.6 million, assets of $0.8 million and liabilities of $76.2 million, including loss reserves of $11.2 million, premium deficiency reserves of $18.7 and other liabilities that exceeded current assets resulting in a total unrestricted equity deficit balance of $75.4 million (Chart 5). For financial accounting purposes, reserves for loss are those funds that would be set aside for current delinquent loans based on their potential to become claims. Also, for financial accounting purposes, premium deficiency reserves are calculated on the difference between current and expected delinquencies that have the potential to become claims and operating expenses, compared to the premium income and other sources of funds over a ten year period.

Chart 5
Condensed Balance Sheet
California Housing Loan Insurance Fund 6/30/2014

ASSETS	For YTD Ended June 30, 2014	For YTD Ended June 30, 2013	Difference
Cash and cash equivalents	44,653.00	130,862.20	(86,209.20)
Investment in Surplus Money Investment Fund	5,000.00	0.00	(5,000.00)
Interest receivable	2.41	2.10	(0.31)
Due from CalHFA	0.00	0.00	0.00
Other assets	747,659.64	885,745.59	(138,085.95)
Total Assets	797, 315.05	1,016,609.89	(219,294.84)
LIABILITIES AND FUND EQUITY			
Liabilities			
Unpaid loss and loss adjustment expense reserve	11,213,094.98	21,763,767.40	(10,550,672.42)
Premium deficiency reserve	18,719,000.00	49,849,000.00	(31,130,000.00)
Unearned premiums	11,117.61	38,417.98	(27,300.37)
Reinsurance payable	237,644.30	326,522.80	(88.878.50)
Claims payable	45,137,047.33	39,494,450.35	5,642,596.98
Accounts payable and other liabilities	77.00	40,644.79	(40,567.79)
Compensated absences	58,685.75	109,796.29	(51,110.54)
Due to CalHFA	150,847.14	160,011.79	(9,164.65)
Due to other government entities	705,000.00	643,996.00	61,004.00
Total Liabilities	76,232,514.11	112,426,607.41	(36,194,093.29)
Fund Equity			
Invested in capital assets	11,616.61	15,616.76	(4,000.15)
Restricted	0.00	0.00	0.00
Unrestricted	(75,446,815.67)	(111,425,614.27)	35,978,798.60
Total Fund Equity	(75,435,199.06)	(111,409,997.51)	35,974,798.45
Total Liabilities and Fund Equity	797,315.05	1,016,609.90	(219,294.84)

Condensed Income Statement
California Housing Loan Insurance Fund 6/30/2014

REVENUES	For YTD Ended June 30, 2014	For YTD Ended June 30, 2013	Difference
Premium earned	3,832,637.16	4,721,385.82	(888,748.66)
Expired Book Revenue - Genworth	1.346.899.86	0.00	1,346,899.86
Investment income	4.73	7.01	(2.28)
Other revenues	3,600.00	3,900.00	(300.00)
Total Revenues	5,183,141.75	4,725,292.83	(457,848.92)
EXPENSES			
Loss and loss adjustment expenses	(3,097,142.15)	1,667,754.26	(4,764,896.41)
Operating expenses	2,698,806.63	3,248,874.95	(550,068.32)
Other expenses	25,444.69	25,409.03	35.66
Total Expenses	(372,890.83	4,942,038.24	(5,314,929.07)
OPERATING INCOME/(LOSS)	5,556,032.58	(216,745.41)	5,772,777.99
Fund Equity at the Beginning of Year	(80,991,231.64)	(111,193,252.10)	30,202,020.46
Fund Equity at the End of Year	(75,435,199.06)	(111,409,997.51)	35,974,798.45

Strategic Direction

It is not anticipated that CaHLIF will again reach statutory surplus capital requirements, and therefore, no new mortgage insurance will be written. CaHLIF's downgrade rating to CC- in September 2009 resulted in no benefit to either CalHFA's Home Mortgage Revenue Bond rating or CaHLIF as a mortgage insurer. Thus, CaHLIF withdrew from Standard & Poor's claims-paying rating analysis and report.

CalHFA will continue to work closely with Genworth Mortgage Insurance, which provides reinsurance for CaHLIF. Continuing the partnership with Genworth provides two important functions. First, under a reinsurance treaty, Genworth shares the risk of loss with CaHLIF. Each loan has reinsurance for 10 years from the year mortgage insurance was originated. During this time should a loan default and result in a claim, Genworth will pay 75% of the loss on reinsured loans. Claims received for payment by CaHLIF are placed in a payment schedule in the order in which they were received. CaHLIF's 25% share in a claim is paid subject to sufficient funds being accumulated from premium receipts. The reinsurance treaty continues to be reviewed and amended to reflect the changing business needs of both CaHLIF and Genworth. CalHFA's Mortgage Insurance Division and Genworth have worked together to implement loss mitigation programs to reduce the risk of default and claims. Such work includes maximizing the use of the U.S Treasury's Hardest Hit Fund administered in California as the Keep Your Home California program, with loan modification options focused on foreclosure avoidance and loss mitigation. The second function is the administrative services Genworth provides to CaHLIF through state of the art premium collection, default management and claims processing. An agreement between CalHFA and Genworth has been reached for Genworth to continue the administrative services on all of CaHLIF's mortgage insurance through 2018.

Challenges for CalHFA and its Insurance Program

There are two major obstacles affecting the viability of CaHLIF in its support of the CalHFA's single family program and other affordable housing finance initiatives:

- The depletion of capital resulting from paid claim losses due to delinquencies and foreclosures.
- The lack of available capital to support existing insurance obligations.

The decline in home prices and continued high unemployment rates are expected to result in continued defaults by borrowers, increased insurance claim payments and decreased income to CaHLIF due to fewer mortgage insurance premiums being paid. These factors, together with the already eroded capital, are causing delays in the payment of claims submitted to CaHLIF. The housing market is now improving, but it is too late to reverse the damage done to CaHLIF's financial position. CaHLIF received $3.4 million in net premiums from borrowers in 2013. This amount is decreasing each year as the loan count decreases and insurance is removed. In 2014, the premiums collected are expected to total $2.9 million. CaHLIF also received $38.9 million in 2013 in payments from Genworth Mortgage Insurance, under its reinsurance risk share agreement, to pay claims under the CaHLIF mortgage insurance master policy. The claim payments received from the Genworth reinsurance have decreased along with the drop in foreclosures. In 2014, this number is projected to drop to $18 million.

CaHLIF's reserves for losses have been depleted. Beginning August 2011 CaHLIF's primary claims have exceeded the pace at which CaHLIF receives monthly premiums to pay CaHLIF's 25% share of the claims. To manage this shortfall, since August 2011 payment on claims owed by CaHLIF have been placed in a queue and will be paid by CaHLIF to the extent there are sufficient monthly premiums. It is expected that CaHLIF will receive premiums in excess of operating expenses through 2019 and that there will only be sufficient net premiums for CaHLIF to pay its share of claims placed in the queue through December 19, 2011. Even if CaHLIF is unable to meet its obligations to pay its share of mortgage insurance claims, it is currently expected that HMRB and other CalHFA bond indenture will be able to withstand the losses and meet all debt obligations.

Recommendations

As described above, because of the unprecedented financial crisis, beginning in August 2011 CaHLIF's revenues were not sufficient to pay its portion of all claims submitted under its policy for mortgage insurance. Consequently, CaHLIF has implemented a payment plan that is impartial and ensures fairness to all insureds (i.e., beneficiaries), whether the insured is Fannie Mae, CalHFA itself, or another third party. The claim payment process is as follows:

1. Approved claims are placed in a queue in the order in which they have been received from Genworth. Genworth will continue to pay its 75% share of the claim, even after CaHLIF funds are exhausted.

2. Because CaHLIF expects to continue to receive monthly premium payments in the approximate amount of $200,000, each month CaHLIF will have funds to pay some of the claims in the queue. As these funds are received, CaHLIF will pay, in full, as many claims as possible in the queue, on a "first-received, first-paid" basis. No partial claim payments will be made. To maximize the number of claims paid, interest will not accrue on any claims in the queue.

3. To maintain the orderly administration of the fund, CaHLIF's administrative and operating expenses, while minimal, will continue to be paid prior to the payment of claims in the queue. In addition, CaHLIF has contracted with Genworth to administer all mortgage insurance services for CaHLIF through 2018.

4. CalHFA will periodically review this claim payment plan and may make changes as it deems necessary or advisable.

As CalHFA continues to pursue new sources of revenue and sustainable business models, there will be new lending programs for single family borrowers. Most likely those new loan products will require mortgage insurance. While we will continue to be vigilant in our stewardship of the existing fund – making sure claims are paid as cash becomes available – it is our expectation that when new policies of mortgage insurance are written, the policy(s) will be issued in a manner which is not related to CaHLIF.