CalHFA[SM] **BOARD OF DIRECTORS**

California Housing Finance Agency
Board of Directors

July 14, 2015

Sacramento Housing & Redevelopment Agency
801 12th Street
Sacramento, CA
(916) 444-9210

10:00 a.m.

9. Closed session under Government Code sections 11126(a)(1) and 11126(b) to consider the appointment of a Director of Multifamily Programs.

10. Closed session under Government Code sections 11126(a)(1) to evaluate the performance of a public employee.

11. Discussion, recommendation and possible action adopting a resolution to appoint a Director of Multifamily Programs. (Tia Boatman Patterson)
    Resolution 15-14...233

12. Discussion of other Board matters.

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

14. Adjournment

15. Handouts

NOTES**

PARKING: Parking is available as follows: Public parking garage at 14th and H Street; and 2) open paved lot on 12th and I Street.

FUTURE MEETING DATES: Next CalHFA Board of Directors Meeting will be September 10, 2015, at the Burbank Airport Marriott, Burbank, California.

STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

BOARD OF DIRECTORS

PUBLIC MEETING

Department of Consumer Affairs
1747 North Market Boulevard
Sacramento, California

Thursday, May 14, 2015
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

ANAMARIE AVILA FARIAS
Martinez City Council and
Housing Authority of Contra Costa County

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

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

JANET FALK
formerly Vice President, Real Estate Development
Mercy Housing

THERESA GUNN
for Debbie Endsley
Acting Secretary
Department of Veterans Affairs
State of California

MICHAEL A. GUNNING
Vice President
Personal Insurance Federation of California

PRESTON PRINCE
CEO/Executive Director
Fresno Housing Authority

SUSAN RIGGS
Acting Director
Department of Housing and Community Development
State of California

A P P E A R A N C E S

Board of Directors Present
continued

TIM SCHAEFER
for John Chiang
State Treasurer
State of California

DALILA SOTELO
Principal
The Sotelo Group

Participating CalHFA Staff

DON CAVIER
Chief Deputy Director

LORI HAMAHASHI
Comptroller

TIMOTHY HSU
Director
Financing Division

VICTOR J. JAMES II
General Counsel
Legal Division

JOJO OJIMA
Office of the General Counsel
Legal Division

ANTHONY SERTICH
Acting Administrator
Multifamily Programs

DEBRA STARBUCK
MHSA Lead Loan Officer
Multifamily Programs

RUTH VAKILI
Multifamily Loan Officer
Multifamily Programs

A P P E A R A N C E S

Also Present

CHUCK ANDERS
Chief
Fiscal Management and Reporting Outcomes
Mental Health Services Division
Department of Health Care Services
State of California

GARY BRAVERMAN
PPA Associates

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BE IT REMEMBERED that on Thursday, May 14, 2015, commencing at the hour of 10:12 a.m., at the Department of Consumer Affairs, 1747 North Market Boulevard, Sacramento, California, before me, DANIEL P. FELDHAUS, CSR #6949, RDR and CRR, the following proceedings were held:

CHAIR JACOBS: All right, let's call to order this meeting. We've got a lot on the agenda and some new faces.

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Item 1. Roll Call.

CHAIR JACOBS: All right, let's do a roll call.
JoJo, if you would.
MS. OJIMA: Yes.
Ms. Caballero?
MS. CABALLERO: Here.
MS. OJIMA: Mr. Schaefer for Mr. Chiang?
MR. SCHAEFER: Here.
MS. OJIMA: Ms. Gunn for Ms. Endsley?
MS. GUNN: Here.
MS. OJIMA: Ms. Falk?
MS. FALK: Here.
MS. OJIMA: MS. Avila Farias?
MS. AVILA FARIAS: Here.

MS. OJIMA: Mr. Gunning?

MR. GUNNING: Here.

MS. OJIMA: Ms. Johnson-Hall?

(No response)

MS. OJIMA: Mr. Hunter?

(No response)

MS. OJIMA: Mr. Prince?

MR. PRINCE: I am here.

MS. OJIMA: Ms. Riggs?

MS. RIGGS: Here?

MR. PRINCE: We're behind the screens over here.

MS. OJIMA: Ms. Sotelo?

MS. SOTELO: Here.

MS. OJIMA: Mr. Alex?

(No response)

MS. OJIMA: 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, JoJo.

Item 3. Chairman/Executive Director comments

CHAIR JACOBS: Before we jump into the agenda, we've got some new faces.

So if you wouldn't mind saying hello to everyone, introducing yourself.

MS. RIGGS: Sure.

Do I need a microphone?

CHAIR JACOBS: Yes, if you would.

MS. RIGGS: Good morning. My name is Susan Riggs. I am currently on loan from the Business Consumer Services and Housing Agency as Deputy Secretary for Housing. And I'm in the function of the Acting Director of Housing and Community Development.

I have many, many years in the housing field, over in the legal policy realms; and I'm just happy to be here and happy to participate.

And, actually, I want to give a shout-out to Tia, who was confirmed yesterday by the Senate.

(Applause)

MS. BOATMAN PATTERSON: The Senate Rules Committee. Let's correct it. It was the Senate Rules Committee, and I still have to go to the full floor. But we're part of the way there.

CHAIR JACOBS: Welcome.

MS. RIGGS: Thank you.

MS. AVILA FARIAS: Good morning. My name is AnaMarie Avila Farias. And I’m very excited to be part of the Board and joining some new colleagues.

And I’m coming to the Board with 21 years of affordable housing experience. I’ve had the opportunity to work in various counties throughout the Bay Area: San Francisco County, Alameda County, and currently Contra Costa County.

My experience ranges from affordable-housing finance to program management. And I’m looking forward to working here at the Board at the state level and bringing my expertise here.

So thank you for having me.

CHAIR JACOBS: Welcome.

MS. BOATMAN PATTERSON: I just have to tell a quick funny story.

So we were at the Governor’s reception for the women appointees; and Susan and I were talking, and we were so excited about the new board member, AnaMarie Avila Farias. And so we were chitchatting; and I said, “Oh, yes, she has twenty-plus years experience.” And, like, she’s standing right there.

She had walked over to introduce herself.

And I was like, “Oh, we were just talking about you.”

So welcome. Welcome, both of you.

CHAIR JACOBS: And, Tim, have you had a chance to introduce yourself?

MR. SCHAEFER: Good morning. My name is Tim Schaefer. I'm the Deputy Treasurer with the California State Treasurer's office, Treasurer John Chiang.

My organizational responsibility in that office is for the office's investments, public finance and centralized treasury functions. And in my spare time, I'm supposed to represent him on boards such as this.

I'm a newcomer to state service. I have 45 years of experience in the public finance business, starting as a trader. I started when I was seven.

And progressing through the investment banking function at a couple of major banks -- one in New York, one in San Francisco -- before entering the financial advisory business about 25 years ago.

I don't pretend to be an affordable-housing expert, though I do have some housing finance in my background. But bonds are my thing, and that's why I'm here. And I'm delighted to be here and join the shout-out to Tia on her confirmation by the Rules Committee.

MS. BOATMAN PATTERSON: Thank you.

CHAIR JACOBS: We are lucky to have the three of you joining this board.

Thank you.

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Item 2. Approval of the minutes of the March 17th, 2015, Board of Directors meeting

CHAIR JACOBS: We've got our March 17th minutes.

Does anyone want to bring the minutes up?

MS. CABALLERO: I'll move approval.

MS. SOTELO: Second.

CHAIR JACOBS: JoJo?

MS. OJIMA: Thank you.

Ms. Caballero?

MS. CABALLERO: Aye.

MS. OJIMA: Mr. Schaefer?

MR. SCHAEFER: Abstain.

MS. OJIMA: Thank you.

Ms. Gunn?

MS. GUNN: Aye.

MS. OJIMA: Ms. Falk?

MS. FALK: Yes.

MS. OJIMA: Ms. Avila Farias?

MS. AVILA FARIAS: Abstain.

MS. OJIMA: Thank you.

Mr. Gunning?

MR. GUNNING: Aye. Aye.

MS. OJIMA: Thank you.

Mr. Prince?

MR. PRINCE: Yes.

MS. OJIMA: Ms. Riggs?

MS. RIGGS: Abstain.

MS. CAPPIO: Thank you.

Ms. Sotelo?

MS. SOTELO: Aye.

MS. OJIMA: Mr. Jacobs?

CHAIR JACOBS: Aye.

MS. OJIMA: The minutes have been approved.

CHAIR JACOBS: Thanks, JoJo.

MS. OJIMA: Barely.

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Item 4. Report of the Chair of the Audit Committee

CHAIR JACOBS: All right, Audit Committee.

Chairman Gunning, would you like to give a quick rundown of what we discussed?

MR. GUNNING: Oh, you're not going to give any comments? Turn it over?

CHAIR JACOBS: I turn it over to you for comments.

MR. GUNNING: Okay, thank you.

The Audit Committee met earlier today. And I think, actually, a very good presentation by our auditor, CliftonLarsonAllen.

We discussed the mortgage housing fund. I think we had a clean audit. I think there's still some concerns about what happens down the road with the fund and its ability to pay claims. I think we're going to get some information back from staff with the process to handle that going forward.

We also took a look at our charter. I think as new members, a lot of us had not even seen the charter. So Victor helped us understand how that came about and our roles and responsibilities. And I think we decided to leave it as is, so we're satisfied with that going forward. And if there are any issues, staff will present any of the sections we should take a look at or work further through.

Finally, we recognize that the auditor's contract expires at the end of the year. And the auditor has agreed to extend the contract for a year under the same conditions, the same personnel, which is very important to staff, for continuity purposes.

And so we recommend, from the Committee to the Board, that we do extend the contract for one more year.

And that's it, Mr. Chairman.

CHAIR JACOBS: All right. Thank you.

We've got a pretty weighty agenda here. But I think before we jump into it, are there any members of the public who wish to address the Board?

(No response)

CHAIR JACOBS: No? We have another opportunity at the end of the meeting.

All right, great.

MR. PRINCE: And I'm sorry, is that something that we have to act on, on the auditor; or does that come in later?

MR. GUNNING: No, Tia has authority to execute the contract, so there is no action required by the Board.

CHAIR JACOBS: Yes, it's under the limit.

MR. PRINCE: Thank you.

MR. GUNNING: Good question. Thank you.

MR. PRINCE: I was just going to second your motion.

MS. BOATMAN PATTERSON: Can I do a report out?

CHAIR JACOBS: Yes, Tia, jump in with reports.

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Item 3. Chairman/Executive Director comments

MS. BOATMAN PATTERSON: A lot has happened. And I know we have a weighty agenda so I'll be really quick.

I think since the last time we met, we now have an actual appointed Director of Homeownership, and that's Ken Giebel.

We also have made some operational changes on our Multifamily side. Tony Sertich, who was our risk manager, will be stepping in an acting capacity and stepping in as Multifamily Program administrator.

You remember Rick Okikawa. Rick Okikawa was program administrator, but he was over both Single Family and Multifamily. And so Tony will be stepping into that role to allow us to focus on our Multifamily lending and operational activities.

We have a training contract that we're executing, so that we can build some of those internal capacities, so that we could really get back into the Multifamily lending game.

So I'm very excited about the new leadership structure that we're putting in place. I'm very excited about it. And I think we're going to -- the trajectory looks really well for us, and so I'm happy with some of those new moves.

Also, at the end of the meeting -- you all had asked at the end of the last meeting that we prepare the approaches and scope and work of the organizational assessment that we had taken on. And that should have been provided to you. The scope of work should have been provided to you and our plan. And we worked very diligently. At the end of the meeting, we will pass out kind of an overview of what the -- assessment the consultant has done so far, and an historical perspective of the Agency. We will pass that out at the end of the meeting. And so that way, for our next meeting, you'll have that material to read through. And should you have any questions about that, we can ask that during the next meeting.

Also, one of the items that we have is Item 12. We'd like to move that up to Item 6, to take that after Item 6. That was the overview and the presentation of the MHSA, because we have visitors here who we would like to be able to accommodate to be able to present that item.

And you'll see something new in the budget and strategic plan presentation. We are going to present those together. You should have noticed that in your memo. We've usually presented that as separate items. And there are two separate resolutions, but we're going to present that as one presentation. We think that will be a lot clearer for the Board members, so that you not only know, here is what we're asking as our strategic business plans and the goals that we've set out for ourselves; but we'll have the operating budget that goes along with that, so that you know how we're going to pay for those strategic initiatives. And so that will be presented together.

One item I wanted to particularly bring to your attention is the out-of-state travel policy. That is completely -- we've revised that, working very closely with our agency, the Business, Consumer Services and Housing Agency and their admin.

Because we are independent, that is not subject to approval by the Governor's office. But we wanted to make sure that our out-of-state travel policy completely was consistent with the out-of-state travel policy of other state agencies. And for openness and transparency reasons, we have included a tab that talks about the out-of-state travel, kind of our guideline and an exhibit of the trips that staff and Board members that we want to take. A new item that you will see is an actual breaking out of the Board and Board expenditures. I worked very closely with the Chair to create a budget for the Board.

One of the -- there was a BSA audit in 2011 that said we wanted to have a more robust Board, which I am so grateful for because I have all of you, and we wanted to have a more engaged Board.

And so by having a Board budget that allows you to participate in training activities and allows you to participate in legislative meetings as we go forward with new initiatives, we want to be able to have a board that has the ability to engage on those issues. So you'll see that as well. And we'll make sure, we show you that tab on that Board breakout on that as well.

And so I'm very comfortable with the out-of-state budget that we'll be presenting. I think with an overall operating budget of $40 million, a very modest $137,000 for out-of-state travel. Essential out-of-state travel, because these are critical items that we have identified that are part of our mission as a lender and having to have those lender relationships. So I'm very comfortable with that. But we welcome any questions and discussions on that when the budget actually gets to be presented.

So I wanted to just give you kind of an overview of those things that you'll be seeing as they are presented when staff comes up, so that if you have questions, we can ask you back at that time.

CHAIR JACOBS: Thank you.

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Item 5. Discussion, recommendation, and possible action to adopt CalHFA Gift Ticket/Pass Distribution Policy

CHAIR JACOBS: Let's jump into Item Number 5. We have a resolution about the gift ticket and pass policy.

Did everyone have a chance to read through that?

(No response)

CHAIR JACOBS: Any discussion? Does anyone want to…?

MS. FALK: Move approval.

MR. GUNNING: Second.

MS. CABALLERO: Yes, I just had a -- let me see.

MR. GUNNING: I seconded, JoJo.

CHAIR JACOBS: We've got a second.

We have a comment.

MS. CABALLERO: I just had a -- I have a note, and I'm trying to read it real quick.

So the only issue I had, it has to do with the request that any changes to the policy can be done without board approval. And while I'm not saying it should come back, I think there should be some kind of notice.

The whole gift policy through the FPPC process is very complicated. And over the years, it's changed significantly. And so I think it's good for us, as Board members, to know if the FPPC changes something, and then you're going to change our policies in relation to it, what it is that's been changed. And so just a notice would be good, I think either at a board meeting or however it is that we would keep ourselves apprised about that. That's the only change.

MS. BOATMAN PATTERSON: Absolutely, Madam Secretary. We will make a note of that in the resolution, that we will notice the Board of changes to our gift policy --

MS. CABALLERO: That would be great.

MS. BOATMAN PATTERSON: -- and any gift policy that should be promulgated by the FPPC.

MS. CABALLERO: Great.

Thank you.

CHAIR JACOBS: So do we have a motion with the Secretary's amendment?

MS. FALK: So moved.

MR. GUNNING: So seconded.

MS. OJIMA: Ms. Caballero?

MS. CABALLERO: Aye.

MS. OJIMA: Mr. Schaefer?

MR. SCHAEFER: Aye.

MS. OJIMA: Ms. Gunn?

MS. GUNN: Aye.

MS. OJIMA: Ms. Falk?

MS. FALK: Aye.

MS. OJIMA: Ms. Avila Farias?

MS. AVILA FARIAS: Aye.

MS. OJIMA: Mr. Gunning?

MR. GUNNING: Aye.

MS. OJIMA: Mr. Prince?

MR. PRINCE: Yes.

MS. OJIMA: Ms. Riggs?

MS. RIGGS: Aye.

MS. OJIMA: Ms. Sotelo?

MS. SOTELO: Aye.

MS. OJIMA: Mr. Jacobs?

CHAIR JACOBS: Aye.

MS. OJIMA: Resolution 15-05 has been approved.

CHAIR JACOBS: Thanks.

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Item 6. Discussion, recommendation and possible action regarding final loan commitment for:

*** Virginia Terrace project (Barstow)**

CHAIR JACOBS: All right, we've got the two loan commitments.

Ruth, are you…?

MR. SERTICH: Good morning, Mr. Chairman. Good morning, Board Members. My name is Tony Sertich. I have been here in a different capacity before as the financing risk manager; but I'm very excited to begin my role as the Multifamily Programs administrator.

On these two deals that are coming your way today, I have to admit that Ruth has taken a lead on them. I haven't been that involved. So I'm going to pass it off to Ruth Vakili to walk you through the two deals. And if you have any questions, we'll be here to answer them.

MS. VAKILI: And you'll all be glad to know that Tony is in charge of the slides, because I tend to not move forward on them. So he is going to keep me on task.

Good morning. I'm Ruth Vakili; and I'm here to present the Virginia Terrace, first of all, and then we'll roll into Park Place.

Virginia Terrace is, as I said, a 76-unit affordable family project in Barstow.

There are 13 one-bedroom units, 48 two's, and 15 three's. And this is a new project in our portfolio -- to our portfolio.

It's located close to all the amenities in the downtown area of Barstow, where there is a high demand for workforce housing in this area.

The project has, itself, 97 percent vacancy rate. Other projects in the area are between 95 to 97 percent vacancy and have wait lists. So there's a large demand for this kind of a project.

I think that the location of the project and the fact that the workforce housing is a strong element in this market are very favorable.

The building itself was built in 1981. And although it's in good condition, it does at this point require substantial rehab of 36,000 a unit.

Rehab is planned to extend the life of project. It will also achieve a 30 percent energy efficiency. And the energy savings and overall improvements result in an operating cost decline of 19 percent.

So the improvements will help the overall maintenance and annual schedule of replacements that were required in the past.

Some of the work that will be done is, on the exterior upgrades, there will be new roofing, exterior paint, new windows, PV solar systems, siding upgrades.

On interiors, the upgrades will be new appliances, replacement of the HVAC systems, cabinet and countertop replacements, bath and kitchen upgrades.

This is a picture of a typical kitchen and typical bath. And the project is definitely aged. So these will be very welcome improvements for the tenants.

The work that's going to be done, the tenants will remain in place during the work.

The general contractor, Sun Country Builders, is very well versed in doing the type of repairs and replacements that are done in one day and buttoning up the unit, and the tenant comes back in the evening with their units fully remodeled.

So typically, they would do the kitchen, come back the next day, and finish off with the bath and painting. So we're not anticipating any temporary or permanent relocation. And since this is workforce housing, people will be out of their units during the day.

This project, we did complete a seismic study, and found that it does qualify for the earthquake-insurance waiver. The PML is 9 percent, so we will be seeking a waiver of the earthquake insurance.

In regard to the rent chart, the rent chart shows that 20 percent of each of the unit types are rented to 50 percent AMI. The remaining units are rented at 60 percent AMI. The rents shown are between 73 to 88 percent of current market rents for the area. The project also has 75 units, supported by Section 8 HAP contract, which will be renewed to 20 years. And that will be renewed and in place prior to our loan closing.

The rent levels represent an improvement in affordability. And the previous restrictions were 100 percent of the units were restricted, to 60 percent AMI. We are deepening the affordability and extending the affordability. So this represents an improvement not only for the physical condition, but also in the long-term affordability of the project.

We are requesting today a CalHFA HUD Risk-Share loan of $5.6 million for the acquisition and rehab. That loan will be for a term of 12 months, at an estimated 3.75 percent. Upon completion, we will roll into and convert to a permanent loan of 40 years, $4,165,000.

We're estimating right now an underwriting rate of 5 percent, acknowledging that the rates will change, and have been changing recently.

The interest rate will not lock until just before closing. So there is room for some fluctuations in the rate.

In the transaction, in addition to CalHFA's loan, there are three existing HUD loans. One will be paid off; one is paid down and will be assigned to the new borrowing entity; and the third one will also be assigned to the new borrowing entity.

This is a debt restructure, and currently under review by HUD. It's subject to HUD's approval before we close. And the loans will be residual receipts for 40 years, 1 percent.

The borrower for this transaction will be SFC-VT LP, which is a mouthful. And the general partners will be Step Forward Communities and TDC Development Services. Triton Community Development will be the developer, and CREA will be the tax-credit limited partner.

The team as a whole has a broad background in development finance services and management of affordable housing. And Step Forward Communities itself has been a service provider, providing a range of services to tenants, and partnering with a strong developer; and Triton Development is expanding their ability to serve the community. They reach out and serve primarily rural areas. So this will be a good foray into housing development and expand Step Forward's reach and exposure.

Other parties involved are the property manager, PMG, Inc. And the architect will be Musser Associates. The general contractor is Sun Country Builders. And Triton Development has done several projects with Sun Country Builders; and all of the principals are very experienced in this kind of development.

So with that, I'll take any questions.

CHAIR JACOBS: Dalila?

MS. SOTELO: Thank you very much, Ruth.

And congratulations, Tony. We're excited to have you in the position and excited to see our Multifamily program revived.

I just have a couple questions, Ruth.

What is the contingency if the rehab doesn't happen in a day and folks are unable to come back to their units?

Is there a budget in the -- an allocation in the budget for that?

MS. VAKILI: There will be for at least one of the units that will be available. And in that case, Sun Country Builders has demonstrated over and over their ability to, for example, get the work done and get the kitchen back and functional in a day. But in case that doesn't happen, there will be a unit that will be available.

MS. SOTELO: Okay. And then two questions related to the financing.

The Section 8 contract expires sometime soon. And what is --

MS. VAKILI: The current contract -- I'm sorry. The current contract expires in eight years, but it is in the process of being renewed for a 20-year contract.

MS. SOTELO: Okay, so our underwriting assumes that that extension will happen?

MS. VAKILI: Yes. And that's -- our closing is contingent on that happening.

MS. SOTELO: Okay, so you'll get the commitment of the extension prior to the closing?

MS. VAKILI: Yes.

MS. SOTELO: And then our debt will be senior to the HUD debt?

MS. VAKILI: Yes, it will.

MS. SOTELO: Okay, great. Thank you.

Oh, and just maybe in the future, staff reports, a little bit more information about the nonprofit itself, as a separate paragraph. I think it's important to highlight the importance of nonprofit participation in these properties.

MS. VAKILI: Shall do.

MS. SOTELO: Okay, thanks.

CHAIR JACOBS: Just one other thing going forward on multifamilies also, if we have some discussion on water efficiency, just for all future projects.

MS. SOTELO: Yes, that's a good idea.

MS. VAKILI: Okay.

CHAIR JACOBS: Janet?

MS. FALK: Well, following up on Dalila's comment about the nonprofit, I understand that the nonprofit is a new nonprofit and really this is their first project.

I’d like to know what kind of guarantees or assurances we have that if the project gets in trouble, there’s some resources behind it or backup.

You know, what happens if there’s problems going down the road, both in construction and in operations?

MS. VAKILI: Well, I think that’s a legitimate question for any project.

And with the team that’s been developed for this property, you have vast development, financing, management, service provision experience.

And so in the process of working with Step Forward, I anticipate that the development team will bring to bear all of their experience, and work with Step Forward to be a good partner.

In addition, you know, our oversight on an ongoing basis during rehab and during operations, is critical in the process; so that if there are any issues that are coming up, we’re seeing them early and we’re communicating any of our concerns.

So the team approach on the developer’s side, the team approach on CalHFA’s side I think are vital, and would head off any potential issues.

MS. FALK: Well, I'm not so concerned -- on the development side, I understand that. I'm more concerned about the operational side and what kind of -- you know, typically, the sponsor -- or the borrower is supposed to have some -- I mean, do they have financials that support, that there are some assets there to take care of things, if things go wrong? And, you know, I was just wondering if you had looked into that, and are there operating-deficit guarantees to the investor? Who is putting those up? You know, who is basically, you know, responsible, and who is -- where are the sort of deep pockets coming from?

MS. VAKILI: Okay, Triton Development is providing the guarantees for construction and completion and operating-deficit guarantees. And that will be part of the requirement also of the tax-credit investor, is to put up the guarantees and the operating-deficit deposit and guarantee. So that will be an ongoing obligation.

MS. FALK: Okay. I also have another question that has to do with loan.

Is our program -- I just want to clarify this. So all these loans seem to be prepayable in 15 years. And I just wanted to raise that as an issue, because one of the things in the past, the loans were not prepayable without CalHFA’s permission, and the affordability being extended -- or continued -- well, continued and extended. And that was the only leverage the Agency really had, especially, you know, 15 or so years ago, when the market was really hot and people were turning over projects and getting out of restrictions and so forth.

So, you know, the fact that they were not prepayable without going through quite a lot. So I just wanted to raise that as a policy issue for how we’re approaching these loans. Because my concern is that they stay affordable for a long period of time.

MR. SERTICH: Yes, yes. And we’re concerned about the affordability as well.

On the prepayment of the loan itself, you know, that was becoming a competitive issue for CalHFA. It was hard to get developers to want to lock in a 30- or 40-year loan.

On the affordability side, we do have CDLAC and TCAC restrictions on most of our loans that extend out to up to 55 years. So the affordability restrictions on that side are still going to remain in place, even in the case that ours may go away.

MS. SOTELO: Yes. I think programmatically that’s the issue; right? That programmatically there could be a payoff of the loan, but the covenant still extends with the lands.

MS. FALK: Right. No, I understand that. But I mean, it just gave the Agency a lot of leverage in the past, to -- that they were not prepayable except under certain conditions. And this way, they are prepayable, and then you sort of -- you don't have as much leverage to keep them in nonprofit ownership --

MR. SERTICH: We understand your concern.

MS. FALK: -- or whatever it is that you want to try to achieve.

MR. SERTICH: It was just about getting the loans in the door.

MS. FALK: Yes.

MR. SERTICH: So if we don't have them at all…

I mean, it's a balance.

MS. FALK: Yes.

MR. PRINCE: As one of those who has that lockout, it is not a marketable item. So I do echo that issue raised.

So my other concern is the level of renovation is laudable, but at the same time, a little nerve-racking. I assume there's also some kind of physical-needs assessment and what's going to happen over a period of time.

I think that the tax-credit market -- the equity syndicators are definitely having issues with deals that they don't have enough renovations, and our portfolio of 25 deals, the one that is not working is the 4 percent deal that didn't have enough renovations done upfront. So I just want to make sure, I assume all of the due diligence has happened about making sure the physical assets can be treated well.

And it's also good that you have the housing, the Section 8, right? They are to help with the operations. But 36,000 may not be enough, in my estimation; but without seeing the whole physical-needs assessment plan and what's going to happen over time, I trust you have looked at that.

MS. VAKILI: We have. We have a PNA, of course. Our staff has been down to the site to make sure that the scope is appropriate.

We're also requiring capitalized replacement reserve of a thousand a unit.

MR. PRINCE: Good.

MS. VAKILI: And I believe $400 per unit in annual replacement reserve deposits.

We go thoroughly through the PNA to make sure that we agree with it. And if we don't, we request and require additional scope.

In this case, we did not have to require anything additional. The developer was able to determine exactly what needed to be done on the property.

On an ongoing basis, our asset managers also inspect regularly, and make sure that the property, when it's complete, remains in good condition; and if there were any deficiencies, they would be noted and required to be taken care of.

CHAIR JACOBS: Any other discussion?

(No response)

CHAIR JACOBS: Anyone want to move this?

MR. PRINCE: I'm happy to move for acceptance, or whatever the right term is.

CHAIR JACOBS: Do we have a second to this motion?

I think we have a -- wasn't there a resolution to approve this one, somewhere?

MS. SOTELO: There is, yes. The last page.

MS. OJIMA: 15-06.

CHAIR JACOBS: Resolution 15-06, I believe.

MR. PRINCE: So moved.

CHAIR JACOBS: Preston has moved that.

Do we have a second?

MS. SOTELO: I'll second approval.

CHAIR JACOBS: JoJo, let's do the roll.

MS. OJIMA: Thank you.

Ms. Caballero?

MS. CABALLERO: Aye.

MS. OJIMA: Mr. Schaefer?

MR. SCHAEFER: Aye.

MS. OJIMA: Ms. Gunn?

MS. GUNN: Aye.

MS. OJIMA: Ms. Falk?

MS. FALK: Aye.

MS. OJIMA: Ms. Avila Farias?

MS. AVILA FARIAS: Aye.

MS. OJIMA: Mr. Gunning?

MR. GUNNING: Aye.

MS. OJIMA: Mr. Prince?

MR. PRINCE: Yes. And I'm excited for the Multifamily Department.

MS. OJIMA: Thank you.

Ms. Riggs?

MS. RIGGS: Aye.

MS. OJIMA: Ms. Sotelo?

MS. SOTELO: Aye.

MS. OJIMA: Mr. Jacobs?

CHAIR JACOBS: Aye.

MS. OJIMA: Resolution 15-06 has been approved.

CHAIR JACOBS: Great.

Item 6. Discussion, recommendation and possible action

regarding final loan commitment for
*** Park Place project (Los Angeles)**

CHAIR JACOBS: And now we've got another project in Panorama City.

MS. VAKILI: This Park Place apartments is in our portfolio currently; and it is located in the Panorama City area of the San Fernando Valley.

The location of the Park Place project, it really couldn't be better in terms of serving the workforce housing at Kaiser, which employs 3,000 people, is adjacent to the property. There's a bus stop right in front of it. It's just ideally located for serving the community.

It was built in 1966; and it has 142 units of family housing, with a mix of studios, one-, two-, and three-bedroom units. It's a three-level building, with a playground, swimming pool, spa, laundry room, and a community room. It's served by two elevators.

The property has been -- as you can see, it's maintained very well. But at this point, there will be some minor rehab of about 8,000 a unit; and replacements would include select windows, lining upgrades, security improvements, elevator repairs.

On the interior, on an as-needed basis, the carpeting will be replaced, countertops, cabinets.

And the rehab budget is $1,163,673.

The improvements that are going to take place will result in an overall reduction in operating costs due to reduction of repair and maintenance costs. And they're anticipating a 13 percent savings in operating budget, as compared to 2014.

This slide shows a typical bathroom. There it is. It looks pretty typical. But on an as-needed basis, all the units will be upgraded.

And the next slide -- see, Tony is trying to get me to move forward. I can see that right now.

Okay, the rents of the property are about 65 to 93 percent of average market rent. And the affordability for this project will be extended. The current affordability restrictions expire in 2031. With a new loan, the restrictions will be extended to 2055.

And currently, CalHFA's affordability restrictions on the property are 20 percent of the units, restricted to 50 percent AMI; with the new loan, will increase the affordability to not only 20 percent at 50, but also at 80 percent at 60 percent AMI.

Our borrower for the project is PPA Associates; Foundation for Quality Housing Opportunities is the general partner; and Dangler, Inc., is the property manager.

Gary Braverman is the president of FQHO and Dangler, Inc. And Gary has several projects in our portfolio that have been in our portfolio for some time, successfully and well-managed, very well maintained.

And we have a good long-standing relationship with Gary Braverman.

The transaction itself will be what we call a transfer of physical assets.

The existing borrowing entity will remain the same. And in the process of this transaction, the interest of the current investor, Lehman, the limited partner, will be assigned to new limited partners, a kind of friends-and-family transaction.

The interest of the limited partner will now be assigned to Dangler, Gary Braverman, Heidy Braverman, David Skinner, and Katherine Skinner, who are family members.

And once the TPA is complete and CalHFA is approved, the CalHFA loan will be paid off by a Citibank loan of $9.5 million. And Citibank will be the entity that provides the rehab funds, which are moderate rehab.

During the 12-month Citibank loan, our CalHFA existing regulatory agreement will remain on title, ahead of the Citibank loan.

Once the rehab is complete, our loan will pay off the Citibank loan. So this project is going out of our portfolio for a 12-month period of time, coming back into our portfolio for the permanent period of 40 years.

Our permanent loan would be $11,300,000.

We're currently underwriting to a rate of 5 percent for the permanent loan; and we're anticipating locking the interest rate 15 days prior to the Citibank loan closing.

We acknowledge that rates are changing. We try to underwrite our interest rate with a decent cushion. So at this point, we're estimating a 5 percent interest rate. In this kind of transaction, when another entity is paying off a CalHFA loan and we're locking in a rate, anticipating closing a permanent loan in the future, when we lock the rate, there is a risk if the borrower does not come back to us, that we would be subject to an interest-lock breakage fee.

So what we're planning on doing to secure against that kind of a risk is to record a deed of trust and carry a note in second position that would offset the cost of such a breakage. And this would be secured in second, behind the Citibank loan, and it would be released once our permanent loan closes.

Are there any questions on the transaction?

CHAIR JACOBS: Dalila?

MS. SOTELO: So, Tony, have you looked at this transaction, since you've taken over the position in the last two weeks?

MR. SERTICH: It hasn't even been that long; but, yes. We were involved with this transaction when I was on the financing side, so we've worked through this with the Multifamily staff, in my former position. So I know the basics of the transaction.

MS. SOTELO: So I have a couple of questions just relative to the breakage fee and the structure, which seems to be a little overly complicated for what we're trying to do.

Can you tell me the reason why the Citibank loan is coming in, and paying this off, and then we're going to then pay them off? And why that structure needs to exist that way?

MR. SERTICH: Well, I'll let Ruth take the lead; but I will jump in if I need to.

MS. SOTELO: Yes, that would be great. Thank you.

MS. VAKILI: Okay. Yes, it is different. And the reason behind it, is that in our HUD Risk-Share Program, it's an acquisition/rehab program, which requires substantial rehab.

This project doesn't -- the scope of work doesn’t constitute a level of 18,000 a unit. And so as an accommodation, this is how we worked out the structure, to have Citibank come in.

And also, you know, forming a basis of an ongoing relationship with Citibank for potentially future projects, where we would need to do this kind of thing. We’re working through the deal points with Citibank. They’re very amenable to doing a short-term loan and then getting paid off by a CalHFA permanent loan. So this is how we structured it in order to avoid a substantial rehab requirement.

A lot of our projects in our portfolio -- or, say, a number -- are in very good shape. They don’t require 18,000 a unit. In those cases, we may see more of these type of transactions.

MS. BOATMAN PATTERSON: If I could interrupt for a while.

We had talked about how could we position ourselves to make sure that we were filling a niche, that we weren’t necessarily competing with Citibanks, but that we could partner with Citibanks and some of our lenders in some of our other communities. And so we have the ability to offer competitive permanent take-out financing. And by using a structure like this, we could go out and partner with a lender who is willing to come in and do the construction financing. So they can come in and do the construction financing; we can come in and do the permanent take-out financing. And so this is us working through what those partnerships look like. And so this is -- this one is the first of probably many. And as we work out the kinks, we will probably see a structure that works a little more simplistically.

But this is the way in which we use to mitigate risk to the Agency, but still try to have an opportunity to create those partnerships.

MS. SOTELO: And I appreciate the innovation around creating partnerships, because I think -- I do think that it's important to take a look at our portfolio and to breathe new life into the portfolio, and certainly to partner with institutions like Citibank. My concern is that programmatically, it deviates from our approved program and it doesn't encourage what I believe would be the right public policy, which is infusing more dollars into the project to rehab it and bring it up to a different level of amenity.

Right now, it's a 1966 building. They're only replacing half of the windows. You know, the Energy Star appliances are certainly a nice thing; but, you know, they haven't done an energy audit. And as part of the write-up, there was an issue around asbestos and lead;

and the fact that asbestos and lead is present, but they're trying not to deal with it because, you know, they're not going to touch those areas and, therefore, not disturb the asbestos and lead.

So from a policy perspective, I'm just concerned that we not facilitate a program that doesn't give us the type of result that we want.

I want to be able to support existing developments and existing loans in our portfolio; but I want to do it in a way that's thoughtful and deliberate.

And if the right thing to do is to recapitalize this project and get a new tax-credit investor and apply for credits and, you know, restructure it as a transaction, then I would encourage looking at that as a viable alternative. And if that's not a viable alternative, then I think -- I would be uncomfortable as a Board member approving the transaction as currently proposed, only because I don't think that it meets all our programmatic efforts.

So I'm not saying I can't get there. I'm just saying, right now, I'm not there.

MS. VAKILI: Okay. And this project was substantially rehabbed in 1998.

MS. SOTELO: Okay.

MS. VAKILI: And we were involved in that and had a say in what was done. There was extensive work done at that time. And also an important element at that time, was that structural upgrades were completed. This project was, again, reviewed by our structural engineers. And not only does it pass our requirements, but also our engineer applied the criteria that will potentially be in place in the future for the City of L.A. in regard to retrofit upgrades for seismic. And this project passed that criteria as well, which is also a good thing.

So it's been substantially rehabbed in 1998. Otherwise, we would have been all over, you know, requiring something that this building really could use, which would be substantial rehab now. If it weren't for that, we would have been doing a more comprehensive scope.

Does that answer your question?

MS. BOATMAN PATTERSON: Ruth, was there an energy audit at all on this particular project? Was there --

MS. VAKILI: There was not an energy audit. This is not a tax-credit project. And so there was no requirement for an energy audit.

MS. BOATMAN PATTERSON: But that may have been something that could have addressed some of Dalila's concerns, knowing that this isn't a tax-credit that would require that; but as part of our PNA or our regular assessment of the property, if we had had an energy audit, since it was essentially rehabbed in 1998, what little more we could have done to perhaps boost some of the energy efficiencies.

So that is noted, Dalila.

MS. SOTELO: Yes, that would be helpful.

MS. FALK: Was there a third-party physical-needs assessment?

MS. VAKILI: Yes, there was. There was.

MS. FALK: So this met all of the things that we're trying to --

MS. VAKILI: It did.

MS. FALK: Okay.

MS. VAKILI: It met the criteria. We did a 20-year replacement study. We sized the initial capitalization of the replacement reserve at a thousand a unit; and also, the replacement reserve is $400 a unit.

The owner is a very active owner, and has several projects in his portfolio, and he is very hands-on and maintains. So I expect that that will continue for the project; and there is a healthy reserve in place.

CHAIR JACOBS: Michael?

Michael, then Janet.

MR. GUNNING: I'm sorry. Dalila, help me understand. Because I think that it's good to have private entities investing in these kinds of projects. So is it they may not do at the cost levels, or may not do the rehabs that we can do? Help me understand.

MS. SOTELO: No, I think for me it's twofold. When Ruth answered the question around why we were having this complicated structure; and the answer was because it doesn't fit our programmatic goals. And our programmatic goals are to do it at 18,000 per unit and to…

You know, so one is just kind of find that deviation; right? And if we're within $10,000 of that number, I know that that's about $1.4 million more in the budget, you know, in terms of rehab. So I'm just trying to understand why we're deviating from a physical-needs assessment.

And then the more important question to me is just programmatically, on the finance side, you know, paying off the CalHFA loan during a construction period, and then us, you know, paying the construction lender off and doing a forward commitment of our debt. And I appreciate securing the breakage fee as part of a subordinate debt structure in the project. But it seems so much like a programmatic deviation that I'm wondering why we’re accommodating that.

MR. SERTICH: If I could answer that a little bit.

Part of the problem was, when we were starting to look at this loan, the financing tools that we had available to us, we were still working through some of those.

MS. SOTELO: Okay.

MR. SERTICH: Again, from my old position.

But as we’ve worked through that, I think going forward, we have a better understanding of what we can do, both within the HUD Risk-share Program and with some of the financing tools we have, that a structure like this, it definitely -- I think it works for this deal; but we may or may not be as aggressive in using this going forward.

So part of it was just getting back into understanding what we can do on the financing side. And we tried to make it work for this deal. Because another thing is, we are getting more deeper affordability on this, or a broader affordability restriction placed on this apartment as well.

CHAIR JACOBS: Janet?

MS. FALK: Maybe you can help. I’m kind of confused about exactly how this transfer works in terms of the old parties and the new parties.

And so on page 147, in the write-up, it's sort of towards -- there is the summary of the proposed transaction. So there's an investor payment and Lehman's going out. Are these new investors putting that money in? What is happening exactly here?

MR. SERTICH: And I think this is another reason that some of this was necessitated, was Lehman Brothers was the tax-credit investor.

MS. FALK: Right. So they want out? I mean it's time.

MR. SERTICH: I mean, they're in bankruptcy court at this point.

MS. FALK: Yes, yes.

MR. SERTICH: So that necessitated some of this.

MS. FALK: I understand. But I just don't know where -- like this investor payment, and I can't track these numbers with what's in the pro forma, either. So that's why I was a little confused.

MS. VAKILI: Well, in the partnership, there is a sale or an assignment transaction, and a value assigned to the property, which was proved out by the appraisal.

And the illustration of the transaction is just to show how the payout in settlement to Lehman was derived by the outstanding obligations settled where the CalHFA loan paying off the old maintenance fee and paying off a City of L.A. loan.

So the transaction, in terms of settling the obligations, also included the investor payment to Lehman and also the FQHO and Dangler interests.

If this were a market sale, the payout to the investor and to Dangler and FQHO would have assigned this value. And so what I was trying to show here is a numerical explanation of the transaction.

MS. FALK: So the sales price is being determined by adding up all the existing obligations of the project? Or is it determined by an appraisal?

MS. VAKILI: It was determined by an appraisal, and also through a financial transaction and settling of the debts.

MS. FALK: Okay, so does this mean that Lehman is getting repaid 3.3 million?

MS. VAKILI: Yes.

MS. SOTELO: Does that represent their exit taxes? What does that represent? Do we know?

MS. VAKILI: I am not sure if it represents the exit taxes. I can ask Gary Braverman to come up and give a better explanation.

MS. FALK: So I mean, is it that we're giving them this bigger new loan so that they can pay the investor that amount of money?

MR. PRINCE: So, my sense that's happening throughout the country is that these limited partners are stepping in and acting on their rights within the partnership agreements, and either are forcing sales that would then really make the property go private, for the most part, right, or allowing for the purchase of the limited partnership interest. And so I think that this is more and more of what we're starting to see throughout the country.

And it does not equal the exit taxes, which is what we always thought it was going to be. I think it's definitely a different situation. It's a different world out there now, with limited partners. That is my sense.

Is that a fair summary of your --

MR. SERTICH: Yes.

MS. VAKILI: Yes.

MS. FALK: Well, it's -- in situations where there was no option to purchase on the part of the borrower?

MR. PRINCE: No. No, it's actually -- I don't agree with that.

MS. FALK: Go ahead.

MR. PRINCE: I actually think, it's like within the rights that they have these limited partners; but it's definitely different from what we all expected. I don't know the right way of saying it.

MS. SOTELO: Right. There probably wasn't a prenegotiated option to purchase or a right of first refusal that the GP had in the limited partnership. So that makes it open to the LP being able to force the sale without a formula that was preapproved.

MR. PRINCE: And I don't think that that's the case. I'd be happy to hear from other -- what I'm hearing from other -- particularly for-profit developers in this situation is that it's actually an enforcement of either forcing a sale or the purchase of the limited partnership interest, even though there are rights of first refusal and rights of first -- right to option, right to purchase.

But I'm not very strong on the way that…

I've just been --

MS. SOTELO: But there is no formula. There's no prenegotiated formula, that's the problem. It's today's formula, as opposed to a formula from 15 years ago.

MR. PRINCE: Okay.

MS. SOTELO: So is someone here to explain what the 3.3 is?

MS. VAKILI: Certainly.

Let’s call up Gary Braverman.

MR. BRAVERMAN: Hello. My name is Gary Braverman. I’m not used to speaking into a microphone, so I’ll try not to overwhelm.

The world has changed, and you are correct on that.

MR. PRINCE: And like I said, it’s loud to you when you speak into it, but it’s -- there, it’s better for us, if you do that. I know it’s going to be weird to you.

MR. BRAVERMAN: Yes, because you get the echo.

When we negotiated the original deal with Lehman 16 years ago, the tax-credit world was: We just want our credits, we don’t care about cash, and pay our exit taxes at the end of the day. Nowadays, when -- and you build your deal based upon that understanding.

Now, you come to the end of the day, and your investor comes back to you, and they say, “We want cash. Yeah, that’s what we thought we wanted in the past, but we want as much cash as we can get now, and we’re going to hold you to whatever was in the partnership agreement.”

The partnership agreement requires that they can force the sale at the end of the 15 years. They basically have come to us and said, “We want you to sell it or buy us out.” That was our options.

I’ve lived with this project for 16 years. I like it. I want to keep it.

And so what we’ve done is, we negotiated with them to basically -- in our partnership agreement, there’s a waterfall that says if you sell the project, refinance, whatever, this is how you allocate the cash flow. And the 3.3 follows the waterfall based upon the as-is appraised value of the project, as the sales price, plus they nickeled and dimed us for another $145,000 above that to make the deal. And then following the waterfall, that 3.3 is what it takes to get them out of the project.

We’ve maintained the project through the last 16 years, so it didn’t need substantial rehab. And I can remember my first conversation with Ruth was, “Don’t penalize me for being a good owner and having maintained the property for the last 15 years. I’d rather spend, as I go along, keep it up, and not run it into the ground; and at the end of the 15 years, need to spend 30,000, 40,000 a unit on rehab.”

And one comment I’d like to make: We’ve been replacing windows over the last 15 years as we could afford it. What we're talking about doing now is replacing the balance of them.

MS. SOTELO: That's a good approach.

MR. BRAVERMAN: So at the end of the day, we've gone from single-pane to dual-pane and all new retrofit windows throughout the whole complex.

The idea is, the things that we were spending on out of operating cash flow that were big-ticket items, we wanted to get and take care of those as part of this rehab, and not have that as an ongoing cost on a day-to-day basis out of the operating cash flow.

So the idea wasn't we do a couple of windows. It was, let's get the balance of them done, which is about half of them. So over the 15 years, doing a couple a month, as we can afford it, then we have about half left to do.

So we're trying to -- everywhere that we anticipate -- say, elevators, one of the elevators we've had to do extensive upgrades because when the controller broke, they don't have parts for them anymore. So you had to put a new controller in, and a new controller triggered upgrading the elevators to current code.

I went to our elevator people and said, "Okay, we've got the front elevator. Give me a list of all the items that could break that we haven't already taken care of. Let's build that in. Let's take care of that as part of the rehab."

So, again, the concept is, big-ticket items, long-term items, let's get those as part of the rehab; and then we can continue to maintain it and keep it a good project on an ongoing basis.

Didn't get us up to over 18,000 a unit. And I didn't want to spend money that we didn't need to spend.

MS. SOTELO: That makes sense. Yes, that makes sense.

MR. BRAVERMAN: So a different approach, you know.

And what I'm trying to do, as I'm getting older, is not have as many tax-credit investor partners, because they're difficult.

So if we could make this work by reinvesting our share of the proceeds back into the project, and be able to spread it to my family and keep it a family-owned project and not have a crazy, psycho tax-credit investor, way better.

MS. SOTELO: Any present company excluded?

MR. BRAVERMAN: You know, I've been there, done that; and I don't mean to insult anybody, but the more you can be a master of your own destiny and not have a million people looking over your shoulder with a different agenda, and we can just maintain our properties and run them and keep them affordable.

I mean, even though we're not going to have a tax-credit investor doesn't mean we're not going to keep it affordable. We have the long-term affordability. It was a tax-credit project. So that's -- we've penciled it to that. It works at that, and that's the way we want to keep it.

I always like to have the nicest-looking project with the cheapest rents in a neighborhood. I stay full. I don't have a lot of turnover. It's easier to maintain it. You get better tenants, who appreciate and care about where they're living.

We do activities. We -- one of the things we did in the original rehab 11, 12 years ago, was that it had both an outdoor pool and an indoor pool.

For L.A., that's insane. We filled in the indoor pool, and split it into two rooms. One room is a school room where we do tutoring programs, ESL classes, and any other activities like that; and the other is a workout room, where we've had Zumba, we've had one of our tenants taught karate classes there. He used the facility for free, charged people less; and our kids in the building were able to compete in the local karate stuff.

It works. And it doesn't cost a lot of money to do it, but it works. And that's the fun part of the business.

You know, I may be compulsive about our projects, but there's fun parts. And that's part of the fun part is, when you can take a project, see it work, and continue to make it work where everybody is getting a benefit out of it.

MR. PRINCE: You're coming across as very proud of your property.

MR. BRAVERMAN: I am.

MR. PRINCE: So I'm very excited about that.

And despite my reputation, I do have friends who are private developers. And I've just been hearing this issue happening throughout the country. And so it's something that I think we, as decision-makers --

CHAIR JACOBS: We need to discuss this, yes.

MR. PRINCE: -- maybe need to have a training on, maybe we talk with Mark to do something with us. But just so we can think about it.

My one quick question for you is, you talk about reducing your operating costs. I'm assuming it's because of those improvements to the elevator and the windows. Because going from 6,300 to 5,500, or whatever your reduction is --

MR. BRAVERMAN: I mean, we've been spending probably five to seven thousand a month in window replacement. That alone saves us a ton of money. The elevators, when we did the upgrade on the back elevator, it was over $70,000.

MR. PRINCE: Right, okay.

MR. BRAVERMAN: These are big-ticket items. That really impacts the cash flow. Those are the kinds of things we're trying to eliminate. But this pencils so that even if we don't save significant on that, it still runs at a positive cash flow.

MR. PRINCE: Okay. So I'll make the motion to approve this, though I'd like to see the other pool become a salt-water pool, maybe.

MR. BRAVERMAN: It's filled in now.

MR. PRINCE: I'll make the motion to approve.

MS. SOTELO: Preston, before the motion, I just want to make sure that staff -- and maybe Tony can take a look at this -- but to Janet's point, we just need a more transparent analysis in the staff report that shows what the acquisition price is, how much is being repaid during construction, and what the take-out is. And then just kind of represent it more graphically in the Board reports so it's more transparent.

MR. SERTICH: Okay.

MS. CABALLERO: Well, and I'll second the motion, if you've remade the motion.

I want to say that it's been really important for you to be here today, because I think your explanations fill in the pieces that -- the questions people had.

MR. BRAVERMAN: Yes.

MS. CABALLERO: And, you know, our job here is to help support affordability in housing. And we are looking at good policies that work. But sometimes you come up with the exception. And you're doing something that's very different in terms of you're running it much more like a nonprofit and looking at ways to be able to -- incentivizing people moving in, taking care of it. And I really appreciate that.

MR. BRAVERMAN: Thank you.

MS. CABALLERO: So I appreciate you stepping up and talking, because I think it has made the difference in terms of how we're looking with this.

MR. BRAVERMAN: I love to talk, as you can probably tell.

MS. CABALLERO: Well, and it's really clear, you have a real appreciation for affordability and what it can do for people's lives. And that's why we're all here is, we're very committed to it. But it's got to work in the world that we operate it in, and so…

MR. BRAVERMAN: Well, it's got to make economic sense, or it doesn't work. That's right. That's the struggle.

CHAIR JACOBS: Do we have a second?

MS. CABALLERO: I do.

CHAIR JACOBS: Perfect. We've got to vote.

Thank you.

MS. OJIMA: Thank you.

Ms. Caballero?

MS. CABALLERO: Yes.

MS. OJIMA: Mr. Schaefer?

MR. SCHAEFER: Yes.

MS. OJIMA: Ms. Gunn?

MS. GUNN: Yes.

MS. OJIMA: Ms. Falk?

MS. FALK: Yes.

MS. OJIMA: Ms. Avila Farias?

MS. AVILA FARIAS: Yes.

MS. OJIMA: Mr. Gunning?

MR. GUNNING: Aye.

MS. OJIMA: Mr. Prince?

MR. PRINCE: Aye.

MS. OJIMA: Ms. Riggs?

MS. RIGGS: Aye.

MS. OJIMA: Ms. Sotelo?

MS. SOTELO: An enthusiastic “aye,” after Gary’s presentation.

MR. BRAVERMAN: Thank you.

MS. OJIMA: Mr. Jacobs?

CHAIR JACOBS: Aye. And I agree.

MS. OJIMA: Resolution 15-07 has been approved.

MR. BRAVERMAN: Thank you all very much.

CHAIR JACOBS: Thank you.

MS. BOATMAN PATTERSON: And thank you for that wonderful explanation.

I wanted to just add real quick, the staff report -- we’ve kind of had this question a couple of times about presentation of the staff report on our projects. And that’s one of the things Don, Tony, and I will be looking at. Because we have some of those same questions internally. And so our presentation -- and I know it took us a little bit on our budget presentation and how we got that; and so we’re working out the kinks. So we commit to you that we will look at a way to better lay that out to answer some of these questions that Board members may have.

MR. PRINCE: Yes, I totally agree.

I think it’s a really hard thing to do. But at some level, to kind of say, “Here were our considerations,” so that we’re not having to go, “Okay, did they think of this?”

So I totally agree, it is about the transparency.

MR. SERTICH: And, in general, I have been taking notes about the different comments about the presentations of what you want to see. So we’ll continue to evolve as we get more comments on that.

CHAIR JACOBS: Thanks, Tony.

Thanks, Ruth.

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Item 12. Update on the status of the Mental Health Services Act’s Housing Loan Program and discussion regarding CalHFA’s future participation in the Housing Loan Program

CHAIR JACOBS: Now, we’re going to jump to Number 12, MHSA.

Who is giving the presentation?

MR. SERTICH: Yes. So, again, I’m going to have Debra Starbuck come up, with Chuck Anders from the Department of Health Care Services to talk about the MHSA update.

MS. BOATMAN PATTERSON: And if I could set this up briefly for the Board members.

During a period of time when we weren't doing a whole lot of new multifamily lending because of the housing crisis and the credit crisis, there was an opportunity for us to administer a special-needs program, which was the Mental Health Service Act program. That program was given its initial allotment of cash.

And so Debra is going to walk through kind of how that program started and kind of where we are, to set us up so that we can now have those policy discussions and those stakeholder meetings about going forward where we want to be.

And so I wanted Debra to come today to be able to present that to the Board because there's several pieces of legislation dealing with veterans housing, dealing with mental-health housing. And so special-needs housing and permanent supportive housing is all at the forefront of all of our minds, and we have been operating this program for several years now. And so this gives the Board an opportunity to hear what we've been doing with our special-needs program over the last several years.

So thank you, Debra.

MS. STARBUCK: Thank you.

Let me see if you can hear me. Is that clear enough?

Hi, Janet.

Some of you, I haven’t seen in a long time. I’ve been with the Agency since 1994 and HCD for six years before that. So some of you may recognize me.

This is Chuck Anders from the State Department of Health Care Services, who has joined us to give -- well, to help us support your questions and answers that you may have about the MHSA program.

We’ve worked together very closely, his department and ours, over the past eight years -- actually, longer. The program has been running and we were two years prior to that working with DMH, who has now no longer been in existence; and Health Care Services has taken over their role under this MHSA agreement.

So to give you a background -- and, I’m sorry, you don’t have any literature. So you’ve got your slide presentation that hopefully you can refer to.

The Prop. 63 approved by the voters in November 2004 was for the Mental Health Services Act program; and there was a one-time appropriation by Governor Schwarzenegger in 2006 to utilize $400,000 of the MHSA housing funds to establish a housing loan program.

DMH at that time was given oversight of the MHSA program funds throughout the state for all the counties to report to. And DMH looked to CalHFA as a partner to administer the housing loan program for them.

The goals of the Prop. 63 and the Executive Order in 2006, was to create 10,000 new affordable rental housing opportunities that would provide housing for the mentally ill who were either homeless or at risk of homelessness and their families.

So at that time, we estimated that about one-fourth of those 10,000 units would be used and regulated as housing for the mentally ill.

The program was originally set up where two-thirds of the funds had to be used for actual permanent loan financing. And one-third or less of the funds could be used for capitalized operating subsidy reserves -- or "COSR funds" is how we refer to it.

So we worked, and the legal department gave us a lot of help, and we put together all of our loan documents and vetted them through DH- -- or DMH at the time and the counties.

And it was set -- the program was set up that the counties had to agree to provide continued support of services for their residents for the life of the MHSA financing. And the loan terms were a minimum of 20 years, up to 55 years.

We found that, over time, most of the shared housing loans that we could offer -- which was intended for single-family homes or duplexes or four-plexes, to allow shared occupancy of two- and three-bedroom units, so that they would all live and cohabitate in each of the dwelling units.

So we did shared housing and rental housing. The shared housing loans were predominantly 20-year financing. And the rental housing ended up being anywhere from 30 to 55 years, depending on whether there was a tax-credit investor and long-term financing from HCD or a local government lender.

Additionally, the terms of the agreements between all of the parties that had to continue to provide services for the MHSA residents was a memorandum of understanding, which was a legal document entered into by the county; the borrowing agency -- or the borrowing entity; the service provider that was actually going to be on-site, providing the extensive services for the mentally ill; and the property management firm.

So the memorandum of understanding was submitted with their applications to DMH to review and approve. And currently, DHCS takes on that role.

In 2008, we actually implemented the program through an interagency agreement between CalHFA and DMH. And it was set up to administer the one-time allocation of $400 million over an eight-year term. The end of that term is May 30th of next year.

To give you a flavor for what we've been able to accomplish in the program to date, I've got a chart here for you that illustrates. The turquoise bars are the total units that have been developed, utilizing -- or leveraged by MHSA funding; and the dark-blue bar represents the percentage or number of units that are regulated to MHSA residents.

And you'll see, it's about one-fourth of the unit. So the first column, you've got 67 projects have been funded to date, family projects. Twenty senior projects. Fifteen family senior projects, where a part of the property may be regulated to seniors, and the rest of the project to families. Then we have 35 projects that are part family and part of the units are for transitional age youth. And then we have 14 projects that are strictly transitional age youth.

So all together, MHSA funds have been leveraged to create over 8,500 units at this point.

And as a note, 208 of those are actually units regulated for veterans within those. And we've funded 2,171 MHSA regulated units. And of those, 30 are regulated specifically for veterans.

The goal of the program, by the time that we've administered everything, up until May 30th of next year, is to have 2,500 or more MHSA regulated units. And we expect that it will be closer to 2,700.

Over the past seven years, we've learned a lot since the program was originally established; and we hope -- originally, we had hoped that we could leverage MHSA funds with CalHFA financing, and we could be the construction retake-out lender.

Unfortunately, with the collapse of the bond market, it became unfeasible for us to offer any competitive rates. Therefore, we lost the fee that we expected to get on the CalHFA financing piece.

So the loss of that loan-fee revenue means that we've obviously been operating the program at a loss since 2008.

This will continue until such time as the program ends, which is May 30th. And by May 30th, that deadline means that that's the cutoff date by which we'll accept any further loan approvals for consideration by senior loan committee. So anytime after that, we still have to close our loans; monitor during construction, which can be a 12- to 24-month period; and then do the perm loan conversion, which can be another six to eight months after that, with a final cost audit.

So CalHFA still has a role of about three more years after next year's expiration date.

The Department of Health Care Services assumed DMH's role in 2012. And we learned through this communication that the original contracts with DMH were between the counties and DMH, and the loans are between CalHFA and the borrowers.

So one of the things that has been difficult to work through is getting a clear communication line with the counties, because we don't contract directly with the counties. State DCHS now has that responsibility.

So there's reasons why we haven't really pursued or looked at extending of the current interagency agreement, both from a fee-loss perspective and a little bit of dysfunctionality in the way the current system is set up.

Some of the counties would much prefer to see us work directly with the counties and contract with them, if we were to continue or run another MHSA program.

So counties were -- some of the counties were finding it difficult to use their MHSA funds, either because they felt that our program guidelines and terms were too onerous for them, too restrictive on how they could use their housing funds, or they didn't have partners in their counties or communities to help them create the MHSA units.

In some of the more rural counties, there's a lack of nonprofit developers, especially in Northern California, to partner with and help them use their MHSA funds.

So there was legislation that was pushed through: Assembly Bill 1929. And the counties were authorized to request the return of any encumbered MHSA funds from state MHSA --

MR. ANDERS: DHCS.

MS. STARBUCK: -- DHCS, I'm sorry, and CalHFA.

And we anticipated more counties requesting the return of their funds. But to date, we've only had three counties. There's been Colusa County, who requested just over 322,000 back; Mendocino County, 1.3 million; and Merced County only had 8,421 left over, that they've requested be returned to them.

So I think we may see a few more counties requesting the return of their funds, but they have to go through their boards of supervisors to get authority on how they're going to utilize the funds once it goes back to the county level.

So, effectively, the program as we know it ends on May 30th of next year. And we need to advise the counties and developers of this situation because a lot of them are not aware of the existence of the interagency agreement.

So we anticipate publishing some deadlines and advising developers and counties -- because the counties work with the developers for probably six to eight months before we ever see the MHSA application. So we need to give them enough time to get them posted at the 30-day local-level publication requirements that they have to go through with their boards as well, and then submit their applications in time.

So the deadlines that you see on your slides should allow projects to apply for both first- and second-round tax credits next year.

The March 1st deadline is a little sooner than many developers would like, but that's the time frame by which we would need to receive their application, do our due-diligence, concept meeting, underwrite the deals, and present them to senior loan committee by May 26th, which would be the last date that we would approve any MHSA funding for funds we currently hold on deposit.

If there are any funds remaining at that time, we will give the developers -- or the counties, I'm sorry -- the option of either requesting their funds back, or they could supplement existing capitalized operating subsidy reserve accounts for MHSA-funded projects. Or if there's a need for a stronger replacement reserve or operating expense reserve, we could also do that.

So going forward, we believe that there is a public policy need for ongoing special-needs-type housing program. And there is an indication, based on initial conversations with the counties and their departments of mental health, to continue operating some form of special-needs loan program that could help them utilize any remaining MHSA funding that they have, set aside for housing; or new appropriations, because they get funded annually. And they have a three-year plan.

Many of the counties find that they have met their housing goals and needs for developing mentally ill housing. But there are still some of the larger counties that have shown a clear indication that they would like to be able to continue appropriating funds to CalHFA directly, to administer for more MHSA financing.

So we would like some feedback from the Board regarding where we go from here. And we anticipate reaching out and working closely with HCD to see what programs we could try to partner with or further the goals of both HCD and CalHFA. Maybe combine it with some veterans housing program money, because the counties that have approached me, have suggested many new projects that they have in their pipeline for both veterans and mentally-ill portions of their affordable housing projects.

We envision partnering directly with the counties to help them further their special-needs goals. We did speak with quite a few counties. And initially, they've indicated a willingness. They, of course, all need more information before they're going to commit to anything.

We envision having stakeholder meetings with both the county and developers.

Been asked to speak at HCD's policy meeting coming up on June 11th, I believe; and also at the California Behavioral Health Directors Association governing board meeting, which is the day before, on the 10th.

So following those two meetings and reaching out, we'll have more information as to how they think we should potentially structure such a program, and then we would reach out to the counties individually for some more feedback. Because they're going to talk to their boards and their developers.

The proposed role that DHCS would play is subject to whatever they find the counties are looking for, and how they might fill that role.

Currently, they review and approve all of the special-needs service plans that the counties prepare, and also their annual service plan budgets. But I understand that after these funds are used, the counties have the authority to approve those at the local level. So state DHCS will evaluate what their role might be in the future and how they could partner with us.

So looking forward, we looked at how our income generated from the program affected our operating -- or, you know, how we operated the program staffing levels and determined what fees we might have to charge if we were to continue with some form of special-needs loan program. And the current program was structured with a 1 percent administrative fee to CalHFA, off the $400 million. And we also got a 1 percent loan origination fee for just the loan portion, which was approximately two-thirds of the $400 million. And .42 percent annual servicing fee we were only getting on the loan as well.

In order to cover staffing costs, we believe that we would need to offer a 5 percent fund administration fee, which we found is pretty typical for the costs for a state agency to administer a fund, and the 1 percent origination fee would be based both on the loan and the capitalized operating subsidy reserve amount.

The .42 percent annual servicing fee would also be based on both the loan and the COSR funds. The reason being that the administration of the COSR money over time is far more labor intense and requires a lot more staff time than the loan operating budget reviews and rents annually. And as more years ago by, the counties anticipate giving CalHFA additional funds to supplement their COSR funds that are going to start running out in 12 to 15 years.

So we, at this current program, do not get any additional fees for supplemental COSR deposits that we have to then administer.

The major counties that I've already discussed this proposed fee structure with was San Francisco, L.A., Orange, Riverside, San Bernardino, and San Diego. And initially, they are on board with the fee structure. They understand that we were operating the program at a loss.

Late yesterday, I did get correspondence from San Francisco. And if this was our fee structure, they actually believe that they could operate it for the same costs at local level through the Mayor's Office of Housing. So they may not be interested in such a program through CalHFA.

Staffing assumptions that we took into account when looking at this fee structure would estimate a

$10 million to $15 million total allocation from all of the counties that participate. And the full-time employees that we've assumed to administer $10 million a year, would be about four, which is two loan admin and two loan officers or a specialist and a loan officer. And at $15 million, we would be looking at four to six full-time employees.

Based on the consultant's report and the operating costs for the Agency to date, and the costs for salaries and benefits, we estimate that the proposed fees here that are shown for the fund administration and the origination fees would cover those salaries adequately, and leave a little bit over.

So I have not reflected the computation for the income on the servicing fee because currently, the admin fee is meeting the needs of the Asset Management Division that does the annual reviews of the COSRs. But as more deposits are made and more time is needed to review these projects, we will need more to cover staff hours.

So this gives you an overview of the program from its inception. I know there's not a lot of details, but it fills in some of the information that you may have been asking yourselves about the program.

And we foresee three more years of hard work, still, to administer the balance of the funds. But we would like the Board’s input on where you think we should go from here after the program that we currently see ends next year.

MR. PRINCE: So, I do have to disclose that we did three permanent supportive housing developments with CalHFA, which I think was a great experience and a great outcome. And so I have multiple thoughts.

I can start on a couple of questions, and then some of your next steps.

MS. STARBUCK: Uh-huh.

MR. PRINCE: Okay, so $351 million, divided by 2,200 units, is, like, 160,000, 170,000 per unit. Two-thirds for capital is 110,000.

Is that the right -- am I coming up with the right number? And it seems like we didn’t leverage the MHSA high enough, in my mind. Because I think we were probably at 20,000 per unit in Fresno. And so I’m kind of curious, like, did people not use tax credits for the most part? What happened?

MS. STARBUCK: Well, with the shared housing, there is no tax credits.

MR. PRINCE: Okay.

MS. STARBUCK: And those are a hundred percent MHSA. So that’s going to skew the results that you’re looking at overall.

The majority of the rental-housing properties were tax-credit deals. And as you know -- because you've done tax-credit deals -- the costs for doing those has gone up. The investors.

The developers are taking their full fees that the tax credit authorizes. The per-unit cost for development are higher, given the -- probably the amenities that are offered in the projects, because there is requirements for a separate office and community space for the service providers to meet with the MHSA residents. And some of the amenities are provided on-site. Some of the counties are actually using some of the office space to operate their mental-health services divisions on-site of some properties.

So that was the average cost that we came up with. Some were far cheaper to develop than others, the high-cost areas.

MR. PRINCE: Well, I just find that to be an interesting --

MS. STARBUCK: Yes.

MR. PRINCE: Over here, I'm trying to do the math.

So I saw the stakeholder idea, which I think is a great idea; right?

And then -- and I think it would have to be, like, a safe environment, where all of us can come there without being defensive; right?

MS. STARBUCK: Right.

MR. PRINCE: Because I'm pretty darn sure that we, as the developer, didn't do things always well. And so I can't assume -- if it's a new program, there's a learning experience, I guess is what I'm trying to say.

So I think it would be interesting to see if you can create that stakeholder group to have that conversation, and get feedback about how CalHFA could do a better job, how we as developers can do a better job, and make sure it's a safe environment, so you get some good outcomes; right? And have that conversation.

MS. STARBUCK: I agree.

MR. PRINCE: I think that CalHFA should continue to look at -- my feedback would be to continue to look at how to do these special-needs programs and these special-needs loans.

And so I kind of applaud you, thinking about it. So that would be my kind of input, is, yes, I would do the stakeholder meeting to get the feedback about how to make sure that the transaction goes well, from both sides, the developer and I guess the third-party, but you've already been talking with the county DMH people.

MS. STARBUCK: Correct.

MR. PRINCE: But I think it would be great for CalHFA to continue to explore this program -- this kind of -- I don't know the right term -- but this revenue stream, or whatever the right term would be.

MS. STARBUCK: Okay.

Any other questions?

MS. GUNN: I just have a question on -- you said that your units have a restriction for veterans?

MS. STARBUCK: I'm sorry, for veterans?

MS. GUNN: Right, for veterans. Of course, Vets Affairs.

MS. STARBUCK: There have been some units that have been regulated to veterans, on top of the MHSA units; but that wasn't the primary goal of the program.

MS. GUNN: Right. And so my question is, was there some sort of policy put out, or request put out for the veterans specificity?

MS. STARBUCK: No.

MS. GUNN: Or is that just a byproduct that occurred --

MS. STARBUCK: It's a byproduct.

MS. GUNN: -- because those developers wanted to…?

MS. STARBUCK: Going forward, we would try to work with HCD to utilize their program funding for veterans' homeless housing. But initially, that was just a byproduct, and we were trying to keep track of how many veterans were being served in relationship to how the MHSA funds leverage the program funds that they had in the deal.

MS. GUNN: Okay.

MR. PRINCE: And you recently did a survey, right? I seem to remember --

MS. STARBUCK: Yes.

MR. PRINCE: -- it coming across.

I was really surprised, within our MHSA units, despite the high percentage of veterans within our homeless population, there is a very small number of veterans served by our program. I really was surprised by that. And so I thought it was interesting for me to learn that locally, because I don't think -- and I don't think we would have asked the question until you guys did, so I thank you for doing that.

But my sense was that -- well, at least for Fresno, we did not have a high participation of veterans.

MS. FALK: I would just like to say that I think this is a great program. It's created housing that wouldn't have ever happened without these funds and without -- and for a segment of the population that's so needy. So I would love to see CalHFA continue.

I know that it was a very steep learning curve.

MS. STARBUCK: Very.

MS. FALK: And now you're there. So it would be a shame to not utilize that going forward, because you've really learned a lot about how these things work, and have that expertise.

My only concern would be is if -- I know that always the loan-servicing fees are the hardest for the projects to absorb on an operating basis.

MS. STARBUCK: Right.

MS. FALK: So to keep those as absolutely low as possible, because there is no way to -- especially as time goes on, if the rents aren't going up enough to cover them, it's a big burden.

MS. STARBUCK: I agree.

And we do need to look at that further when we get some feedback from developers and see how it would affect their cash flows, definitely.

MR. PRINCE: One of the things that happened in Fresno -- which I would think happened throughout the state -- is the kind of tension between surveying chronically homeless individuals, maybe the most vulnerable, versus the local mental-health board wants to really solve Prop. 63 as the answer for their adult children who had mental-health issues, and they were thinking about what happens when they pass away. So there's this tension between chronically homeless, really frail people with severe mental illness, versus still vulnerable but not in the same spot.

I thought -- I find that tension to be really interesting. I assume it's happening throughout the state.

MS. STARBUCK: It was.

MR. PRINCE: And I think that that's probably more of the mental-health board members really thinking: "This is for my kid; and my kid is not one of those really chronically homeless individuals." And so it's just been interesting how that plays out.

MS. STARBUCK: It was a learning curve. Even for developers and counties, that was a problem. There was funding available for chronically homeless through HCD and some other programs. And some counties overlaid the chronically homeless units on the MHSA units, and then the counties had a difficult time finding an adequate number of people that met the Prop. 63 homeless or at-risk of homelessness requirements. The chronically homeless was too restrictive for them.

And we actually had a project in Lompoc that had to be restructured. And we actually worked with HCD for six -- no, nine months to buy back some of the

Governor's Homeless Initiative units with MHSA, and convert them from chronically homeless units to MHSA units because they had a larger population that they could fill the units with that were not chronically homeless.

So it has been a learning curve for all agencies involved in these projects; and we hope to take that learning curve and, you know, use the momentum from it and apply that to the next program.

And so when we do talk to developers about projects, we look at how they're overlapping their units, whether it's tax-credit restrictions or Governor's Homeless Initiative with the MHSA, so that the counties are very aware of what those limitations and restrictions are going to do to how they fill those units.

CHAIR JACOBS: Any further questions, comments?

MS. SOTELO: I just have two comments.

One is, I think the program is a great program, and I like the interplay between localities deciding what programmatic priorities they have, and CalHFA be the underwriter, and kind of looking at it as a third-party underwriter that provides services to the county. So the MOU changes that you're making, I think, are important changes that more better-align with the county priorities as opposed to just looking at it with a state -- you know, statewide glasses.

One thing I would caution against is, you know, we don't want to become, as CalHFA subject-matter experts on how to provide services for homeless individuals with mental illnesses, or, you know, become kind of the policy leaders in those kind of arenas and venues, because there are so many other agencies and departments that do that --

MS. STARBUCK: Right.

MS. SOTELO: -- and do that well.

And so from a staffing perspective, I want our competitive advantage to be that we are the best underwriters, the most efficient, prolific underwriters in the market place, in the state market place; and we can really get a loan done like nobody's business, and close it quickly and efficiently. And, you know, that is our competitive advantage, and that is the service that we're selling.

MS. STARBUCK: Correct.

MS. SOTELO: So I see this program as the opportunity to do that. And so in that vein and in that light, one thing I would recommend to staff is to take a look at the COSR and the management of the COSR as not purely an underwriting activity, but really, it's more of a monitoring activity.

You know, the way you size it is certainly underwriting; but the way you disburse it and how you control it and how you manage it is, to me, more of a county-related activity or something that could happen at a local level, as opposed to handling it through the state system, just because right now it's breaking even, and it pays for itself with the percentage of what you're getting from the loan. But that's not going to be the case, you know, moving forward. And you've clearly identified that.

So giving it back to the counties and having them control and disburse it creates, I think, more efficiencies for the county, and maybe addresses Janet's concern about projects not having to carry the increasing burden of cost associated with monitoring those projects.

MS. STARBUCK: Definitely.

We've actually considered as one of the options for a program going forward, would be for CalHFA to underwrite the financing, and then assign the loan and full management responsibilities back to the county.

MS. SOTELO: Yes.

MS. STARBUCK: That's an option we could do for them. And we just need to find the level of interest across the state because some counties aren't set up to do any of it.

MS. SOTELO: Right.

MS. STARBUCK: They don't want to administer ongoing funds. They don't have a close working relationship with their housing departments, for whatever reason.

So every county is different. And we'll just have to take the feedback that we get and see what type of programs we can offer for them that are cost-effective for the Agency, where we're not losing money.

MS. BOATMAN PATTERSON: And I want to remind the Board as well, that we do have an Asset Management Department; and that the COSRs and the administration of the COSRs are very similar to some of our Section 8 occupancy and monitoring. And so we've kind of run it, streamlined, as part of how we already do business. And so that was one of the things that we did find out, was that that side of the house is actually -- the program is paying for itself on that side of the house.

MS. SOTELO: Good.

MS. BOATMAN PATTERSON: It's on the lending side of the house that we've kind of lost our shirts.

But we will keep that in mind. But I think what we want to do is, we want to start that dialogue and get that feedback of how can we be the best partner and what flexibility can we give and offer to make sure that we're meeting the public policy goal of the state of California.

MS. SOTELO: Right, right.

MR. PRINCE: And I think I heard you say something I'd love for you to help me understand.

So I do think -- yes, we have to be strong underwriters, and I totally agree with what you said; but I do also think we should be policymakers. And so -- and maybe it was just Fresno, is what I maybe heard -- but I think serving the chronically homeless is really important if we're going to end veteran homelessness, if we're going to end chronic homelessness. And I think that then we learn lessons and we can actually end homelessness -- despite L.A. having no growth. And so --

MS. SOTELO: I was going to say, L.A. has got 56,000 homeless, 15,000 of which are veterans, and we've just produced 1,500 units for veterans. So we've got a long way to go.

MR. PRINCE: Yes.

MS. SOTELO: So I'm a huge advocate of, you know, from a policy perspective, building housing, and building housing for homeless and building housing for people living in chronic homelessness.

The reality is that, is CalHFA the right policy leader to do that programmatically? And I think that there are other leaders like HCD and the Veterans Department, the Department of Health Services that can put forward programmatic dollars and policies that make sense.

And we can execute them and we can buy off on them. And we are a partner in solving the problem, but we're not the subject-matter experts; and I don't expect our staff to be the subject-matter experts for that.

MS. STARBUCK: Yes. And that's where the state DHCS wants to evaluate what their role could be. They have got the expertise and the staffing that know that part of it.

MS. SOTELO: Right.

MS. STARBUCK: And that's why it's been an effective partnership. It just hasn't been great communication for the counties because of the way it was structured and set up.

Do you have any questions for Chuck Anders of state DHCS?

MR. PRINCE: My last comment along that because I told you I agree with you -- and I thank you for your clarification -- but, I mean, many times communities tend to go to the low-hanging fruit; right? And so whoever is pushing it, is pushing -- meaning, the right priority and the right population that has the highest return on investment for the public funds, whoever it is. But I think it has to happen. So if it's us just implementing the vision and policy, I'm totally fine with that. So I just want to thank you for your clarification.

I hate challenging you. It just makes me nervous.

MS. SOTELO: Oh, no, this is totally transparent public policy.

MR. PRINCE: I know. It's like going into the O.K. Corral with a rubber knife against you. So that's why I was a little nervous about challenging you.

MS. SOTELO: No, I -- no, we're all great advocates of housing, so that's why we're all here.

CHAIR JACOBS: Thank you, both, for presenting today. And we look forward hearing from you in the future.

MS. STARBUCK: Okay.

MR. ANDERS: Thank you.

CHAIR JACOBS: Let's take the quickest, most accurate five-minute break, and come back. We've got a lot still on the agenda and we need to get through.

So five minutes, no more.

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(A recess was taken from 11:54 a.m.

to 12:04 p.m.)

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Item 7. Discussion, recommendation, and possible action regarding the adoption of a resolution to amend Resolution 15-01 authorizing the Agency's single family bond indentures, the issuance of single family bonds, short-term credit facilities for homeownership purposes, and related financial agreements and contracts for services

CHAIR JACOBS: All right, so we're on Item Number 7 -- 7 through 10.

Tim, go for it.

MR. HSU: Okay, so the big changes that we're making here is that --

MS. BOATMAN PATTERSON: Agenda Items 7, 8, 9 and 10.

MR. HSU: I promise to go really fast.

The big changes that we're making here is that we talked at the last board meeting about our efforts to replace TCLP; and we have successfully gotten enough capacity to replacing all the outstanding TCLP. As it turns out, we've got twice as much as we needed, which is great. So we selected four banks to proceed with the substitution.

As we were working through this substitution, we realized that our sort of annual, typical financing resolutions didn't have sort of enough clarifications in terms of authority to complete the execution of this transaction.

So we didn't include a red-line for the Board. But if you look at this PowerPoint slide, what the change -- so this particular resolution is an amendment. It amends and restates 15-01, which is the single-family bond financing resolution that the Board approved in March.

So what are some of the amendments and restatements?

So it clarifies our delegated authority to staff or to our ED, our authority to replace TCLP, which I don't think anybody ever questioned that the Board wishes us do that. But I think this clarifies in this particular resolution our authority to do that.

And also, it gives us the ability to execute amendments to prior indentures and supplemental indentures to effect both this particular replacement, or any debt-restructuring efforts that we may embark on.

And that lastly, this is Article III, which generally gives us authority to execute necessary and all related documents, it gives us the authority to do this for all bonds, meaning, that not just bonds that were issued this year, but when we were doing debt restructuring or when we are managing our legacy debts, it gives us the authority -- it clarifies our authority to be able to execute documents related to those old debts.

So those are the key changes. They're not huge; but it will help us to make sure that we have the authority to complete this very important task of replacing or substituting out TCLP, which is, for the new Board members, a federal facility that we acquired some five to six years ago, that has helped us stabilize our balance sheet over the last five or six years.

So those are the changes that I would love the Board's consideration in adopting as a resolution.

MS. BOATMAN PATTERSON: Tim, are you just going through Item 7, or are you going to go through 7 and 9 at the same time, and then 8 and 10 at the same time?

MR. HSU: I think our tradition is to go through them one by one.

MS. BOATMAN PATTERSON: Okay.

MR. HSU: So that the Board would have to vote for each resolution one by one.

CHAIR JACOBS: Any questions?

MS. FALK: I'll move approval.

MR. SCHAEFER: I have a question before we do that.

Tim, could you tell me -- help me understand, because I'm trying to orient myself, "execute provisions of Article III for all bonds," what is the distinction there, do you know? Can you help me with that?

MR. HSU: So typically, in this financing resolution, Article I is related to debt restructuring. So the Board delegates authority to staff the ability to issue refunding bonds, for example, or, as I said, restructure legacy debt.

Two, it allows us to issue new bonds for financing new lending activities.

Three, before this particular amendment says that we have the ability to execute related and all necessary documents related to Article I and II. But Article I and II are really just related to issuance of bonds or refunding bonds this particular year.

But what we are doing, oftentimes, is that we are -- let's say, so, for example, if we have a contract on a deal that we did last year, there are times in which we need to somehow modify that, if people want to novate contracts with a different party.

So we noticed that, as we're making this amendment. And we are asking for the ability to execute on all prior bonds as well.

MR. SCHAEFER: Thank you. That answers my question.

MS. BOATMAN PATTERSON: And this was recommended as cleanup from bond counsel.

MR. HSU: I appreciate you saying that, Tia; but it’s on me. Because I believe one Board member asked last time if this is -- that resolution that you guys passed, 15-01, if it had everything that I needed to finish what I was doing, and I said yes.

So I was wrong.

CHAIR JACOBS: We have a motion.

Do we have a second?

MS. CABALLERO: I’ll second.

MS. OJIMA: Who was second?

MS. CABALLERO: *(Indicating.)*

MS. OJIMA: Thank you.

Mr. Caballero?

MS. CABALLERO: Aye.

MS. OJIMA: Mr. Schaefer?

MR. SCHAEFER: Aye.

MS. OJIMA: Ms. Gunn?

MS. GUNN: Aye.

MS. OJIMA: Ms. Falk?

MS. FALK: Aye.

MS. OJIMA: Ms. Avila Farias?

MS. AVILA FARIAS: Aye.

MS. OJIMA: Mr. Gunning?

CHAIR JACOBS: He's not here. He had to leave.

MS. OJIMA: Mr. Prince?

MR. PRINCE: Yes.

MS. OJIMA: Ms. Riggs?

CHAIR JACOBS: She left as well.

MR. PRINCE: No, she's just out.

CHAIR JACOBS: Oh, she's out?

MS. BOATMAN PATTERSON: She had to make a phone call.

MS. OJIMA: Ms. Sotelo?

MS. SOTELO: Aye.

MS. OJIMA: Mr. Jacobs?

CHAIR JACOBS: Aye.

MS. OJIMA: Resolution 15-08 has been approved.

CHAIR JACOBS: Okay, great. And now the whole loan --

Item 9. Discussion, recommendation, and possible action regarding the adoption of a resolution to amend Resolution 15-02 authorizing the Agency's multifamily bond indentures, the issuance of multifamily bonds, short-term credit facilities for multifamily purposes,

and related financial agreements and contracts for services

MR. HSU: So can I skip to agenda Item 9?

CHAIR JACOBS: Item 9. Sure.

MR. HSU: I'm sorry, I didn't organize this.

So 7 and 9 deals with amendments of the bond-financing resolutions that the Board passed back in March.

So what 9 is about -- and I should admit that I'm chagrinned that we have to make amendments at all since we just passed them at the last Board meeting. Suffice it to say that we've been very busy between last Board meeting and now.

So what agenda Item 9 and Resolution 15-10 is about, is that it amends and restates Resolution 15-02. And the reason why we're doing this here is that one of the things that we hope to be able to come back to the Board to tell you a lot more about, is this U.S. Treasury program to give state HFAs a very low cost of funds to finance HUD Risk-Share loans with state HFAs.

It's still in this sort of program-formulation stage; but as we talked to Treasury and HUD about this program, we realized that it's quite possible that we need to bond-finance uninsured loans.

So the resolution that we passed -- well, the

Board passed last time, actually requires that all our bond-financed lending activities carry at least a risk-share insurance, or comparable insurance, on the loan.

So, again, sort of, when we sell bonds, a hundred percent of those loans need to have carried at least this risk-share insurance.

What we realized is that because of their limitations, it’s quite possible that, say -- I’m just going to make up numbers here -- for example, if we make, let’s say, a hundred-dollar acquisition loan and the perm converts into a $40 loan, it’s quite possible that we would take that $60, that peels away upon, let’s say, tax-credit investments coming in, that that piece needs to be uninsured. But the whole thing still needs to be bond-financed because of the need for tax credit and meeting the 50 percent basis.

So this particular resolution is giving Tia and staff the ability to bond-finance those situations where we might have to sort of pair a loan that’s insured by HUD, which would be first lien, and a second loan that’s uninsured; but it’s really just during the acquisition period which it’s uninsured, but all of it needs to be bond-financed for tax credit.

So that’s the key thing that this resolution does. And in addition, we also made this clarification that Article III of this bond-financing resolution is for all bonds. And that was the question that Tim was asking.

So, again, I ask the Board to approve this resolution as well, so we can continue work on this program with Treasury and HUD.

CHAIR JACOBS: Thanks, Tim.

Any further questions on that?

MS. SOTELO: No.

I move approval of the action, Resolution 15-09.

CHAIR JACOBS: 15-10.

MS. SOTELO: I'm sorry, 15-10.

CHAIR JACOBS: Do we have a second to that?

MS. FALK: Second.

CHAIR JACOBS: Great.

JoJo?

MS. OJIMA: Who seconded?

CHAIR JACOBS: Janet.

MS. OJIMA: Thank you.

Ms. Caballero?

MS. CABALLERO: Aye.

MS. OJIMA: Mr. Schaefer?

MR. SCHAEFER: Aye.

MS. OJIMA: Ms. Gunn?

MS. GUNN: Aye.

MS. OJIMA: Ms. Falk?

MS. FALK: Aye.

MS. OJIMA: Ms. Avila Farias?

MS. AVILA FARIAS: Aye.

MS. OJIMA: Mr. Gunning?

(No response)

MS. OJIMA: Mr. Prince?

MR. PRINCE: Aye.

MS. OJIMA: Thank you.

Ms. Riggs?

(No response)

MS. OJIMA: Ms. Sotelo?

MS. SOTELO: Aye.

MS. OJIMA: Mr. Jacobs?

CHAIR JACOBS: Aye.

MS. OJIMA: Resolution 15-10 has been approved.

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Item 8. Discussion, recommendation, and possible action regarding the adoption of a resolution authorizing the Agency's single family non-bond strategies

CHAIR JACOBS: Okay, so jumping back, Tim.

MR. HSU: So now going back to agenda Item 8, which is Resolution 15-09.

So this resolution is something that we talked to the Board about back in March.

What we have started noticing is that more of our lending activities, more of the Agency's lending activities are actually not bond-financed; they're actually being financed in different ways that came about, in large part, because of the things that we experienced over the last four, five years.

So, for example, what we talk about a lot about the single-family side is this so-called TBA program. So while TBA sounds strange and intimidating, all it is, is that it's a securitization of loans that you sell into the marketplace.

So what happened over time is that these different kinds of financing mechanisms have come to the Board on sort of a one-off basis as we need them. And then there are times in which we end up changing them because we became too narrow in scope, or whatnot, and to the Board.

So the idea emerged that why don't we do an annual re-upping or reauthorization of all of these non-bond-financed lending activities to the Board, so that the Board, in one sitting -- and what we'll do, is that this will come in March to you, just like the bond-financing resolutions, so that you can see sort of in one setting, that "Okay, well, some of this stuff is not going to go to bond; some of this stuff is not going to bond," and you can see them all together at the same time.

So that was the idea. Although we didn't quite make this resolution go to the March, but perhaps that was a good thing, because otherwise maybe you'd have to amend it this time. But we're coming to the Board this go-around to ask for the authority to do non-bond finance lending activities. But like I said, some of these authorities have been passed by the Board or adopted by the Board in the past.

CHAIR JACOBS: One question. Just given Ken's presentation to us last time, we were achieving pretty solid volumes in the single-family conduit. Is this going to be sufficient dollar amounts for that?

MR. HSU: So, we didn't put -- so, Article I of this particular resolution allows us to generally do MBS securitizations. So we didn't specifically identify TBA as such, because I think of a TBA as sort of like a subset of MBA securitization.

We didn't put a cap on this, because this doesn't require us to issue bonds. So, generally, if we were to issue bonds, there could be, let's say, CDLAC allocations, there could be even at some level, let's say, we actually have a legislation that actually caps the total amount of bonds that we can have outstanding at $13 billion. There's certain limitations on bonds because it requires tax exemption. But when we're doing this kind of mortgage-backed security securitization and selling to a secondary market, there is really no natural cap on that. But if the Board desires a cap, we can talk about that.

MS. BOATMAN PATTERSON: I think he was talking -- he was looking at the caps that you have for your first-lien whole and subordinate loans. He was --

CHAIR JACOBS: If the size of program isn't enough.

MS. BOATMAN PATTERSON: Though, that's not the TBA model.

CHAIR JACOBS: Got it. Okay.

MR. HSU: So Article I is this whole mortgage-backed security securitization, which doesn't have a cap. Article II, however, allows us to take some of our money to fund, let's say, some first-lien loans or some subordinate loans. And that has these caps that you see here, that for first-lien loans not to exceed $20 million, and subordinate loans not to exceed 5.

And this portion of it, it is in large part, some of the discussions that we've been having with the Board over the last year or so, about our ability to free up some of our cash to do things like this, without having to fear that we need the cash for this collateral posting risk that we will talk about a little bit when we go into the budget.

So the cap is -- again, the cap is on the ability to fund these whole loans, which we can't really easily lay off and do securitization, and there's no cap on loans that we are able to securitize.

And then last, but not least, is that in Article III, we have this sort of companion ability to execute all necessary related documents to effect Articles I and II. And in there, we have something that's a little bit different that's worth highlighting. In there, there is this idea that CalHFA might actually provide a warehouse line to someone, which is strange. Usually, we borrow, we borrow, we borrow; and we lend, we lend, we lend. We usually don't lend to someone a warehouse line.

And the reason why it is there, is that one of the challenges that we've had in our Single Family program, is that US Bank is actually the only master servicer who serves the HFA space across the country. But there are actually other HFAs that actually do servicing. And the one that we're attempting to establish a relationship is Idaho Housing. They're a good master servicer. They are a little bit easier to deal with, and they actually have a fee model that could actually be more beneficial to us. However, they don't have the sort of short-term liquidity wherewithal to warehouse loans before they become securities.

So their relationship with other HFAs is that the client HFA provides the warehouse line, and Idaho provides everything else. So it's a bit of a hybrid model. And the economic side of it is that instead of them paying for servicing released, again, they have capital restraints, so they can't really -- they don't have the money to warehouse, they don't have the money to pay for that servicing released. So what they do is that they split the servicing fee with us, which I think is more beneficial to CalHFA, especially how -- I know this is all public record -- how little US Bank pays us for servicing released.

So, anyway, so that is the whole, sort of in a nutshell, this non-bond-financed resolution for single-family. And I ask the Board to adopt this resolution as well.

CHAIR JACOBS: Any questions or a motion?

MS. SOTELO: When will you know about the Idaho relationship? When will there be a decision on that?

MR. HSU: Should any of the Board members go to take advantage of our new budget here for traveling and go to NCSHA, you will realize that this is like one of the hottest topics in the HFA space about the dearth of master-servicing capacity in our space.

As I understand it, they're currently trying to absorb Connecticut Housing as a client. And Connecticut Housing, for various reasons, is actually a very prolific single-family lender. Because I think the state is a little bit polarized, and you either have the Scarsdales of the world and you have the people who work in those mansions. And they have a really robust single-family program.

They're trying to absorb Connecticut Housing. And as far as I know, we'd like to think that we're next in queue.

MS. BOATMAN PATTERSON: I've been courting to Gerald Hunter, their executive director. So I told him, "We're next, right? We're next."

And I think Ken just got back from the Housing Finance; and he had a good meeting with them, so…

MR. HSU: So, again, this idea that we might actually get someone a warehouse line is -- I like to emphasize that -- that's not -- we have never done that before. And the only reason why to do this, is to sign up a master servicer that's much easier to work with and might potentially create a revenue stream for us that's better than the model with a more typical master servicer.

CHAIR JACOBS: Understood.

Do we have a motion?

MS. FALK: I'll move.

CHAIR JACOBS: Thank you, Janet.

MS. SOTELO: I'll second.

CHAIR JACOBS: JoJo, the roll?

MS. OJIMA: Thank you.

Ms. Caballero?

MS. CABALLERO: Aye.

MS. OJIMA: Mr. Schaefer?

MR. SCHAEFER: Aye.

MS. OJIMA: Ms. Gunn?

MS. GUNN: Aye.

MS. OJIMA: Ms. Falk?

MS. FALK: Aye.

MS. OJIMA: Ms. Avila Farias?

MS. AVILA FARIAS: Aye.

MS. OJIMA: Mr. Gunning?

(No response)

MS. OJIMA: Mr. Prince?

MR. PRINCE: Yes.

MS. OJIMA: Ms. Riggs?

(No response)

MS. OJIMA: Ms. Sotelo?

MS. SOTELO: Yes.

MS. OJIMA: Mr. Jacobs?

CHAIR JACOBS: Aye.

MS. OJIMA: Resolution 15-09 has been approved.

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Item 10. Discussion, recommendation, and possible action regarding the adoption of a resolution authorizing the Agency's multifamily non-bond strategies

MR. HSU: And onto the companion non-bond finance resolutions for Multifamily.

I actually really think it's great that the Board has now a travel budget and you can attend some of these NCSHA conferences, and you can hear firsthand some of the issues that people are dealing with. And as I mentioned earlier, one of the sort of hottest topics on the multifamily side is this sort of U.S. Treasury program to fund -- to provide a low cost of funds on HUD Risk-Share loans with state HFAs.

And Article I of this particular resolution is attempting to capture our ability to do this. Should we be able to do this program with U.S. Treasury and HUD, we refer to these things as externally sourced non-bond funds.

So these are basically examples of us selling the loans. So we make a loan, and it has HUD risk-share insurance on it with state HFAs, and you sell this loan to U.S. Treasury, and they give you a cost of funds that's better than what we can borrow in the bond market.

So I think we have said before, we refer to this as "synthetic Ginnie Mae." And the reason why it's referred to as "synthetic Ginnie Mae" is that they're attempting to give us Ginnie Mae pricing without that loan being wrapped by Ginnie Mae.

So this Article I also sort of gives -- sort of clarifies our authority to be able to sell whole loans, should we need to do that, meaning, that we're not selling to Treasury anymore, for whatever reason -- we're, let's say, restructuring our legacy portfolio, our ability to sell these whole loans to someone who may, for example, want CRA credits.

And the second article talks about our ability to use some of our own funds to fund or warehouse multifamily loans. In most cases, here, we're referring to warehousing. There are times in which, since we're a pool issuer, meaning, that we don't issue a bond for every loan that comes in. So, for example, you heard about Ocean View, I think, a couple board meetings, you heard about Virginia Terrace in this meeting, chances are, we'll close both of those bonds and issue one bond to finance both of them. So it's very possible that we end up having to warehouse loans as they come in, and then pool them to issue bonds.

So this $50 million is really meant for those kinds of activities, in which we're warehousing and then pooling them and issuing bonds at one point in time, so that we can get some economy of scale.

And the third article, which I didn't say anything here in the PowerPoint, is this sort of ability to execute all related and necessary documents to effect Articles I and II.

I'll ask for questions; and if not, I ask for the Board's approval as well.

CHAIR JACOBS: Any questions?

My lingering question is the name for the synthetic Ginnie Mae program.

MS. BOATMAN PATTERSON: I think we kicked around Cal Advantage. We kicked around Cal Advantage. We're still playing with it. We'll figure it out.

CHAIR JACOBS: I think just for marketing, we need to just have a great name and get it out there.

Do we have a motion?

MR. HSU: Yes, I think the word “synthetic” is not marketable.

CHAIR JACOBS: No, not at all.

We need a really good, catchy name that the community is going to like.

MS. BOATMAN PATTERSON: We need a motion.

CHAIR JACOBS: Motion, anyone, for 15-11?

MS. GUNN: I’ll move it.

MS. FALK: Second.

CHAIR JACOBS: We have a motion and a second.

JoJo?

MS. OJIMA: Thank you.

Ms. Caballero?

MS. CABALLERO: Aye.

MS. OJIMA: Mr. Schaefer?

MR. SCHAEFER: Aye.

MS. OJIMA: Ms. Gunn?

MS. GUNN: Aye.

MS. OJIMA: Ms. Falk?

MS. FALK: Aye.

MS. OJIMA: Thank you.

Ms. Avila Farias?

MS. AVILA FARIAS: Aye.

MS. OJIMA: Mr. Gunning?

(No response)

MS. OJIMA: Mr. Prince?

MR. PRINCE: Yes.

MS. OJIMA: Ms. Riggs?

(No response)

MS. OJIMA: Ms. Sotelo?

MS. SOTELO: Aye.

MS. OJIMA: Mr. Jacobs?

CHAIR JACOBS: Aye.

MS. OJIMA: Resolution 15-11 has been approved.

MR. HSU: It's just a little bit more than five minutes per resolution. So I'm very proud of myself.

Thank you very much.

CHAIR JACOBS: Now, it's amazing, we, a while back, asked for really great work on a business plan that really looked like a business plan. And Janet has been asking for this and Dalila -- a number of people have. And it was delightful to read through this package and see this really looked like a business plan. So, we're really pleased.

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Item 11. Discussion, recommendation, and possible action regarding the adoption of the Agency's Strategic Business Plan and Operating Budget

for Fiscal Year 2015/2016

CHAIR JACOBS: Don?

MR. CAVIER: Good afternoon, Chair Jacobs and Members of the Board. I'm Don Cavier, the Chief Deputy Director of CalHFA. I'm happy to be here. And I'm here to present the fiscal year 2015-16 Business Plan and operating budget for your approval.

But prior to jumping right into the new Business Plan, I want to take a few minutes to update the Board on the status of our existing Business Plan and the key action items associated with it.

So with the Board's permission, I'm going to start by including a current Business Plan update, followed by the new Business Plan. Then I'm going to turn it over to our Director of Financing, Tim Hsu, to give us an overview on Agency resource and liquidity projections for the coming year. And then we will wrap it up with the operating budget for fiscal year '15-16. So that's what it's going to look like.

The 2014-15 Business Plan contained five overarching goals centered around dealing with the residual impacts of the financial crisis and moving the Agency forward from an era of crisis management to an era of financial stability and active lending.

First and foremost was the need to stabilize the Agency's balance sheet by addressing credit and liquidity issues, mitigating loan losses and delinquencies, and reestablishing the Agency's lending programs.

Additionally, the Agency adopted goals for collaboration with sister organizations like HCD and other state agencies, to align the Agency's housing strategies with those of the strategies of the state as a whole.

Lastly, we sought to continue our efforts in the *Keep Your Home California* program to help prevent avoidable foreclosures through working with eligible home buyers that had a financial hardship.

The 2014-15 Business Plan identified 12 key strategies and 60 action items designated to accomplish the established goals of the Business Plan.

While some of the action items were more important than others in meeting the established goals of the Business Plan, this chart reflects the status of all action items, regardless of their importance.

In summary, 70 percent of the action items in the Business Plan have been accomplished, or are partly complete and in progress. Conversely, about 30 percent of the action items have yet to be started. That's for a variety of reasons, including staffing resources. We had change in key staff in the organization that were tasked with leading some of those initiatives. Shifts in program priorities, as well as changes just in the general business environment.

The next set of slides is going to give you kind of a more detailed breakdown of some of these key strategies and the action items.

The first strategy was to increase stability of the Agency's capital structure and liquidity position. Through a series of debt-restructuring efforts, including monetizing some of our assets, bond redemptions and refundings, the Agency realized additional cash-flow, debt-service savings, and reduced our balance-sheet risk.

Under the strategy for reducing balance-sheet risk by mitigating losses through our loan portfolio, through the diligent efforts of both our Portfolio Management and Loan Servicing departments, we have successfully reduced our REO activity as well as our delinquency rates to five-year lows.

And I think right now, we have 51 REOs, and that's down from as high as 1,500 a few years ago. So an incredible effort on their part.

And in doing so, this has resulted in -- both of these activities have resulted in recent upgrades by S & P and Moody's for our credit ratings, and has enabled

Tim and his group to secure the financing necessary to take out this TCLP lines of credit with the U.S. Treasury. And so I think we can't give enough thanks to the groups that have done that work.

Next, we have reorganized and increased operational efficiencies and infrastructure to better position the Agency for future business opportunities. One of the first items was to establish a formal succession planning effort. That never got started. We have identified that Cal HR has some programs in place to facilitate that, but we need to just prioritize its implementation.

Similarly, a master plan for a flexible workforce has not been fully developed, but a substantial level of cross-training did occur within the organization during the year, as work shifted between our Portfolio Management department and our Loan Production department, as we're starting to get back into lending. So a lot of staff started crossing back over onto the lending side.

Additionally, we've used a lot of our Multifamily -- or several of our Multifamily staff to support some of the new TBRA collaborations with HCD, getting some of those programs up and running.

Regarding work-flow assessment, for the better part of the year, the Agency instituted a hiring freeze, so that we could undergo an organizational assessment. And while the assessment is not fully complete, senior management has used the assessment process to help us establish kind of what the work-flow and staffing needs are for the different departments.

And as we move forward into the final phases of this organizational assessment, we continue to make refinements to our processes and to recognize that the whole idea of looking for efficiencies and streamlining the organization is like a never-ending process. It's something you've got to continuously do. And so we're going to keep moving forward in that.

Developing long-term strategies to monitor and mitigate enterprise risk, we have partially completed that. In response to the organizational assessment, we shifted our risk manager, Tony Sertich, to support that assessment, in working with the consultant. And so, largely, the items that were identified under that strategy didn't really get completed.

But we did to our biennial FISMA report, which is the required risk assessment of Agency business processes that's filed with DOF. And a handful of risks were identified during that process, and we've addressed all but a couple of them; and I think they're in the process of being completed.

Related to I.T., integration of data collection, flow, and reporting, none of the action items under that initiative were completed. And that was largely due to the immediate needs for the Agency to move from what was an unstable platform, where our systems were sitting, onto a stable SQL platform that is better enabling our systems to talk to one another. So as we're moving forward, looking for efficiencies and looking to do exactly what's on there, the first step was to put us onto a stable platform to make that happen.

Additionally, as our Single Family and Portfolio Management programs were kind of working diligently to not only reduce our -- mitigate our loan losses, but to get back into lending, there was a variety of programming efforts that needed to occur to get that lending activity back up and running.

So as it relates to the strategy to generate income via our Multifamily lending opportunities, the Multifamily lending programs are expected to close two of the five acquisition/rehabilitation loans anticipated in this year's Business Plan, and five of the six Conduit Issuance financings. However, they also are expected to close over 21 MHSA loans, which were not anticipated in last year's business planning.

While the program has fallen short of our established lending goals for our Multifamily products, we’re optimistic that the recent changes to our Multifamily loan programs, coupled with the implementation of an in-depth training strategy for our Multifamily department, will position the program for success in the current market.

For fiscal year ‘15-16, we anticipate a significant increase in lending activity for both HUD Risk-Share and the Conduit Issuance financing.

As far as our Single Family program lending, we’re expected to exceed our Business Plan goals for ‘14-15 by closing approximately 1,055 first mortgages, and 4,700 down-payment assistance loans.

They’re also on pace to close approximately -- I think it’s 1,500 Mortgage Credit Certificates as well.

Sorry about that. I’m a little slow on this thing.

All right, generating income via our Asset Management. Really, the key action items that were completed, or are partially complete here, are administering the HCD’s Tenant-Based Rental Assistance program. We began making our first payments under that program in March. Additionally, there are five developments that we’re working with, that have received the 811 program subsidy. And currently, that represents about 90 subsidized units and about $3.1 million in subsidy over the five-year demonstration period.

Savings from our Single Family Loan Servicing operations. Staff are continuing to make changes to the servicing system, as needed, and cross-training staff to gain efficiencies. Additionally, staff have assessed the feasibility of CalHFA serving as a master servicer. And given our current efforts to increase our lending side of the fence, we believe that the timing is not really ripe for us to sit as a master servicer. But instead, like Tim mentioned, moving forward with identifying some potential master servicers to kind of expand our world with respect to that and increase the amount of money that we can make on our side, and provide better processing terms and times. Some of the hits on US Bank have been related to just the length of time it takes them to close things.

Next, we had reorganized state-level housing policy and resources; and one of the main strategies under that was collaboration with HCD on live projects.

So asset-management functions are at the heart of the collaboration efforts between the CalHFA and our sister organizations. And to date, CalHFA and HCD have developed and implemented a common audit handbook for asset management, and are collaborating with HUD on the HUD TBRA and 811 programs. We are continuously trying to find additional efficiencies as it relates to the asset management work that's done between multiple agencies.

Related to the Governor's Reorganization Plan, we have filed a program-implementation document that's been submitted to the Governor's office. That's where it stands at this point.

Also, our Affordable Housing Cost Study was completed and published in October of 2014.

As we also worked to coordinate functions to meet the California's affordable-housing needs, CalHFA, HUD -- or not HUD -- HCD, BCSH, and CDLAC and TCAC have monthly meetings to review policies, programs, organizational structures. Ideas from these meetings are used to better align our activities and to meet the housing needs of California.

The organizational review, as I mentioned, is still in process. It's coming to, you know, probably close to its end, but it still got a little ways to go. But a lot of good things are coming from that.

CalHFA continues to work with HCD and other state agencies to support the Governor and the Legislature to develop tools and help provide resources to meet California's housing needs.

And on our *Keep Your Home California* program, it continues to collaborate with EDD to include flyers in all unemployment insurance benefit packages. It continues to partner with over 170 outreach events; and to continue to monitor its progress, to make adjustments where needed. We've made our most recent *Keep Your Home California* program changes in April of 2015.

We've increased the marketing efforts on the program to help ensure that we move this money in an efficient manner; and we've enhanced a digital marketing campaign.

Currently, there are more than 240 participating servicers. The number of servicers participating in the Principal Reduction Program grew 22 percent in 2014, with an additional 26 being registered.

And I think the biggest point to make is that overall, families that are assisted by this program, after 24 months after the assistance, about 93 percent of them are still in their homes. And so I think that's a real testament to the success of the program.

Any questions before I move into the actual Business Plan?

(No response)

MR. CAVIER: We're good? Okay.

The proposed fiscal year 2015-16 Business Plan builds upon the momentum established this year and emphasizes growing the Agency's balance sheet through Single Family and Multifamily lending programs, while continuing to develop operational efficiencies that ensure that our activities support State housing policy.

Additionally, we will continue to administer and refine the *Keep Your Home California* program in order to maximize the use of the funds to assist eligible home buyers to avoid foreclosures and stay in their homes.

Generating income via the Single Family lending opportunities. One of our first action items is that we believe we're going to close about $600 million in first-mortgage loans. We're targeting about $75 million in down-payment assistance loans; and we expect to generate $6 million in new revenues, and about 10.6 million in long-term assets.

We're going to add a new mortgage-broker business line, which is going to be kind of a kickstart to increasing our levels to this level.

And we're going to complete our new lender manual, which was on our list last year as well.

We plan to issue between at least 1,300 Mortgage Credit Certificates; but like I mentioned previously, we're already on target to hit 1,500. But that's kind of where we set the bar for next year.

On our Multifamily program, we're expecting to close about $100 million in Multifamily lending, another hundred million in Conduit Issuance financings. We expect to generate about $1.2 million in new revenue; and about $5,300,000 in long-term assets.

Increase internal capacity via training program, that's going to kickstart for that department, I believe in the next couple weeks. It will start and go for about a three-month period of time.

We're going to create portfolio-preservation strategy, looking at the loans within our portfolio and how we plan to keep them, and keep that affordability going and recapitalize those properties.

Adopt policies for our Earned Surplus funds. So those funds that we're sitting on within our indentures and how we might use those to support additional development in terms of using it as a gap financing tool.

Strengthening our capital --

MS. FALK: May I ask a question?

CHAIR JACOBS: Don?

MR. CAVIER: Yes.

MS. FALK: Just on those last two, is that something that's going to come to the Board for adoption?

MR. CAVIER: Yes. I believe so. Yes.

We're still currently kind of fully scoping it all out.

MS. FALK: I mean, when it's done.

MR. CAVIER: We've had some meetings on it recently; but I'm thinking, yes, it will come to you.

Okay, strengthening our capital reserves, improving liquidity position. Tim has already talked about taking out the Temporary Credit and Liquidity Program funds from the U.S. Treasury. And we expect to have all that taken out in June or early July.

MR. HSU: June.

MR. CAVIER: Okay, June, yes.

(Applause)

MR. CAVIER: Another initiative, or a key initiative, is to develop internal capacity to hedge MBS sales to increase fee income. We currently hedge that through FirstSouthwest. And if we can do some of that internally, we can get another 50 basis points of earnings on some of that.

It does come with a little bit of risk, but that's what we're looking at in trying to balance what our ability to do that and take that risk would be.

Refine tools to manage allocation of capital and risk. That's kind of, again, looking at where our capital is and what level of risk we're willing to take with it, after having just come out of the financial crisis.

The next goal, aligning lending activities with State housing policy and increase operational efficiencies. One of the efficiencies that we're pursuing currently is consolidating all of our Sacramento staff into the 500 Capitol Mall building. We currently have a facility in West Sacramento with our loan-servicing group. We're going to -- we have room for them in our existing building, so we're going to move them there, and then pursue a sublease of that West Sacramento space.

Additionally, we've already completed it; but we've further consolidated the Culver City office, I believe carving off 3,000 square feet for a sublease, for some of that space that was unneeded as well. And so kind of just getting more efficient and more lean. So that's one of the initiatives.

Eliminating unneeded vacant positions. That's something we'll talk a little bit more about in the budget. Again, ones that have gone on for a very long time, that have been unfilled, we've kind of tried to rein that in some.

Finalize organizational structure and

functional roles. And, again, that’s part of our organizational assessment that we’re doing.

Continuing to refine our budget and business development plan. That’s something I’m very interested in, is to further develop both our budget as well as our business-plan process.

Next would be developing long-term strategies to monitor and mitigate enterprise risk. We mentioned this in last year’s business plan, and it was put on hold as we moved through the organizational assessment, because we shifted staff to help support that. We want to look at that again. But truth be told, that was -- you know, we published this a couple weeks before we decided to take our risk manager and make him the Multifamily director. So we’re still going to be working this one out, and how far we’ll get with it this year.

MS. SOTELO: Can he do two jobs?

MR. CAVIER: Yes. That’s kind of what I told him, actually.

Okay, agency-wide I.T. integration of data collection, flow, and reporting. Again, this is a carryover from the current-year Business Plan. But we’ve kind of looked at it a little differently, and kind of really targeted some key things that we want to get accomplished this year. And one of the them being an

I.T. governance structure, so we can ensure that I.T.'s priorities align with the Business Plan, and in kind of a logical patterned way, where we're not just jumping from thing to thing. And I'm going to help work with our chief information officer to kind of scale that out with the heads of the business department in terms of the sequence of events, and what things need to happen first, and help get the priorities aligned, so that we're not working on something that's not needed for six months, when we need something immediately in three months.

And so it sounds pretty commonsensical; but with a large organization, with a lot of moving parts, you have to put some real effort into making sure you're doing that.

Developing records management policy and updating record retention. I know Victor James and his staff are working heavily on the policy development and record-retention activities. And we're going to be implementing that this year, trying to scale back on the amount of things that we're storing, and physical copies of, and moving to more of an electronic environment, to where we can; and just getting a policy that is very well understood throughout the organization.

Identify and train I.T. liaisons in all business units. And this is another key initiative, in the sense that a lot of times, I.T. lacks the understanding of the individual business unit and their needs. And what we've noticed is within the organization, departments that have this liaison, tend to have a better process and outcome as it relates to the systems they use. And so we want to foster, you know, kind of of that liaison role within each department, to make sure that the business needs are clearly understood by the I.T. staff.

Expand and approve electronic loan file submission process. And this goes back to our Single Family programs and the way that we've received the applications for those. And so we're consistently working and looking at the system as it relates to the speed at which those are received and processed.

Currently, we have a few glitches in that process that we're trying to work out. So that's going to be a key item for us this coming year.

Enhanced program delivery of affordable housing through continued collaboration with HCD and other partners. You know, in collaboration with the Department of Health Care Services and HCD, we wanted to determine the next phase of the MHSA program, which you heard about earlier.

Assess goals with performance measures and viability of both the TBRA and 811 programs -- those are pilot programs -- and see what the long-term outcome for those are.

Continue to explore integrated gap-financing efforts among state affordable housing entities. That's working together with HCD and other partners to identify funds that we can use to help create the funding stack for deals, and to get more deals out using the tools that we do have.

And collaborate with HCD and CalVet to expand veteran housing opportunities. I think that's something that we've all talked about, and it's important to everyone.

Maximizing use of *Keep Your Home California* funds. Again, they're very similar to last year's. We continue to try to move the last, you know -- billion dollars, is it?

MR. HSU: We've used a billion dollars.

MR. CAVIER: You've used a billion dollars, yes.

MR. HSU: So we have about 800 left?

MR. CAVIER: Yes. Left.

So try to maximize the use of those and get those out as fast as possible to those families that need it.

Increase the marketing efforts. Collaborate with other private and public entities to maximize the leverage of potential foreclosure-prevention resources.

Measure program outcomes, and assess barriers to eligibility.

And with that, I will take some questions.

MS. CABALLERO: I don't have a question, but this is really well done. I like the way you organized it.

MR. CAVIER: Thank you. I appreciate it.

MS. CABALLERO: It's really understandable. I appreciate it.

MS. BOATMAN PATTERSON: They put a lot of work into this.

MS. CABALLERO: Well, it's pretty clear. I mean, I think the goals and the objectives are -- I think they're great.

MR. CAVIER: Sorry for the rough start. Got a little nervous, but I'm finding it, I'm getting there.

MS. CABALLERO: Don't even tell us you had a rough start, because I don't think any of us noticed.

But I just want to say as part of this, that one of the things that I asked of Tia and Tim and I are trying to work it out, is kind of a one-on-one briefing on this organization can make money, and how we make money both in terms of historically and going forward.

And I know that Susan Riggs wants to be part of it. And I mentioned it once. And Mike also wants to be part of it. So it may make sense for us to do it here at a board meeting, just as kind of -- yes, because I just need to understand, you know, what's the spread on how we make money, so that when we go into a discussion about where should we go in the future, I'll have a better understanding. And some of it, some of the words are still Greek to me.

MR. CAVIER: Right.

MS. CABALLERO: So I'm looking forward to that.

And this is real helpful in terms of where the organization is going to go next year.

MR. CAVIER: Thank you.

So with that, I'm going to turn it over to Tim to walk us through, and I'll run his PowerPoint for him. Hopefully, I'll do a better job than I did for myself.

MR. HSU: So this is the chart that I showed last year, and I think it resonated with some of the Board members.

So what it's attempting to do, is show the sources and uses for our operations in the last 12 months.

So the first column you see here is the last three months of the previous fiscal year; and then the next column is the nine months into the fiscal year. So as you can tell, we're not completely at the end of this particular fiscal year that we're living through.

So it's showing you a 12-month span. So what's highlighted in yellow is that you can see that we started that 12-month period with $186 million.

So, actually, I forgot to intro that. This whole presentation that we're talking about here, is a presentation about the resources that we have, about the cash and securities that we have, that's away from all these bond indentures, which is kind of what the Secretary was talking about.

The bond indentures were sort of a mechanism for us to make loans, issue bonds, and earn a spread. So that, over time, we have created a sort of general obligation credit, in which you have released some of the assets from, let's say, bond indentures that we have closed out, into this sort of general obligation of CalHFA. Not general obligations of the State, but general obligations of CalHFA.

To be sure, some of these assets that is sitting here, do have a lot of, if you will, liens on them. So we do have to pay operating expenses out of them; we do have HUD Risk-Share. When HUD -- part of the reason why a lot of state HFAs created a general-obligation rating long ago, about in the early nineties, was that HUD wanted a counterparty that is rated as a counterparty for the HUD Risk-Share program.

Anyway, so this pot of money that I'm going to talk about today is solely on this, sort of not encumbered by the bond indenture, so that we can use it to keep the lights on.

So the story that I'm trying to show here, without trying to go through them line by line, is that, in large part, the cash that has come in, that exceeded the cash that we started with, we have been using it to do debt management.

So one of the things I spent a lot of time talking about last time, was that our cash position, which I'll show you in the next slide here -- our cash position some two or three years ago, was actually much higher -- and I'm just going to use the word "cash" as a catch-all for cash and securities.

Some two or three years ago, our cash position was actually much higher. Near -- it was about just a hair over $300 million. And then one of the things I spent a lot of time talking about last time -- perhaps too much time -- was, why is it that we ended up spending a lot of that cash, and bring down our cash position to closer to where it is now, which is about $180 million or so.

And to make a long story short, what we ended up doing, was that we ended up taking some of that cash that's unencumbered by the bond indentures, and actually putting back into the bond indentures, so the bond indentures can redeem out some of these VRDOs, which are backed by TCLP, and also it increased some of the coverage ratios of the bond indentures. So that sort of helped to improve the credit ratings there, getting the credit upgrades, and then sort of the virtuous cycle of completing the de-leveraging, because we put some money in the bond indentures.

So what you can see is that this page 3 here, our collateral demands some two or three years ago was much higher. Had we experienced another downgrade, the amount of collateral -- or margin call for you day traders out there -- would have been $200 million. And today, that's about half of that.

So because of this risk of margin call, it's now half of what it used to be, we now hold a lot less cash than we used to. And, again, most of that delta, or that difference in cash, was spent by shoring up the bond indentures and getting rid of these VRDOs.

On page 4 -- so page 3 was sort of a tally of our collateral posting risk and the total amount of cash that we held. So what you see on page 4 is, these are sort of five quarters of couplings of the first column being the sort of the free and available cash and securities we had; and then the second column of these little couples, is the amount of collateral we were posting at the end of each quarter.

So what you can see is that our free cash has gone up; while in the last five quarters, our collateral posting has stayed very, very flat.

So at the end of the first quarter this year, the total free cash we had was about $170 million, and we were posting about $50 million. So together, we had about a total of about two hundred twenty.

And if you go to page 5. So how is that $220 million being sort of spoken for? How is it being allocated?

So as we talked about, some $50 million of that is being used as collateral that we post with our counterparties on these swaps that we have. So some $170 million can be allocated, if you will. So as we talked about -- oh, actually, I didn’t talk about this -- on page 2, I show that about $35 million -- we received about $35 million dollars in the past 12 months, which is in excess of what we started out with, which we’re going to continue this sort of a path of using cash that we received in excess of what we expected for debt management. So some $35 million would be used with debt management.

And last year, we set aside a total between the swap risk that we have and also operating costs, $140 million. But this year, we're setting aside $50 million for a collateral posting, and $70 million for the combination of operating and also possible increases in our collateral posting risk.

So together, 50 plus 70 is 120.

So we're now holding $20 million less than we did last year, for those two -- for that one risk. And sort of the event of what we -- part of the reason why we hold some cash for operating, is that what we've shown you previously -- and we'll show you some of that this go-around, too -- is that we do receive enough cash resources that come in every fiscal year to pay for our operating costs. But like any good operating company, we advance-fund some of that operating costs on a quarterly basis as we receive cash in. So we don't -- if you will, we're not living sort of paycheck by paycheck, if you will. We advance-fund on a quarterly basis our operating costs, operating expenses. And that's part of the reason why we have this cash set aside for operating costs. So that is $70 million.

And then we also have set aside $20 million for special lending. So this kind of ties to, what you might recall earlier, Matt's question about the amount of single-family whole loans that we can do for -- you know, single-family first-lien whole loans that we can do. So this is tied to that particular set-aside. And we also had a $5 million set-aside for single-family subordinate loans, so that ties to that set-aside.

So what's left over is about $40 million.

And you might recall, we had said that we can do up to $50 million for warehousing Multifamily; but as you can tell from here, that is a not-to-exceed number. We just don't have that much resources. So what is left over for warehousing, for single and multi is $40 million.

So this is sort of an --

MS. BOATMAN PATTERSON: Let me interrupt you right there.

So we'll be bringing to the Board, but we've been in discussions with the transportation agency and Caltrans about an affordable housing program, the Roberti Act and 710; and so we'll be bringing something to the Board for approval about trying to administer that program for them. We've been working very diligently with them, in partnership with them.

And so potentially, that $20 million in lending would potentially be that money that would be available for a whole-loan program, in partnership with our sister agency.

MR. HSU: So this stack here may seem -- on its face, it seems somewhat esoteric, but it's tied to various things, some of which we have requested from the Board today.

I wish that we would have a bit more money so we could do even some more of these stuff. But as you can see, while it might seem on the surface that we have quite a bit of unencumbered cash -- again, sort of away from the bond indentures -- not that they are completely free and clear of any lien -- they could get used up very quickly on all these things that we are trying to do all at the same time.

And on page 6. So this is also a projection that we've done in the last couple years. On the first column, what you are seeing is a projection of the resources that we have entering into this fiscal year. So this first column here, tied to Don's report but on revenue projections and also budgeting.

So you can see, in this particular -- this fiscal '15-16, the amount of new income, from new lending, and “new era” income, is $9.4 million.

So what we mean by “new era,” is that all the lendings that we have done since 2013, we don’t always earn everything that we earn on that lending activity in that year alone. Sometimes we end up making a loan that earns a spread. Like the Secretary was talking about earlier, where sometimes we end up making a DPA loan that when the homeowner refinances, it comes back as a payoff.

So we started this idea that there is not just the money that we make this year from the lendings we do this year, but there is a tail from previous years’ good behaviors or good activities.

So you can see that this light orange is actually growing over time because of this buildup. And also in the light blue is the current income that we receive from the new lending activities.

So you can see -- and I think I’ve said this, I think I’ve been very open to the Board about this in previous years -- that the legacy resources are certainly declining. And that’s why I’ve said that we are more and more dependent on the new lendings we do and that’s why they’re so, so important.

Having said that, you can see that, yes, it is true that the legacy, which is topped off by the light green, is declining over the next two years. So this goes out to 2018. While that's true, you can also see that the lending activities from the new lending activities are also growing. So this 28 percent of $12 million out in the last column represents 28 percent growth from this $9.4 million, which is what we expect from this coming fiscal year's lending activities.

Last, but not least, is that --

MS. SOTELO: Tim? Tim, I'm sorry, before you move on.

Tia, is this part of looking at the trajectory of the lending income compared to where you're headed with the operating cost? Have you looked at that, and is that maybe your plan for what you're trying to do with the scope of operational efficiency consultants?

MS. BOATMAN PATTERSON: This chart doesn't reflect that.

MS. SOTELO: Right.

MS. BOATMAN PATTERSON: But that is something that we'll be looking at. And so what we're trying to do, is we're trying to have a line or demarcation between legacy income and then new income or new revenues. And so we're trying to -- because that was one of the things that we talked about is that we want to make sure that new money coming in is able to sustain us. And so trying to get what that line is and what that trajectory looks like. But then, yes, we'll also be looking at that operations to enhance that.

MS. SOTELO: Efficiency.

MS. BOATMAN PATTERSON: Exactly.

MR. HSU: So one of the things that we're talking about is that it's hard to pay our staff a receivable. So this whole chart here is cash as received.

So back on the charts that Don had, he had this idea of long-term assets. So what that was, was that we said that while this is the present value of these assets we're generating in this particular fiscal year; but on this chart, I'm not showing the present value of future receipts because, again, I can't pay my staff or pay anybody a receivable. Everybody wants to pay their bills in cash.

So what this chart here is showing, it is just simply cash received in that particular time period. It may be immediate fees that we earned from making that loan, or, let's say, a spread that we earned from last year's lending.

Okay, so then the last chart, which is a little bit not completely related to all the previous charts, but it's a chart that shows one thing that we've been saying in a graphical way of how our single-family production has picked up.

The axes are actually a little bit messed up here; but what you're seeing is that on a cumulative basis, we have made about $113 million of Fannie Mae MBSs since this whole TBA program started.

And what you can see in the bars, however, in the bars you can see sort of how much we've made, sort of on a monthly basis. And you can see quite easily how much of a difference the last three or four months have been relative to all the prior months.

And this year is not as good of a picture, in the sense that these are actually MBSs that have been created, sold, and settled. And we have done extremely well in the last couple months in terms of reservations. So there is a very healthy pipeline. Again, this is stuff that had been bundled and securitized, sold, settled, and we received cash for them.

So this is just a way to sort of paint a picture of why we're so optimistic about what we're doing on the Single Family side.

MR. CAVIER: Okay. So with that, I'm going to move into the operating budget.

And Agency resources, as you can see from the pie chart, are primarily generated from loan-origination fees, principal and interest payments on existing loans, and compliance monitoring fees.

The majority of the Agency's resources are currently generated from legacy activities, as we just discussed. But as we move into the coming fiscal year, we believe there is a real opportunity to start to reverse that trend and to start to grow our "new era revenues," as we're calling it.

For the fiscal year '15-16, we anticipate available resources to cover operating costs to be at about $62.5 million.

And the next chart reflects how we propose to use those. As you can see, staff anticipates that the resources available to us next year will exceed operating costs by approximately $19.8 million. These surplus funds will be used to support future lending, debt management, and operational costs.

In order to implement the goals and activities outlined in the Agency's Strategic Business Plan, staff is recommending the adoption of an operating budget of $42.8 million, of which $29.8 million will be used for personal services, which represents the costs for salaries and benefits and temporary services.

Additionally, the budget includes $12.5 million for operating expenses, and 476,000 for strategic project contracts.

This slide provides a detailed multiyear budget comparison. The 2015-16 budget represents a 141,000-dollar decrease in that appropriation compared to the prior year.

Salary and benefit costs have decreased $388,000, compared with the prior year, due primarily to the eliminations of 12 and a half full-time, vacant positions that were determined to be unneeded in the budget cycle. With this action, the Agency has systematically reduced unneeded headcount by 38 positions over the last three years.

Savings from the eliminated positions were largely offset by a required two and a half percent cost-of-living increase that is scheduled to go into effect for all bargaining units, with the exception of our exempt staff.

Net costs for general expenses, communication, travel, training, and facilities are up slightly, compared with the prior year. I think the net is about a $34,000 increase.

Consulting and professional services have increased $300,000 as the Agency is implementing a comprehensive training program to develop our Multifamily department and to help complete the final stages of our organizational assessment.

The cost for Central Administrative Services, which represents State overhead allocation to the Agency, has increased due to a one-time credit that we got this year for overpayments that we were billed in prior years. And so we got the benefit of that credit this year; but next year, it jumps back up a little bit.

Let’s see. Information technology costs are down slightly. And strategic project costs are -- our contract costs are down $743,000, compared to last year, due to the completion of that large-scale I.T. contract to replatform the Agency systems.

This last chart is what Tia was mentioning at the beginning of the meeting about the Board having its own budget to work with, in the coming year, both for -- you know, mainly for training and travel to Agency events or things that we need your participation in, to kind of help the Board be more engaged, and to have the opportunity to learn firsthand what’s going on with the HFAs around the country.

Another big chunk of the budget as proposed, is the $25,000 for the gentleman sitting to my right here, who is doing all this great work, taking down every word I stumble over. And basically, just to give you guys the chance to participate more than you have before.

So with that, that concludes the presentation. And I'm available for any questions you might have.

CHAIR JACOBS: Thank you, Don.

Do we have any questions?

(No response)

CHAIR JACOBS: I'm looking to Janet because the budget is more --

MS. FALK: Oh, no. I just want to commend the staff. I think that this is great that we're spending our time talking about our revenues, and not our expenses, which is where the problems are and the issues are.

So thank you very much. It was a great presentation, and the whole putting it together.

Also, thank you, Tia, for having the budget and the Business Plan together because the two things really do work in concert and need to be seen together; they're not separate.

CHAIR JACOBS: Yes, for the private-sector folks, it really makes sense now.

MR. CAVIER: Yes.

MS. BOATMAN PATTERSON: So one of the things when I first was put on the Board and I was a voting member and I was sitting in you-all's seat, and the budget came before me that first year, I abstained.

And I abstained because it wasn't a budget, it was an expenditure plan.

And so I think for the last couple of years, we've kind of worked through some of the kinks and worked through presentation and how we would put those projected revenues along with those expenses to complete a larger picture. So I have to give my "hats off" to staff, who I think did a phenomenal job.

Bringing Don on, I have to pat myself on the back, because I'm like, "Yay."

But Don and Kelly, and Don's staff who came together to do the project process and the drill that we went through, we had a couple of off-sites where we talked about our Business Plan and how we would pull that all together. And so we were a little behind this year, so we rushed to try to make that happen. But I'm very pleased with Tim and Tony, and Don and Kelly and everybody who stepped up -- Lori -- just to make this happen. So I call you out to thank you for that, because I think they did a stellar job.

MS. SOTELO: It definitely shows. The collaboration and teamwork definitely shows.

And your leadership, Tia, I can't say enough about it. So congratulations on all the hard work.

CHAIR JACOBS: So there is, in fact, a

resolution here to --

MS. FALK: I just want to make one more comment, if I may.

CHAIR JACOBS: Yes.

MS. FALK: I've talked to Tia about this. I mean, this is -- as I said, this is really great.

And then the next step, is that we start looking out, like, three years ahead to see what the revenue projections are and where we might be. So that we can really plan for what's coming up.

MR. CAVIER: Yes.

MS. FALK: I know that's on your agenda. It doesn't have to be until next year, but…

MR. PRINCE: I thought the next step was to spend $20 million.

MS. BOATMAN PATTERSON: We're working on that.

CHAIR JACOBS: Any motions? 12 and 13, the Business Plan and budget?

MS. FALK: I'll move approval.

CHAIR JACOBS: Of one or both?

MS. FALK: Both.

CHAIR JACOBS: Both?

Do we have a second?

MS. SOTELO: I'll second the approval of those.

CHAIR JACOBS: JoJo?

MS. OJIMA: Ms. Caballero?

MS. CABALLERO: Aye.

MS. OJIMA: Mr. Schaefer?

MR. SCHAEFER: Aye.

MS. OJIMA: Ms. Gunn?

MS. GUNN: Aye.

MS. OJIMA: Ms. Falk?

MS. FALK: Aye.

MS. OJIMA: Ms. Avila Farias?

MS. AVILA FARIAS: Aye.

MS. OJIMA: Mr. Gunning?

MR. PRINCE: Yes.

MS. OJIMA: Mr. Prince?

MR. PRINCE: Oh, I'm sorry. You're so quiet over there. I thought I heard my name. I'm sorry.

MS. BOATMAN PATTERSON: That was not Mr. Gunning. That was Mr. Prince.

MR. PRINCE: We just need a mike for you next time. It's hard for me to hear over here. I'm sorry.

MS. OJIMA: Ms. Riggs?

(No response)

MS. OJIMA: Ms. Sotelo?

MS. SOTELO: Aye.

MS. OJIMA: Mr. Jacobs?

CHAIR JACOBS: Aye.

MS. OJIMA: Both Resolutions 15-12 and 15-13 have been approved.

CHAIR JACOBS: Really excellent work.

--o0o--

Item 13. Reports

CHAIR JACOBS: We've got reports.

Does anybody have any questions about reports in the handouts?

(No response)

--o0o--

Item 14. Discussion of other Board matters

CHAIR JACOBS: Any other matters anyone wishes to bring up?

MS. BOATMAN PATTERSON: We have for the Board to hand out, the overview of the first part of the organizational assessment. So JoJo is going to hand that out. And what we will do as well is we will have that posted on our Web site.

We gave you the scope of work; but this is the piece that talks about kind of historically where we were; and we're entitling it, "The Organizational and Program Assessment Overview for the California Housing Finance Agency."

So this is an excellent document that we've kind of been living through.

And I have to thank Tony, who -- he has actually been kind of my wingman. Because Tony took, when our director of Administration left in October, the administration of the contract and served as project manager for the -- working very closely with the consultant that we brought on board; and he rallied staff, and it was like herding cats, but he oversaw, as the internal staffer, the organizational assessment. He continues to do that.

And he did such a good job, we moved him over to Multifamily.

So thank you, Tony -- because Tony was instrumental in making sure that this got done.

In July, what you will see is, we will have the organizational consultant available. And we will bring him before the Board meeting, so that you guys can have this between now and then to review. And then he will be able to give you a more comprehensive report on perhaps some of the recommendations that he made at our July Board meeting.

CHAIR JACOBS: And this goes to the entire scope of what we saw?

MS. BOATMAN PATTERSON: This goes -- this is an overview of basically where we are. And then it talks a little bit about the liquidity analysis, about kind of our legacy income and our tail. And it's the foundation right before he gets to the recommendations. But it kind of lays out the historical context, the staffing, the staffing ratios and some of that kind of background material, which will be helpful going forward.

CHAIR JACOBS: That sounds great.

Any other matters anyone wishes to bring up?

(No response)

--o0o--

Item 15. Public Testimony

CHAIR JACOBS: Are there any members of the public who wish to speak?

(No response)

--o0o--

Item 16. Adjournment

CHAIR JACOBS: All right, seeing none, let's adjourn this meeting.

Thank you.

(The gavel sounded.)

(The meeting of the Board of Directors concluded at 1:21 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 1st day of June 2015.

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: CalHFA Board of Directors **Date:** June 24, 2015

Tia Boatman Patterson, Executive Director and
Ken Giebel, Director of Single Family Lending
From: **California Housing Finance Agency**

Subject: First-time Homebuyer Funds: California Homebuyer's Downpayment Assistance Program ("CHDAP")

One of the major drags on housing recovery in 2014, according to Harvard's Joint Center for Housing recently released report, *The State of the Nation's Housing*, was the ongoing decline of homeownership rates. Homeownership rates in the United States continued their downward trend marking a 20-year low with 64.5 percent in 2014. The report argues that reversing the worrying trends of lower homeownership and higher renter cost-burdens will require a firm commitment by the nation. The report also cites Fannie Mae's, Freddie Mac's, and the Federal Housing Administration's (FHA) efforts to expand low-down payment lending as an important step to correcting homeownership rates.

The CHDAP program was created in 1989 to address the urgent need to provide affordable mortgage assistance to meet the increasingly unfulfilled housing needs of citizens of California. Therefore, the program is designed to make existing financing for residential mortgages more affordable to California's homebuyers.

The CHDAP program has received $371M in bond proceeds from Proposition 46, Proposition 1C and SB 50, and these funds are expected to be fully committed by the end of the 2014-15 fiscal year on June 30. By statute, CalHFA has been the designated administrator of the CHDAP funds since October 17, 2000 and has helped more than 53,000 low to moderate income first-time homebuyers throughout the state with assistance that otherwise would not be available. Currently, there are 27,671 active CHDAP loans that CalHFA is responsible for overseeing and servicing.

CHDAP provides a deferred loan for up to 3% of the sales price, which can be used for down payment or closing costs and has a 3.25% simple interest rate. The program can be used with or without a CalHFA first mortgage. Over the last two years, the program has been more tightly administered due to the shrinking bond fund balance and the fact that the majority of CHDAP loans have accompanied non-CalHFA first mortgages, which we refer to as CHDAP standalones. With these CHDAP standalones, the Agency has no ability to ensure that responsible lending practices have been adhered to, or any monitoring rights or access to data related to these first mortgages (e.g. delinquency rates, loan modifications, processing and underwriting fees).

With the CHDAP bond allocation fully committed, the Agency is now using recycled program funds to continue the existing program. At the current pace of expenditures, the Agency expects to fully exhaust all available recycled funds within 36 months. Our research indicates that the majority of housing finance agencies do not offer a standalone down payment assistance program, but instead exclusively couple their down payment assistance funds with their first mortgage loan products. Consequently, staff intends to develop a more sustainable, efficient and streamlined down payment assistance program to accompany CalHFA's first mortgage that focuses on the best interests of the borrowers over the long term and increasing Homeownership rates in California. Staff will present this new program for approval at the September board meeting at which time the CHDAP program will be discontinued in its current form. In the meantime, staff will continue to fund the existing program using recycled program funds until the Board can take action on the new down payment assistance program being developed.

As you know, Speaker Atkins has introduced a bill to provide an ongoing dedicated source of revenue for affordable housing. AB 1335, currently pending on the Assembly Floor, would authorize the collection of a $75 document recording fee on certain documents. It is anticipated that if approved, the fund could generate between $300-500 million each year. The bill currently provides that 20% of all funds appropriated by the Legislature from this source be used for affordable owner-occupied workforce housing. While the details of the bill have yet to be finalized, if passed, this could be a potential source of revenue to fund a more sustainable down payment assistance program in the future.

We will be prepared to discuss the sun setting of the CHDAP program and our interim funding strategy at the July Board meeting.

State of California

M E M O R A N D U M

To Board of Directors **Date:** June 30, 2015

Tony Sertich, Acting Director of Multifamily Programs
From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: DRAFT POLICY FOR USE OF AGENCY CONTROLLED MULTIFAMILY SUBSIDY FUNDS

Background

The Agency currently controls approximately $105 million in three funds shall be utilized to make housing in California more affordable. The funds have grown over time as loans have repaid and interest has accumulated. The three funds are as follows:

- Rental Housing Construction Program (“RHCP”): Restricted to affordable multifamily projects financed by the Agency.
- Earned Surplus: Restricted to lowering rents for low and moderate income renters.
- Financial Adjustment Factor (“FAF”): Restricted to providing subsidies, grants, or loans to developments housing very low income renters or to very low income homebuyers.

The Agency has never had a comprehensive policy to govern the use of these funds. A policy is necessary to ensure that these funds are best directed to meet the goals of the Agency.

Draft Policy

The attached draft policy is presented to the Board for comment. The draft policy has been developed with input from staff in the Multifamily Programs, Asset Management, General Counsel, and Financing divisions. The draft policy governs the use, allocation, and restrictions of the funds.

The uses include subordinate loans, small first loans, pre-development loans, interest rate subsidies, and financing tools. Each of these uses would be used to the extent that they provide cost savings to the Agency and the borrowers. The funds are limited, so their long-term use will be limited to projects on an as needed basis.

The use of the funds will be used in an efficient manner to maximize their impact. The policy places limitation on the amount of funds spent on any one project in aggregate and on a per unit basis. Also, residual receipt loans will be given priority over interest rate subsidies.

The use of these funds will also come with some restrictions on the borrower. These funds will only be available to projects that have or will receive a first lien loan with CalHFA. In order to prevent developer fees being paid with these subsidy funds, developer fees will be limited. In addition, no equity will be allowed to be taken out of the project tied to the subsidy allocation.

Project Priority

The final section of the draft policy may merit the most discussion. The projects that will qualify for allocation of subsidy funds are limited by the restrictions on the funds and the underwriting need. However, there may still be a lack of funds to meet the need. In order to prioritize which projects will receive allocations multiple factors will be considered. The priority consideration list includes whether or not a project has a current CalHFA portfolio loan, the affordability levels of the project, the risk of the project going to market rate rents, and the amount of local resources being dedicated to the project.

The priority factors listed in the policy will help further CalHFA's policy goals while maintaining control over the allocation of funds. These factors may change over time as the Agency's policy goals change.

Staff is requesting the Board's input on the draft policy before it is finalized and implemented. A final policy will be presented to the Board in September 2015.

Attachment

Draft CalHFA Subsidy Fund Policy

June 30, 2015

Sources of Funds

CalHFA holds three specialized funds (together, the "Funds") from its lending programs whose sources are derived from accrued various Agency loan repayments and Agency earnings. These Funds are available to be utilized either as loans or subsidies. Each fund has its own restrictions on use. There is a total of approximately $105 million available to reinvest into affordable housing.

Rental Housing Construction Program ("RHCP") ($14.8 million as of 5/31/2015): Funds received by the agency shall be used to provide assistance to existing or future projects financed by or through the agency pursuant to terms consistent with the agency's affordable multifamily lending programs.

Earned Surplus: ($76.6 million as of 5/31/2015): The Agency must use these funds in lowering the rents for persons and families of low or moderate income in other housing developments to a level no greater than the affordable rents. Use of Earned Surplus requires that over 50% of the units are to be for persons and families of low or moderate income.

Financing Adjustment Factor ("FAF") ($13.9 million as of 5/31/2015): Funds can be used to provide interest rate subsidies, direct rent subsidies, grants or loans for housing of very low income households for multifamily developments and/or very low income single family housing units. This fund requires a minimum 10 year regulatory agreement in compliance with the McKinney Homeless Assistance Act of 1988. For each project, the use of FAF funds is limited by the percentage of very low income units in the development. Inasmuch as FAF funds may be considered "federal funds," there may be additional tax and financing considerations when using other financing such as Low Income Housing Tax Credits.

Designated Uses of Funds

The Funds will be used for the following purposes. Program guidelines are being developed to manage each of the programs. These guidelines will be for internal Agency use.

- Restructuring of existing CalHFA Loans under a CalHFA loan program.
- Subordinate loans for project repairs, direct rent subsidies, and/or operating expenses on troubled CalHFA portfolio loans.
- Gap financing for CalHFA's first loan programs.
- Interest rate subsidies for CalHFA's first loan programs.
- Small first lien loans up to $2,500,000.
- Pre-development loans to support CalHFA's multifamily programs under the CalHFA Predevelopment Loan Program.
- Warehousing CalHFA's multifamily loans until bonds are sold.
- Hedging interest rate locks on loans prior to the sale of bonds.

Allocation of Funds

There will be no specific allocation of Funds; however, there will be guidelines for how the Funds shall be used.

- The current policy is designed so that the Funds will be used over a three year period.
- Funds will be used as loans or revolving funds to maximize their availability. Funds for interest rate subsidies should be provided only when necessary for underwriting purposes. Loans will be designed to recapture the Funds as quickly as reasonable.
- A maximum of $2,500,000 per project and up to $25,000 per unit will be provided to each project in a subordinate loan and/or interest rate subsidy.
- Warehousing loans will be an efficient use of the Funds, since the money will be used for less than 6 months per project while generating cost savings.
- As loans in the Funds make payments, these amounts will be recycled and be governed by this policy.

Restrictions on Uses

Each of the programs in the previous section will have restrictions on its use. Following are some of the general restrictions that will apply to specific programs.

- Any subsidy or loan must be tied to a CalHFA first lien loan.
- Equity cannot be taken out of a project upon a sale or recapitalization that receives an allocation of Funds.
- Funds will only be provided to projects where there is a need identified in underwriting.
- Funds will only be provided on projects seeking new construction or substantial rehabilitation, unless the project is in CalHFA's portfolio.
- When Funds are provided to a project, developer fees on new construction projects will be limited to 15% of total development cost (TDC) with a minimum of 50% of the developer fee deferred. For acquisition/rehabilitation projects provided with Funds, the developer fees will be limited to 10% of TDC with at least 50% of the developer fee deferred.

Project Priority Considerations

The Funds will be used as needed by the Agency as described in the "Designated Uses of Funds" section above. However, with limited resources, there will not be enough Funds to meet the needs of all projects. The following factors will be taken into account to determine if the project will receive an allocation of Funds:

- Current CalHFA portfolio project.
- Troubled portfolio project in need of subsidy.

- At risk of going to market rate rents.
- High cost area.
- Affordability levels.
- Amount of local financial contributions.
- Amount of developer contribution.
- Mixed income project.

Other Considerations

- The Executive Director may make exceptions to the Funds policy at her discretion.
- The Board will receive a report semiannually on the uses of the Funds.
- The programs using the Funds will not be marketed publicly, but will be managed by the Agency to supplement its lending and asset management programs.

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CalHFA

California Housing Finance Agency

Organizational and Program Assessment of the California Housing Finance Agency

Benjamin Frank LLC
Management Consultants

May 31, 2015

BENJAMIN FRANK LLC

MANAGEMENT CONSULTANTS

May 31, 2015

Ms. Tia Boatman-Patterson
Executive Director
California Housing Finance Agency
500 Capital Mall, Suite 1400
Sacramento, CA 95814

Organizational and Program Assessment of the California Housing Finance Agency

Dear Ms. Boatman Patterson,

We are pleased to present this report which summarizes the results of our assessment of the California Housing Finance Agency's organization and programs. Summary listings of all recommendations for improvements are provided in Appendix A (*Improvement Portfolio Implementation Plan*). These listings also show management's planned schedule for implementing each improvement initiative and each initiative's current implementation status.

We are grateful for all of the assistance provided to us throughout the process by CalHFA's entire management team along with a number of specialist and support staff. Their responsiveness to our requests for information and assistance were outstanding and, without their support, completion of this assessment would have been substantially more difficult. We appreciate the opportunity to be of service to the California Housing Finance Agency. If you have any questions or need additional information, please contact me at 916.425.1475.

Very truly yours,

BENJAMIN FRANK, LLC

Ben Frank

Benjamin Frank
Chief Executive Officer

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Project Summary

More than seven (7) years ago the volume of CalHFA's financing activities peaked when nearly $2 billion in single family and multifamily housing assistance financings was completed per year. However, as a result of structural changes that occurred in the financial and housing markets following the 2008/09 financial crisis, CalHFA now completes an average of only about $100 million in financings per year. During this period the size of CalHFA's mortgage portfolio decreased by more than 50 percent, but CalHFA's overall organizational structure and staffing levels changed very little. In some areas available staff were redirected to service and resolve problems with previously completed financings and existing loans and to support alternative financial assistance programs such as the California Homebuyer's Down Payment Assistance Program (CHDAP) and the Mental Health Services Act (MHSA) Program. However, as the size of CalHFA's mortgage portfolio diminished, concerns surfaced about the sufficiency of CalHFA's unencumbered Housing Assistance Trust (HAT) revenues and reserves to fund the Agency's $40 million annual operating expense budget.

The decision to undertake this assessment was initiated by CalHFA's Executive Director. This decision was prompted, in part, by the above described circumstances. Additionally, there were concerns about CalHFA's capability to continue to fund its ongoing operations pending development and implementation of new single family and multifamily housing financing programs or growth of existing programs to levels capable of generating sufficient revenues to fully fund the Agency's operating costs on a sustained, long-term basis. A contract with Benjamin Frank LLC to perform the assessment was awarded during November 2014.

A. Project Scope and Technical Approach

The scope of the assessment encompassed all of CalHFA's major business units. The overall purposes of the assessment were to identify and assess:

- CalHFA's current and emerging programmatic and support service workloads, workforce capabilities and costs
- CalHFA's capability to fund ongoing operations and associated operating costs along with needed investments in new program development initiatives.

Results of the assessment are expected to provide a foundation for determining needs to restructure and reengineer CalHFA's single family and multifamily programs, supporting organization structure and workforce capabilities, business processes and technology support systems to enable longer-term sustainability of the Agency.

Our overall approach to performing this assessment was organized into four (4) major phases of work, as follows:

Phase I – Project Start-up and Initial Planning

The primary objectives of Phase I were to meet with CalHFA's Executive Director and other key CalHFA executives and managers to more fully and clearly define the scope and objectives of the Phase II diagnostic review and preliminary assessment, the services to be provided, and the schedule and budget for providing these services. Phase I was completed during October and early-November 2014.

Project Summary

Phase II – Diagnostic Review and Preliminary Assessment

The primary objectives of Phase II included (1) determining how CalHFA's programs currently operate and how CalHFA staff are organized and allocated to support these programs, (2) identifying all significant services currently provided by CalHFA staff and developing a general understanding of the processes used to provide these services, and (3) defining historical and current workloads and performance levels and prospective future workloads and service demands.

Our efforts initially focused on collecting, reviewing and summarizing available general background documents and other sources of information regarding CalHFA's historical and current revenues and expenditures, programs, organization and staffing, workloads and performance. We also conducted individual interviews with all CalHFA executives, managers, and supervisors and, in selected areas, with specialist staff, either individually or in small groups. In total, more than 60 individual and small group interviews were completed.

Subsequently, we scheduled and conducted follow-up interviews with selected staff as needed to develop a more complete overall understanding of CalHFA's programs, workflows and workloads, workforce capabilities, technology support systems, performance deficiencies, problems experienced, and suggestions for improvement. We also developed a set of preliminary CalHFA program and business unit profiles that we used as a foundation for identifying needs for supplemental and in-depth assessment and improvement planning efforts. Additionally, with the assistance of CalHFA staff we collected information regarding the organizational structures and housing assistance programs of a targeted sample of housing finance agencies in other states. Phase II was completed over a five (5) month period extending from November 2014 through March 2015.

Phases III – Supplemental and In-Depth Assessments and Improvement Planning

The purposes of Phase III were to complete supplemental and in-depth reviews and analyses as determined necessary during and following completion of Phase II and to develop an overall *Improvement Strategy* and an integrated *Improvement Plan* delineating the specific improvement initiatives recommended for implementation. Additionally, we prepared a *Summary Interim Report* documenting results of the Phase II preliminary assessment and, to the extent completed through late-March 2015, Phase III supplemental assessment and improvement planning efforts. Concurrently, we assisted CalHFA management with development of an overall strategy and plan for implementing recommended improvements (see Appendix A – *Improvement Portfolio Implementation Plan*).

Phases IV – Implementation Assistance

Phase IV encompasses providing assistance to CalHFA with implementing recommended improvements identified during earlier phases. Phase IV services commenced during Phase II following identification of immediate action recommendations for improvement, which CalHFA management began implementing. The *Improvement Portfolio Implementation Plans* presented in Appendix A show the current implementation status of all recommended improvements.

B. Current and Prospective Fiscal Circumstances

During the past several years CalHFA's fiscal circumstances changed. As a result of improvements in the macro-economic environment and real estate markets, the condition of CalHFA's indentures improved resulting in higher bond ratings and reduced needs to support the indentures with contributions from CalHFA's unencumbered Housing Assistance Trust (HAT) cash reserves. Also, collateral posting requirements for CalHFA's derivative contracts (swaps) decreased. Recently completed analyses of current and prospective operating cash flows indicate that HAT cash liquidity problems are unlikely to surface within the next 8 to 10 years. This Base Case analysis assumes minimal growth in new loan production, no change in current operating expenditures, elevated loan losses, and low indenture administrative fees. The Base Case analysis also assumes an additional $35 million indenture deposit from CalHFA's unencumbered HAT reserves although, following recent upgrades of the credit ratings on CalHFA's mortgage revenue bonds, it is now anticipated that this additional deposit will probably not be needed. If somewhat higher new loan production levels, somewhat lower loan losses, and increased indenture administrative fees are assumed, then CalHFA operating account cash liquidity problems would be unlikely to surface within the next 10 to 12 years. These circumstances provide an opportunity to take a more deliberative approach to developing and implementing new, sustainable single family and multifamily lending programs as successors to CalHFA's legacy lending programs.

C. Executive Team Organization

Historically, the top level managers of all of CalHFA's major business units reported to the Agency's Chief Deputy Director who reported to the Executive Director. With this structure the Chief Deputy Director had 10 direct reports, including:

- Director of Legislation (Exempt)
- Director of Administration (CEA-A)
- Chief Information Officer (Exempt)
- Director of Financing (Exempt)
- Comptroller (CEA-A)
- General Counsel (Exempt)
- Director of Marketing (CEA-A)
- Director of Homeownership (Exempt)
- Director of Multifamily (Exempt)
- Director of Asset Management (CEA-B).

When CalHFA's Chief Deputy Director separated during 2012, the Agency developed an alternative Executive Team organizational structure that was utilized through December 2014. With this alternative structure the Chief Deputy Director and several other executive level positions, including the Director of Homeownership, the Director of Multifamily, and the Director of Asset Management, were left vacant and, instead, a Programs Administrator position was established with responsibility for all of the Agency's single family and multifamily business units, including:

- Single Family Lending
- Single Family Loan Servicing
- Single Family Portfolio Management
- Single Family Quality Assurance
- Multifamily Programs
- Multifamily Asset Management

With this structure, CalHFA's Executive Director had eight (8) direct reports (i.e., Programs Administrator, Director of Legislation, Director of Administration, Chief Information Officer, Director of Financing, Comptroller, General Counsel and Director of Marketing).

Subsequently, during late-2014 the Programs Administrator and the Director of Administration both separated from CalHFA. Consequently, more than a dozen subordinate staff, including a mix of senior executives, middle managers, and first level supervisors, reported directly to the Executive Director. In response to these circumstances the Executive Director filled the vacant Chief Deputy Director position and assigned the Chief Deputy Director responsibility for the following five (5) support units:

- Fiscal Services
- Information Technology
- Budgets, Contracts and Business Services
- Human Resources
- Whole Loan Servicing.

Concurrently, CalHFA merged the Single Family Lending Section, the Single Family Portfolio Management Section and the Quality Assurance Unit into a consolidated Single Family Division. Also, CalHFA's Director of Marketing, who had also been serving as the manager of the Single Family Lending Section, was assigned responsibility for overseeing and managing the Single Family Division.

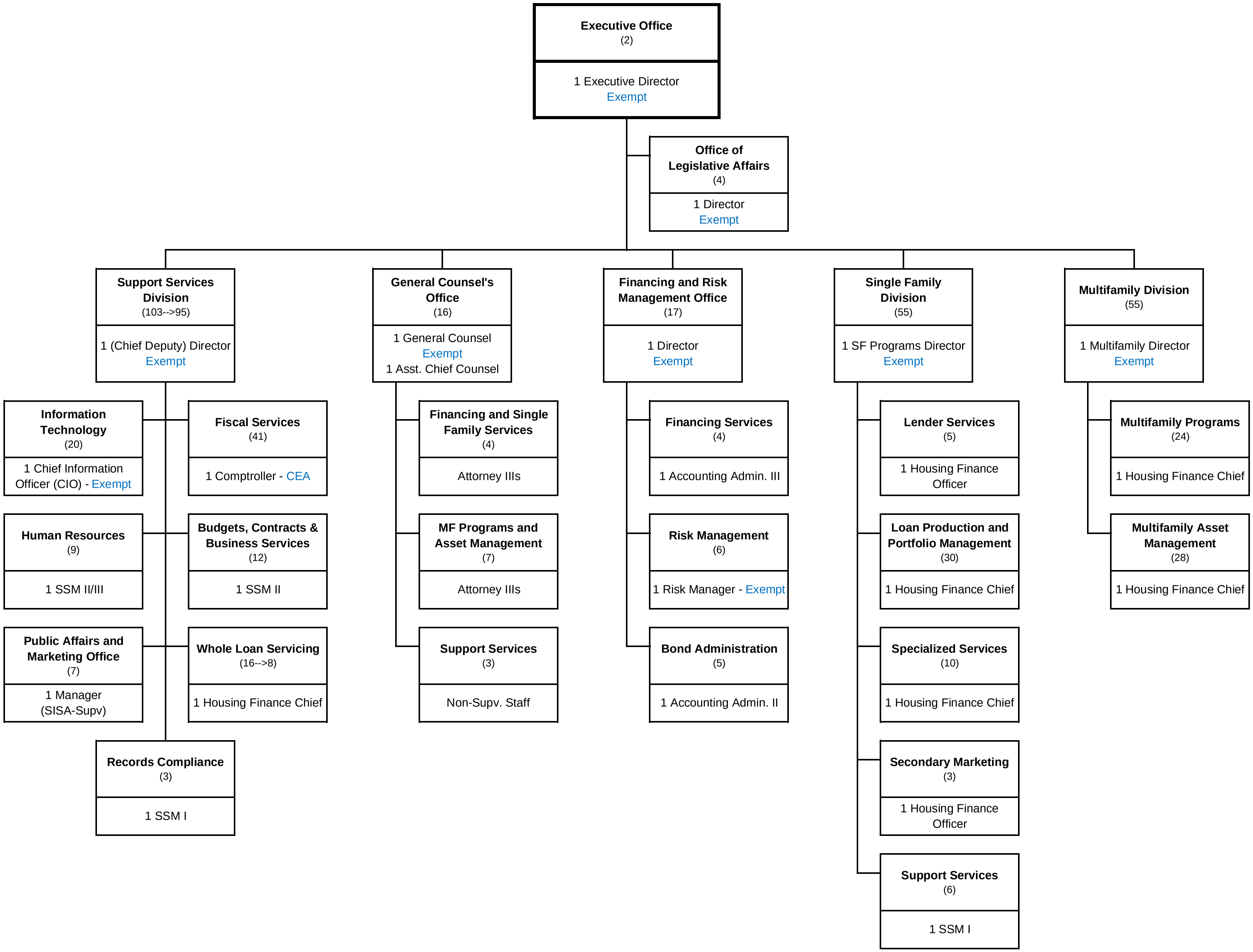
We developed a range of alternative Executive Team organizational structures for consideration by CalHFA executive management that built upon these recent organizational changes, focusing on alternative approaches for structuring and managing the new Single Family Division, the Multifamily Programs Division and the Multifamily Asset Management Division. The alternative organizational structures distribute responsibility for CalHFA's programs and support services operations, and accountability for performance, among a limited number of senior-level executives. Additionally, the spans of control of the executives are reasonable, ranging from three (3) to five (5) subordinate managers in all cases, except in the case of smaller, functionally specialized offices (i.e., the Marketing Office, the Office of Legislative Affairs, and the Financing Office). The major differences between the alternative organizational structures involve:

- Whether to reestablish a Program Administrator to oversee the Single Family Division, the Multifamily Programs Division, and the Multifamily Asset Management Division
- Whether to assign the Multifamily Director responsibility for overseeing both the Multifamily Programs Division and the Multifamily Asset Management Division, or just the Multifamily Programs Division
- The number of executives that report directly to the Executive Director.

Following review and assessment of these alternatives, CalHFA selected and began implementing a preferred alternative Executive Team organizational structure. With this alternative, the Director of the Single Family Division would report directly to the Executive Director and the Multifamily Director would be responsible for overseeing both the Multifamily Programs Division and the Multifamily Asset Management Division. **Exhibit 1**, on the next page, illustrates this structure. This organizational structure shown on Exhibit 1 also incorporates a number of other recommended organizational and workforce realignments. As shown by Exhibit 1, with this alternative the Executive Director would have six (6) direct reports.

Exhibit 1

CalHFA Executive Team Organization - Conceptual Alternative No. 2
Total Filled Regular Positions = 258



D. Single Family Homeownership Program

The Mental Health Services Act (MHSA) Program is winding down, and may not be extended, and fewer than 10 new multifamily project financings with an aggregate value of about $100 million are expected to be completed during the next year. Consequently, until CalHFA scales up its multifamily housing project financing program, particularly financing of projects that increase the supply of affordable rental multifamily housing, the Agency will be especially dependent on the Single Family Homeownership Program to demonstrate that it continues to fulfill its public purpose to assist low and moderate income Californians in obtaining affordable housing. However, unlike similar programs in many (perhaps most) other states, California's primary downpayment assistance program (CHDAP) is not required to be paired with a State housing finance agency administered first lien mortgage program. Instead, CHDAP can be paired with any commercial lender's first lien mortgage. These circumstances make it more difficult for CalHFA to compete with commercial mortgage lenders and scale up its single family lending to assist larger numbers of Californians obtain affordable housing and generate sufficient revenues to fully fund costs of operating the program.

To further encourage mortgage lenders to utilize CalHFA's Homeownership Program and to enable more moderate and lower income households to reduce their housing costs and benefit from ownership of a single family home, CalHFA recently resumed a supplemental downpayment assistance program. CalHFA initially offered the ZIP Program which is funded by charging borrowers a marginally higher interest rate on CalHFA first lien mortgages. While the ZIP Program can be paired with CHDAP, the level of lender interest in the program was limited. More recently, CalHFA began offering the ZIP Extra Program which is funded from Agency funds. The ZIP Extra Program, which can be paired with the ZIP Program and with CHDAP, immediately generated much higher levels of lender interest in utilizing CalHFA's mortgage financing programs. Subsequently, CalHFA selected a second servicer to enable participation of mortgage brokers in this program. Concurrently, management identified several other program enhancements that it is attempting to implement that could help to further increase Homeownership Program participation (e.g., legislative approval to pair ZIP Extra assistance with FHA first mortgages).

To support expanded participation in CalHFA's Homeownership Program, it is critical that the Agency continue to fund the ZIP Extra Program and maintain this support until a sufficient number of ZIP Extra loans are outstanding to enable sustained funding of the program from outstanding loan repayments. An extended period of time could be needed for this to occur (e.g., 5 to 7 years, or longer). The ZIP Extra Program is funded from HPA funds, but HPA funding is limited. About $21 million is currently available to fund the ZIP Extra Program, an amount sufficient to fund ZIP Extra loans at current loan production levels for about three (3) years, or longer as repayments of previously loaned HPA funds are accumulated. Conversely, available HPA funds could be exhausted in less than three (3) years if loan production levels increase. Without the ZIP Extra Program, lender interest in CalHFA's Homeownership Program will likely diminish and fewer low and moderate income households will benefit from participation in the program.

CalHFA's Homeownership Program must grow to enable full funding of its costs. Also, this growth must be accomplished efficiently so that additional revenues generated are not offset by increased program operating costs. Additionally, the growth must be funded with continuing capital investments in downpayment assistance programs with the expectation that, over time, many of these senior subordinate loans will be partially, or fully, repaid. It is critical to support growth of the Homeownership Program by providing adequate staffing resources, investing in improved technology support systems and providing working capital needed to fund deferred repayment downpayment assistance loans. Concurrently, CalHFA should continue to wind down its legacy whole loan servicing and portfolio management operations and redirect resources to support increased Homeownership Program lending and other CalHFA business needs.

Exhibit A-1, in Appendix A, provides a summary listing of 17 recommendations for improving the organization and performance of CalHFA's Single Family lending, legacy whole loan and subordinate loan servicing, and portfolio management services. Exhibit A-1 also shows the current implementation status of each recommendation.

E. Multifamily Project Financing Programs

CalHFA's core Multifamily Project Financing Program was interrupted during the 2008/09 financial crisis and was not reinstated until mid-2012, but few new multifamily project financings have been completed since that time. During 2012/13 seven (7) portfolio project recapitalizations were completed utilizing the U.S. Treasury's temporary New Issue Bond Program. Subsequently, during 2013/14 three (3) other existing project recapitalizations were completed. While CalHFA is currently unable to provide construction financing for new multifamily housing projects, it can provide permanent financing for the projects upon completion of construction. However, CalHFA has not completed any multifamily project financings since March 2014 for either newly constructed or CalHFA portfolio projects.

While few multifamily project financings have been completed since the 2008/09 financial crisis, during the past six (6) years CalHFA completed financings for about 160 MHSA projects with an aggregate value of about $350 million, including capitalized operating subsidy reserves (COSRs). These financings helped to fund development of about 2,300 housing units for individuals and families who would otherwise be homeless. The MHSA Program is currently winding down. Financial assistance applications for several dozen additional projects that have already been received are expected to be completed during the next two to three years which will conclude the MHSA Program, unless it is extended.

CalHFA also has a Conduit Issuer Program that provides developers with access to tax exempt bonds for the financing of family and senior affordable housing projects. During the past several years, from 2011/12 through 2013/14, CalHFA completed 11 conduit financings with an aggregate value of about $166 million. The program was recently restructured to increase participation and it is expected that these changes will generate increased levels of conduit financing activity.

Since the 2008/09 financial crisis, workforce capabilities supporting CalHFA's Multifamily Lending Program have been reduced. The Multifamily Programs Division now has about 25 percent fewer filled positions than it had several years ago (24 filled positions now compared to 32 filled positions during 2010/11). Additionally, most staff are currently dedicated primarily to the MHSA Program, which is winding down but will continue for at least the next several years. Finally, most staff currently supporting the MHSA Program cannot be easily redirected to support a resumption of multifamily project financing activity because it would disrupt current MHSA financing pipeline projects as they are being completed and, in some cases, staff do not have sufficient knowledge, skills, abilities and experience needed to (1) develop and implement new financing programs and structures, (3) identify and develop prospects for new financings and (3) structure and underwrite loans for the projects.

It is mission critical to CalHFA to provide growing numbers of low and moderate income Californians with an increased supply of affordable multifamily rental housing in addition to preserving existing multifamily portfolio projects. However, given CalHFA's current circumstances and conditions in the capital markets, a resumption of significant multifamily project financing activity could take an extended period of time to accomplish (e.g., up to 18 to 24 months). Simply hiring a few additional staff and incorporating them into current organizational structures may not effectively address needs to resume a significant level of multifamily project financing activity and to reduce the timeframe needed to accomplish this from what would otherwise be required.

To accelerate a resumption of multifamily housing project financing activity, CalHFA recently began recruiting two (2) new Housing Finance Officers with experience in multifamily housing project financing and plans to begin cross-training staff supporting the MHSA Program so that they will be better able to support core multifamily project financing in the future. As discussed previously, CalHFA also decided to group the Multifamily Programs Division and the Asset Management Division together under a single Multifamily Director reporting directly to CalHFA's Executive Officer. The Multifamily Director will be responsible for leading, overseeing and helping to manage all components of the Agency's Multifamily Housing Program, including all programs administered and staff assigned to both the Multifamily Programs Division and the Asset Management Division, and to help coordinate CalHFA's multifamily lending and asset management programs with potential funding sources and programs administered by the Department of Housing and Community Development (HCD), the California Tax Credit Allocation Committee (TCAC) and the California Debt Limit Allocation Committee (CDLAC). Additionally, as a part of this restructuring, specialized business units were established within the former Multifamily Programs Division to provide services in specific functional areas (i.e., program policy development, multifamily lending, MHSA lending, conduit financing, and administrative support). Staff previously assigned to the Multifamily Lending Unit and Multifamily Loan Administration Unit are currently being reassigned to these specialized business units.

Exhibit A-2, in Appendix A, provides a summary listing of nine (9) recommendations for improving the organization and performance of CalHFA's Multifamily Lending Programs. Exhibit A-2 also shows the current implementation status of each recommendation.

F. Multifamily Asset Management Programs

CalHFA's Asset Management Division oversees multifamily portfolio projects previously financed by CalHFA through the Housing Assistance Trust, U.S. Department of Housing and Urban Development (HUD) Risk Share, and Rental Housing Construction Program. Each project is monitored with respect to its compliance with the financial, physical and occupancy requirements contained in loan documents and Regulatory Agreement for the project. Additionally, if the project was financed through the sale of tax-exempt revenue bonds, the Asset Management Division monitors the project throughout the Qualified Project Period to ensure compliance with applicable provisions of State and Federal law. The Asset Management Division also responds to tenant complaints and resolves problems with troubled projects, including problems involving project governance, management, and financial condition. In the case of projects with loans that have been paid off and were not recapitalized through CalHFA, the Asset Management Division is no longer required to monitor compliance with the project's Loan Agreement but, in many cases, continues to be responsible for overseeing and monitoring compliance with the project's CalHFA or CDLAC Regulatory Agreements.

Since the 2008/09 financial crisis there has been a decrease in the number of projects overseen and monitored by the Asset Management Division and a shift in the composition of these projects as some outstanding CalHFA loans have been paid off. However, additionally regulatory requirements have added complexity to project oversight processes and to the amount of time required to provide asset management services. *Excluding MHSA projects*, the Asset Management Division currently oversees and monitors 439 CalHFA multifamily projects, including:

- 320 Multifamily Portfolio, Non-Section 8 projects (27,487 affordable housing units), including 272 projects with an outstanding CalHFA loan and 48 projects without an outstanding CalHFA loan.

- 97 Section 8 projects (6,449 affordable housing units), including 52 projects that have an outstanding CalHFA loan and 45 projects without an outstanding CalHFA loan either because the CalHFA loan was repaid or financing for the project was provided separate from CalHFA. For Section 8 projects without an outstanding CalHFA loan, the Asset Management Division's oversight and monitoring responsibilities are limited to requirements related to serving as the HUD's Traditional Contract Administrator. The size of the Section 8 portfolio has been gradually diminishing, by about 25 percent, cumulatively, over the last 10 years (from 135 projects to 97 projects). However, during this period HUD imposed significant additional regulatory requirements that increased the amount of time needed by staff to perform Section 8 project oversight, compliance monitoring and subsidy administration services.
- 22 Conduit Issuer projects (2,835 affordable housing units).

Recently, significant new asset management workload emerged as 124 MHSA projects (1,894 MHSA housing units) transitioned to an asset management status. An additional 60 to 70 MHSA projects (900 to 1,000 MHSA housing units) are expected to transition to asset management status during the next 2 to 3 years. Therefore, if the MHSA Program is not extended, CalHFA will be responsible for overseeing a portfolio of about 180 MHSA properties for the next several decades. Additional staffing resources are needed to keep pace with these current and emerging MHSA workload demands.

Additionally, following a competitive selection process, in mid-2014 HUD and the U.S. Department of Health and Human Services (DHHS) awarded the State of California (HCD, the Department of Health Care Services, CalHFA and TCAC) a $12 million contract to conduct a 5-year Section 811 Demonstration Program to provide rent subsidies for eligible individuals (e.g., non-elderly disabled persons residing in residential care facilities). CalHFA's responsibilities for the Demonstration Program (e.g., administration of the program's rent subsidies) are similar to its responsibilities as Traditional Contract Administrator for Section 8 projects. To date, three (3) multifamily housing projects, involving about $1.5 million in rent subsidies, have been approved for participation in this program. Recently, HUD and DHHS awarded the State of California a contract for a second $12 million, 5-year HUD 811 Demonstration Program. It is anticipated that, over the next several years, a total of about 50 multifamily housing projects will begin participation in the two Demonstration Programs and that both of these Demonstration Programs will be extended after their initial 5-year demonstration periods, subject to future funding appropriations. The Asset Management Division is also responsible for the next two (2) years for administering the Tenant Based Rental Assistance (TBRA) Program which involves overseeing and monitoring an additional 21 multifamily housing projects (318 affordable housing units). The increased workload associated with administering the HUD 811 Demonstration Programs and the TBRA Program is expected, over time, to be offset to some extent as legacy multifamily portfolio loans continue to run off and as Section 8 project monitoring periods expire. However, in the near term additional staffing resources are needed to keep pace with this additional project oversight, compliance monitoring, and rent subsidy administration workload demand.

Exhibit A-2, in Appendix A, provides a summary listing of four (4) recommendations for improving the organization and performance of CalHFA's Multifamily Asset Management Programs. Exhibit A-2 also shows the current implementation status of each recommendation.

G. Support Service Units

CalHFA's support service units, including the Executive Office, Office of Legislative Affairs, General Counsel's Office, Financing Office, Marketing Office, Administrative Services Division, Fiscal Services Division and Information Technology Division, currently have about the same number of filled regular positions as they had during 2006/07 immediately preceding the 2008/09 financial crisis. In most cases the number of staff allocated to these business units is the same as was allocated during 2006/07. The one significant exception to this is the Fiscal Services Division which currently has five (5) more positions than it had during 2006/07. Most business units within the Fiscal Services Division currently have about the same number of staff as they had during 2006/07. One significant exception is the Single Family Accounting Section which currently has 18 filled positions compared to just 12 filled positions during 2006/07. The increase in Single Family Accounting Section staffing during this period is largely attributable to increased workload associated with servicing and accounting for a surge of troubled loans and properties following the 2008/09 financial crisis, complying with additional regulatory requirements and producing additional reports. However, much of this workload is now diminishing. For example, CalHFA recently eliminated two (2) of its nine (9) outside mortgage loan servicers, the number of whole loans serviced by CalHFA and its outside servicers is currently decreasing by 15 to 20 percent per year, delinquencies rates and loan modification volumes are declining, and backlogged REO property dispositions have been largely eliminated.

CalHFA's Fiscal Services Division, along with other support service business units, are not immune to the changes occurring in the Agency's Single Family and Multifamily Programs. In particular, as legacy single family whole loans run off and the number of troubled single family loans and properties decreases, workload will decrease in some support business units, such as the Single Family Sections within the Fiscal Services Division and the General Counsel's Office. Over time, continuing reductions in single family whole loan servicing and portfolio management workloads should enable some reductions or redirections of staff in both the Fiscal Services Division and the General Counsel's Office as has already occurred in the Single Family Loan Servicing and Portfolio Management Sections. Additionally, workloads within the Fiscal Services Division and the General Counsel's Office are likely to diminish and shift as funding available for new MHSA project financings is exhausted and the projects transition to asset management status.

CalHFA's Information Technology (IT) Division provides a broad range of IT infrastructure, information security, help desk and applications development and maintenance support services. CalHFA needs to develop and implement a structured IT governance process and an *IT Strategic Plan*. In the interim, applications development efforts should focus to the fullest extent possible on (1) supporting the development of additional Mortgage Application System (MAS) features and functionalities as needed to support accelerated growth of Homeownership Program financing activity and (2) determining whether the MAS System sufficiently addresses CalHFA's longer-term business needs. Additionally, CalHFA should pause further implementation of the SharePoint System and complete an assessment of the project, including needs for further development or implementation support and whether the system adequately addresses CalHFA's business needs.

Finally, the organization of some fiscal and administrative support services is currently somewhat fragmented. For example, multiple business groups are responsible for providing various workforce training and personnel administration support services. There is also some fragmentation in the Agency's contracting and records management services. In these and other areas CalHFA could benefit from consolidating services that have common characteristics or affinities and pooling the staffing resources allocated for provision of these services. Finally, in various areas the organizational and management structures, business processes, and workforce allocations supporting provision of the services should be modified to enable improved performance. Among these areas are included marketing, human resources, budgets, contracting and procurement, business services, and records management.

Exhibit A-3, in Appendix A, provides a summary listing of 31 recommendations for improving the organization and performance of CalHFA's support service units. Exhibit A-3 also shows the current implementation status of each recommendation.

Appendix A
Improvement Portfolio Implementation Plan

Appendix A
Improvement Portfolio Implementation Plan

This Appendix contains several summary listings containing more than 50 separate recommendations structured to improve CalHFA's organizational and programmatic performance, including recommendations for changes involving the Agency's financing and financial assistance programs, organizational structures and reporting relationships, staffing, business processes and technology support systems. These listings also show management's planned schedule for implementing each improvement initiative and the current status of these efforts. The listings are organized and presented as follows:

Exhibit	Title
A-1	Single Family Homeownership Program Improvement Implementation Plan
A-2	Multifamily Programs and Asset Management Improvement Implementation Plan
A-3	Support Service Improvement Implementation Plan.

Single Family Homeownership Program Improvement Implementation Plan

Unit		Summary Listing of Recommended Improvements	Priority (1 to 5)	Status	2015 Jan-Mar	2015 Apr-Jun	2015 Jul-Sep	2015 Oct-Dec	2016 Jan-Mar	2016 Apr-Jun	2016 Jul-Sep	2016 Oct-Dec
Lending	SF-1	Increase the pool of staffing resources available to enable accelerated growth of CalHFA's SF Lending Programs by: ✓ Merging the Lending, QA and PM Sections and realigning workforce capabilities ✓ Consolidating subordinate loan servicing within the SF Division (see SF-8) ✓ Consolidating technology systems support with other support units (see SF-10).	1	Partially Completed								
Lending	SF-2	Increase Single Family Program participation levels by: ✓ Seeking legislative approval to utilize the ZIP Extra Program with FHA loans ✓ Offering products to assist qualified homeowners with refinancings ✓ Offering products to assist borrowers with purchases of manufactured homes ✓ Offering products to assist qualified borrowers with purchases of homes in higher cost regions.	2	In Progress								
Lending	SF-3	Develop and implement marketing, outreach and training strategies to increase participation by approved CalHFA lenders/loan officers and mortgage brokers in CalHFA's Homeownership Programs.	2	In Progress								
Lending	SF-4	Continue to streamline and automate 1st Stage and 2nd Stage lender submittal and CalHFA submittal review processes.	2	In Progress								
Lending	SF-5	Reduce ongoing operating costs by downgrading or abolishing SF Lending Section positions that are not sufficiently supported at their current classification level.	3	Planned								
Lending	SF-6	Modify the policies and procedures governing re-subordinations to require at least a partial repayment of the CalHFA subordinate loan when the borrower is refinancing.	2	Planned								
Servicing	SF-7	On an interim basis, assign administrative responsibility for overseeing the Loan Servicing Section to the Chief Deputy Director. Longer term, consider transferring the Loan Servicing Section to the Fiscal Services Division.	2	Partially Completed								
Servicing	SF-8	Determine whether to transfer subordinate loan servicing responsibilities and staff to the SF Programs Division (see SF-1).	3	Deferred								
Servicing	SF-9	As workload diminishes, continue to re-size the Loan Servicing Section's workforce, including reducing and eventually eliminating the Section's use of retired annuitants, temporary help and outside consultants.	3	In Progress								
Servicing	SF-10	Transfer responsibility for collections to the Defaults Management Unit and transfer the Collections Unit Manager to the SF Programs Division (see SF-1).	2	In Progress								
Servicing	SF-11	Relocate the Loan Servicing Section to CalHFA's Headquarters (9th Floor) adjacent to the Fiscal Services Division.	2	In Progress								
Servicing	SF-12	Assess whether selected loan servicing responsibilities and staff should be transferred to other business units.	2	Planned								
Servicing	SF-13	Continue to transfer residual legacy loan portfolios from outsider servicers to the Loan Servicing Section, when appropriate.	3	In Progress								

Single Family Homeownership Program Improvement Implementation Plan

Unit		Summary Listing of Recommended Improvements	Priority (1 to 5)	Status	2015 Jan-Mar	2015 Apr-Jun	2015 Jul-Sep	2015 Oct-Dec	2016 Jan-Mar	2016 Apr-Jun	2016 Jul-Sep	2016 Oct-Dec
Portfolio Management	SF-14	Merge the Portfolio Management Section with the SF Lending Section (see SF-1).	1	Completed								
Portfolio Management	SF-15	Reduce the span of control of the Manager of the Portfolio Management Section (see SF-1 and SF-10).	3	Partially Completed								
Portfolio Management	SF-16	As SF portfolio management workload diminishes, continue to re-size the Portfolio Management Section's workforce by eliminating positions through attrition and re-directing staff to support accelerated growth of SF Lending Programs (see SF-1).	2	Partially Completed								
Strategic Business Issues	SF-17	Continue to identify and dedicate Agency funds for investment in CalHFA-sponsored downpayment assistance programs to assure long-term sustainability of CalHFA's Single Family Homeownership Program (see SF-2).	1	In Progress								

Denotes ongoing task.

Multifamily Programs and Asset Management Improvement Implementation Plan

Unit		Summary Listing of Recommended Improvements	Priority (1 to 5)	Status	2015 Jan-Mar	2015 Apr-Jun	2015 Jul-Sep	2015 Oct-Dec	2016 Jan-Mar	2016 Apr-Jun	2016 Jul-Sep	2016 Oct-Dec
Multifamily Programs	MF-1	Establish a consolidated Multifamily Programs and Asset Management Division and recruit an experienced senior executive to manage the new Multifamily Project Services Division.	1	Completed								
	MF-2	Establish specialized business units within the new Multifamily Division to provide (1) program policy development services, (2) multifamily lending services, (3) MHSA lending services, (4) conduit financing services, (5) multifamily administrative support services, and (6) asset management services.	1	In Progress								
	MF-3	Develop and implement workforce allocation and business development strategies to increase conduit financing activity.	2	In Progress								
	MF-4	Recruit 2 to 3 experienced Multifamily Housing Finance Officers.	1	In Progress								
	MF-5	Develop and implement a specific plan and schedule to train and transition staff who are not currently sufficiently utilized to help address other current or emerging business needs.	2	In Progress								
	MF-6	Assure that the fees paid to CalHFA for program admininistration services are sufficient to fully fund the Agency's costs.	3	In Progress								
	MF-7	Determine whether to extend the MHSA Program and identify any modifications to the Program's fee structure or operating processes that are needed.	1	In Progress								
	MF-8	Consolidate the Housing Finance (Rental) and Housing Finance (Management Services) classifications.	4	Deferred								
Asset Management	MF-9	See Recommendations MF-1, MF-5, MF-6, MF-7 and MF-8.										
	MF-10	Fill the Asset Management Division's two (2) vacant Housing Finance Specialist positions.	1	In Progress								
	MF-11	Establish and fill one (1) additional position at the Housing Finance Associate or Specialist level for the Occupancy Unit.	2	In Progress								
	MF-12	Align the frequency of MF Portfolio project inspections with the performance history record and characteristics of the project.	3	Planned								

Multifamily Programs and Asset Management Improvement Implementation Plan

Unit		Summary Listing of Recommended Improvements	Priority (1 to 5)	Status	2015				2016			
					Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
Strategic Business Issues	MF-13	Accelerate a resumption of significant MF housing project financing activity. ✓ Approach as a Strategic Project. ✓ Assign a Senior Executive to provide leadership (see MF-1). ✓ Establish a specialized multifamily lending business unit (see MF-2 and MF-4). ✓ Closely manage staff through use of performance management tools. ✓ Redirect underutilized staff to provide additional support (see MF-5). ✓ Identify and target unserved and under-served markets.	1	In Progress								

Denotes ongoing task.

Support Service Improvement Implementation Plan

Unit		Summary Listing of Recommended Improvements	Priority (1 to 5)	Status	2015 Jan-Mar	2015 Apr-Jun	2015 Jul-Sep	2015 Oct-Dec	2016 Jan-Mar	2016 Apr-Jun	2016 Jul-Sep	2016 Oct-Dec
Executive Office	EO-1	Reduce the Executive Director's span of control by filling selected senior executive positions that are currently vacant.	1	Completed								
	EO-2	Restructure the organization of CalHFA's Senior Management Team.	1	Completed								
	ORG-1	Identify a preferred alternative conceptual Executive Team organizational structure, refine the alternative, as needed, and use the preferred alternative structure to guide ongoing organizational development and workforce management decisions (see EO-2).	1	In Progress								
	MO-1	Transfer the Marketing Office to the newly formed Support Services Division and assign responsibility for overseeing the Marketing Office to the Division's Chief Deputy Director.	3	Completed								
	MO-2	Defer filling the vacant Director of Marketing position, establish and fill one (1) additional marketing and communications staff position at the Information Officer I level, and consider upgrading current SSM I staff to the IO II level, where supported.	4	Partially Completed								
Finance Office	FO-1	Assess whether to transfer Mortgage Insurance responsibilities to the Support Services Division (i.e., Fiscal Services Division).	4	Deferred								
	FO-2	Assess whether to transfer Agency Insurance responsibilities to the Support Services Division (e.g., Contracts Section)	3	Deferred								
	FO-3	Transfer non-accounting Bond Administration Unit responsibilities and staff to the Financing Office and consolidate residual accounting responsibilities within the appropriate Fiscal Services Division business units (see FS-5).	3	In Progress								
General Counsel's Office	GC-1	As SF loan servicing-related workloads diminish over the next 2 to 3 years, redirect staff to better support other current and emerging business needs.	3	In Progress								
	GC-2	Assess how MF Programs staff can be best utilized to complete remaining MHSA project financings and support accelerated development and implementation of new MF project financing programs and products, development of new financing prospects, and structuring and underwriting of project financings (see MF-3, MF-5 and MF-13).	1	In Progress								
	GC-3	Transfer the Compliance and Records Unit to the Support Services Division and consolidate with related services provided by that Division.	3	Planned								

Support Service Improvement Implementation Plan

Unit		Summary Listing of Recommended Improvements	Priority (1 to 5)	Status	2015 Jan-Mar	2015 Apr-Jun	2015 Jul-Sep	2015 Oct-Dec	2016 Jan-Mar	2016 Apr-Jun	2016 Jul-Sep	2016 Oct-Dec
Fiscal Services Division	FS-1	As SF loan servicing workload diminishes, consolidate additional SF loan servicing and portfolio management responsibilities within the SF Accounting Section, redirect SF Accounting Section staff to better address other business needs, and reduce Section staffing levels through attrition.	2	Planned								
	FS-2	As MHSA project financing workloads diminish, redirect MF Accounting Section staff to better support other current and emerging MF accounting workload demands.	2	Planned								
	FS-3	Consider reducing the frequency of processing employee travel expense claims (e.g., from weekly to semi-monthly or monthly).	4	In Progress								
	FS-4	Determine whether an improved or alternative process is needed by CalHFA for determining program costs.	4	Deferred								
	FS-5	Transfer Bond Administration responsibilities and staff to the Financing Office and consolidate residual accounting responsibilities within the appropriate Fiscal Services Division business units (see FO-3).	3	In Progress								
	FS-6	Focus the Division's continuous process improvement efforts on processes where current and emerging workloads best support these investments and avoid investments in processes where workloads are declining and it is unclear whether there will be a resumption of activity in the future.	3	In Progress								
Information Technology Division	IT-1	Establish a formal governance structure to support development of an Information Technology Strategic Plan and identify and prioritize information technology projects, including application development.	1	In Progress								
	IT-2	Develop Business Analyst capabilities in business units where needed to support initial and continuing development of major IT applications (e.g., Single Family Lending and Multifamily Programs).	2	Planned								
	IT-3	Develop a matrix clearly delineating roles, responsibilities and service levels for different types of server, workstation, and network appliance upgrades and enhancements.	4	Planned								
	IT-4	4.1. Pause further implementation of SharePoint. 4.2 Complete an assessment of the project's assumptions, premises, requirements and organizational commitment for further development and implementation. 4.3 Meet with groups of current users to gather input regarding system usage and viability, training needs, commitment to the system, problems experienced and suggestions for improvements. 4.4 Re-scope the project and develop a time-phased plan and schedule to address specific CalHFA business needs. 4.5 Obtain organizational and executive management sponsorship and commitment for the re-scoped project and implementation plan.	3	Initiated								

Support Service Improvement Implementation Plan

Unit			Summary Listing of Recommended Improvements	Priority (1 to 5)	Status	2015 Jan-Mar	2015 Apr-Jun	2015 Jul-Sep	2015 Oct-Dec	2016 Jan-Mar	2016 Apr-Jun	2016 Jul-Sep	2016 Oct-Dec
Administrative Services	Budgets, Contracts and Business Services	AS-1	Structure annual budgets to better account for anticipated vacancies and staff turnover during the budget year.	3	Completed								
Administrative Services	Budgets, Contracts and Business Services	AS-2	As part of the process of relocating the SF Loan Servicing Section to Headquarters, consolidate support services provided by Section staff with similar services provided by the Budgets, Contracts and Business Services Section.	3	Planned								
Administrative Services	Budgets, Contracts and Business Services	AS-3	Consider consolidating and cross-training Budgets, Contracts and Business Services Section staff currently providing either contracting or procurement services.	3	Planned								
Administrative Services	Budgets, Contracts and Business Services	AS-4	Determine whether to augment Contracts Unit staffing and how best to do so, as needed..	3	Planned								
Administrative Services	Human Resources	AS-5	Establish a SSM III position for human resource and workforce management support services and recruit an experienced human resources manager to fill the position.	1	In Progress								
Administrative Services	Human Resources	AS-6	Transfer responsibility for general reception services to the Budgets, Contracts and Business Services Section.	4	Planned								
Administrative Services	Human Resources	AS-7	As SF loan servicing workload diminishes, redirect surplus clerical support staff to augment the HR Section's clerical support staffing.	3	Planned								
Administrative Services	Human Resources	AS-8	Obtain needed training for Human Resource Section APAs and CalHFA managers and supervisors from CalHFA's Legal Office, CalHR or outside contractors.	4	Planned								
Administrative Services	Human Resources	AS-9	Obtain a *Personnel Transactions Unit Desk Manual* from another California State Government agency for use as a training tool and guide for CalHFA Transactions Unit staff (e.g., the California Air Resources Board).	4	In Progress								
Administrative Services	Human Resources	AS-10	Provide Individual Development Plan (IDP) training to managers and supervisors and establish a policy requiring completion of updated IDPs before approving requests for training.	4	Planned								

Denotes ongoing task.

State of California

M E M O R A N D U M

To: Board of Directors **Date:** June 30, 2015

Tim Hsu, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: Homeownership Loan Portfolio Report and Highlights for May 31, 2015

- The overall delinquency rate has decreased from a high of 17.94% in January 2010 to 7.45% in May 2015.
  - The delinquency rate for FHA loans has decreased from a high of 19.86% in January 2010 to 8.78% in May 2015.
  - The delinquency rate for Conventional loans has decreased from a high of 16.31% in January 2010 to 6.23% in May 2015.
- Conventional MI loans with no reinsurance have the highest delinquency rate at 13.15% (comparing all conventional and FHA loans)
- 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 64 loans (10 FHA loans and 54 Conventional loans).
- The annualized foreclosure rate for Conventional loans is 1.5 % compared to a high of 10% in 2010.
- As of May 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 614 loans (FHA and conventional) that received KYHC's Principal Reduction Program (PRP) funds, for a total of $37.7 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. The average for the last six months is approximately $23 thousand per loan.
- "Cure" rates for modified loans (current at time of modification): 84%
- "Cure" rates for modified loans (delinquent at time of modification): 69%

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CalHFA California Housing Finance Agency

HOMEOWNERSHIP LOAN PORTFOLIO DELINQUENCY, REO & SHORT SALE, UNINSURED LOSS, AND LOAN MODIFICATION REPORT

May 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	%
Federal Guaranty											
FHA	6,642	$ 656,544,165	30.70%	301	4.53%	92	1.39%	190	2.86%	583	8.78%
VA	147	13,634,307	0.64%	6	4.08%	3	2.04%	4	2.72%	13	8.84%
RHS	72	12,175,052	0.57%	3	4.17%	1	1.39%	3	4.17%	7	9.72%
Conventional loans											
with MI											
MI with Reinsurance	2,086	518,874,681	24.26%	76	3.64%	27	1.29%	77	3.69%	180	8.63%
No Reinsurance	426	93,588,584	4.38%	26	6.10%	9	2.11%	21	4.93%	56	13.15%
without MI											
Originated with no MI	3,418	580,299,243	27.13%	87	2.55%	19	0.56%	66	1.93%	172	5.03%
MI Cancelled*	1,572	263,511,781	12.32%	30	1.91%	10	0.64%	19	1.21%	59	3.75%
Total CalHFA	14,363	$ 2,138,627,812	100.00%	529	3.68%	161	1.12%	380	2.65%	1,070	7.45%
Weighted average of conventional loans:				219	2.92%	65	0.87%	183	2.44%	467	6.23%

*Cancelled per Federal Homeowner Protection Act of 1998, which grants the option to cancel the MI with 20% equity.

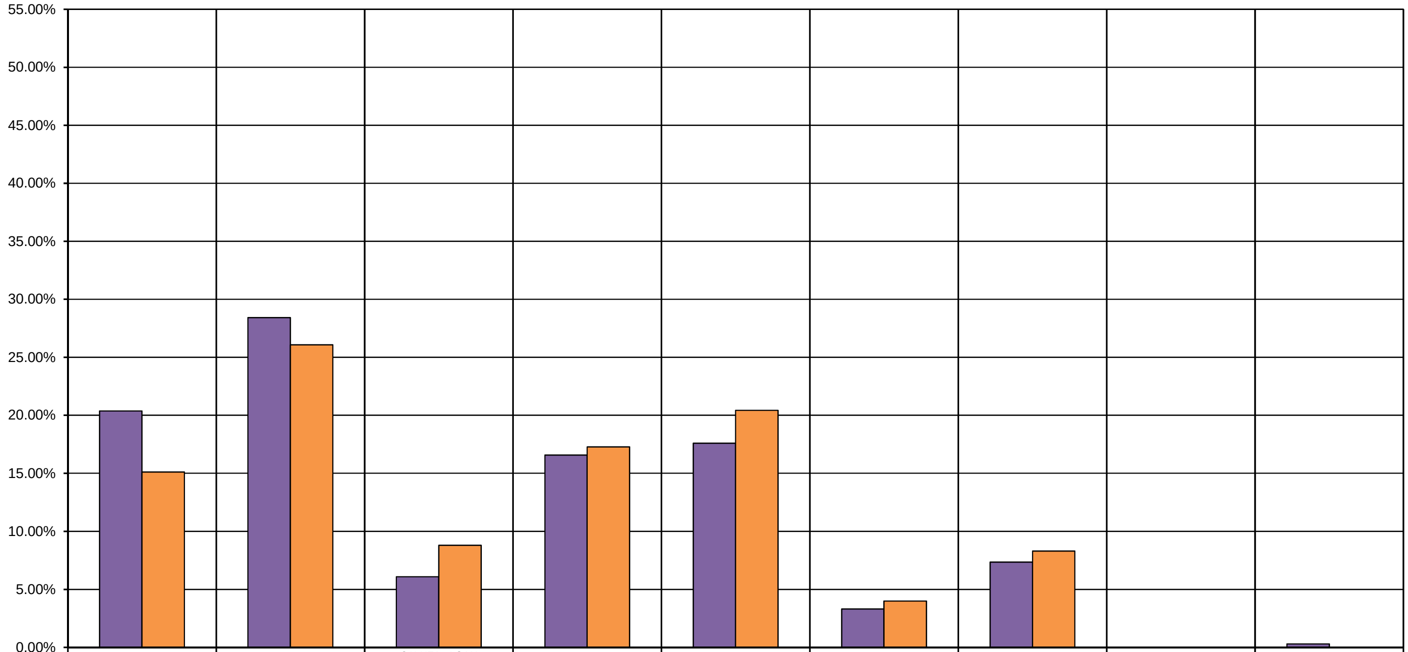
Note: In accordance with CalHFA's policy, *no trustee sale is permitted between December 15 and January 5 of any year without CalHFA's prior written approval.*

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	%
30-yr level amort											
FHA	6,642	$ 656,544,165	30.70%	301	4.53%	92	1.39%	190	2.86%	583	8.78%
VA	147	13,634,307	0.64%	6	4.08%	3	2.04%	4	2.72%	13	8.84%
RHS	72	12,175,052	0.57%	3	4.17%	1	1.39%	3	4.17%	7	9.72%
Conventional - with MI	1,112	236,918,952	11.08%	49	4.41%	17	1.53%	29	2.61%	95	8.54%
Conventional - w/o MI	4,451	725,066,465	33.90%	95	2.13%	24	0.54%	67	1.51%	186	4.18%
40-yr level amort											
Conventional - with MI	240	64,217,994	3.00%	11	4.58%	6	2.50%	16	6.67%	33	13.75%
Conventional - w/o MI	159	29,985,370	1.40%	9	5.66%	2	1.26%	5	3.14%	16	10.06%
***5-yr IOP, 30-yr amort**											
Conventional - with MI	1,160	311,326,319	14.56%	42	3.62%	13	1.12%	53	4.57%	108	9.31%
Conventional - w/o MI	380	88,759,189	4.15%	13	3.42%	3	0.79%	13	3.42%	29	7.63%
Total CalHFA	14,363	$ 2,138,627,812	100.00%	529	3.68%	161	1.12%	380	2.65%	1,070	7.45%
Weighted average of conventional loans:				219	2.92%	65	0.87%	183	2.44%	467	6.23%

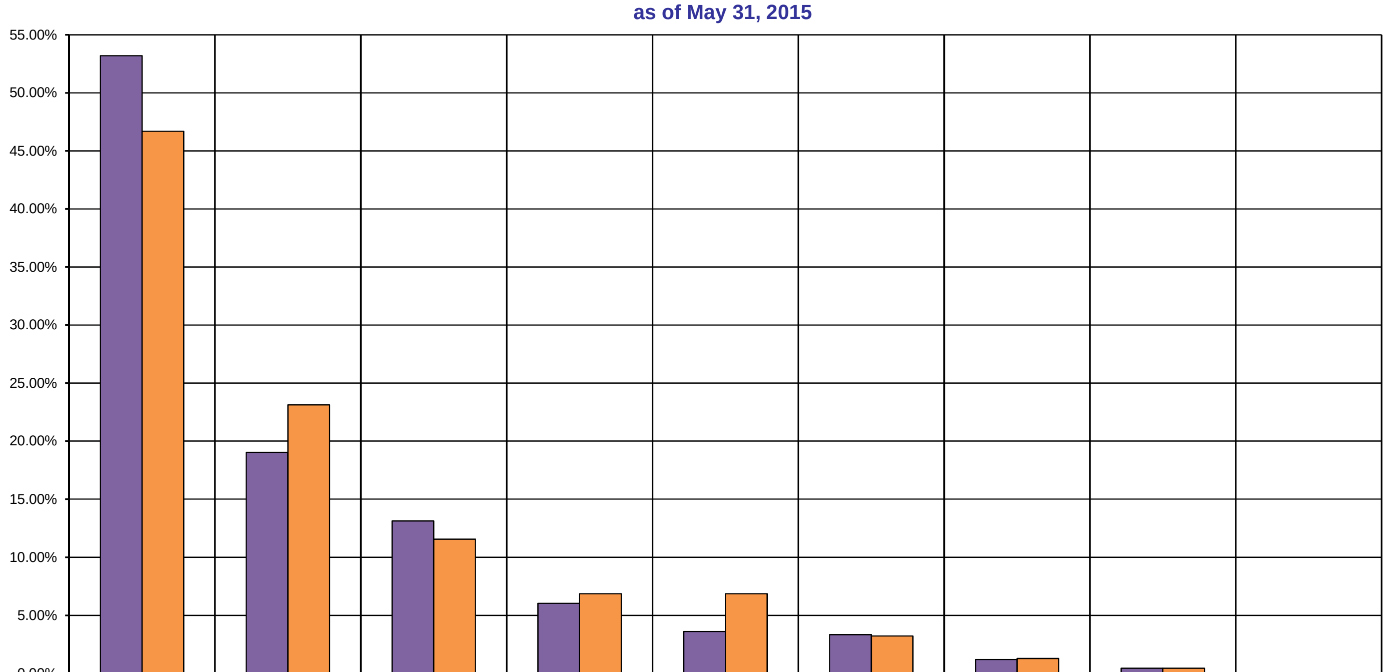
*As of April 1, 2015 all IOP loans (except 7 loans which were modified) were converted to fixed (amortizing) loans.

CalHFA FHA Loan Portfolio Performance Comparison by Servicer
(% of Total Loan Count vs. % of Total Delinquent Loan Count)
as of May 31, 2015



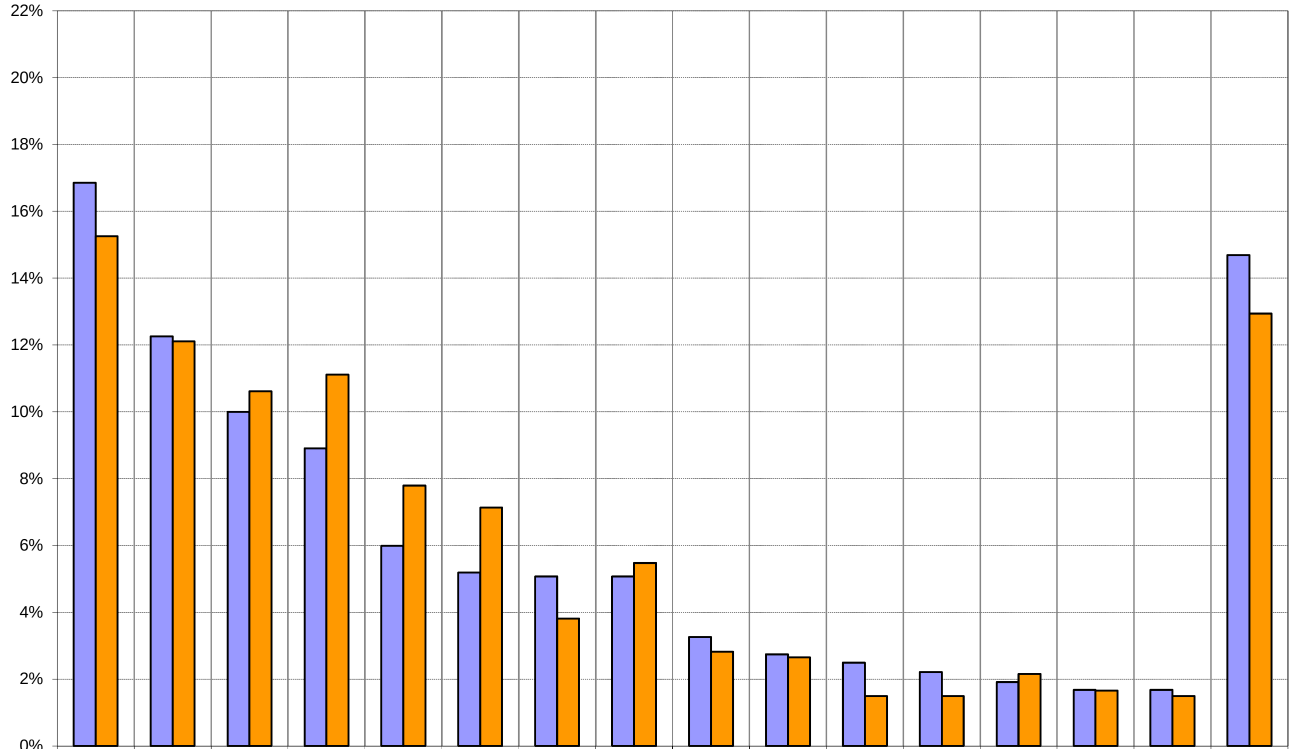
	CALHFA - LOAN SERVICING	GUILD MORTGAGE	CALHFA - LOAN SERVICING - BAC HOME LOANS	WELLS FARGO HOME MORTGAGE	EVERHOME MORTGAGE COMPANY	FIRST MORTGAGE CORP	OCWEN MORTGAGE	CITIMORTGAGE, INC.	DOVENMUEHLE MORTGAGE, INC.
% of Total Loan Count	20.38%	28.42%	6.09%	16.57%	17.59%	3.31%	7.35%	0.00%	0.29%
% of Total Delinquent Loan Count	15.12%	26.08%	8.80%	17.28%	20.43%	3.99%	8.31%	0.00%	0.00%

CalHFA Conventional Loan Portfolio Performance Comparison by Servicer
(% of Total Loan Count vs. % of Total Delinquent Loan Count)
as of May 31, 2015



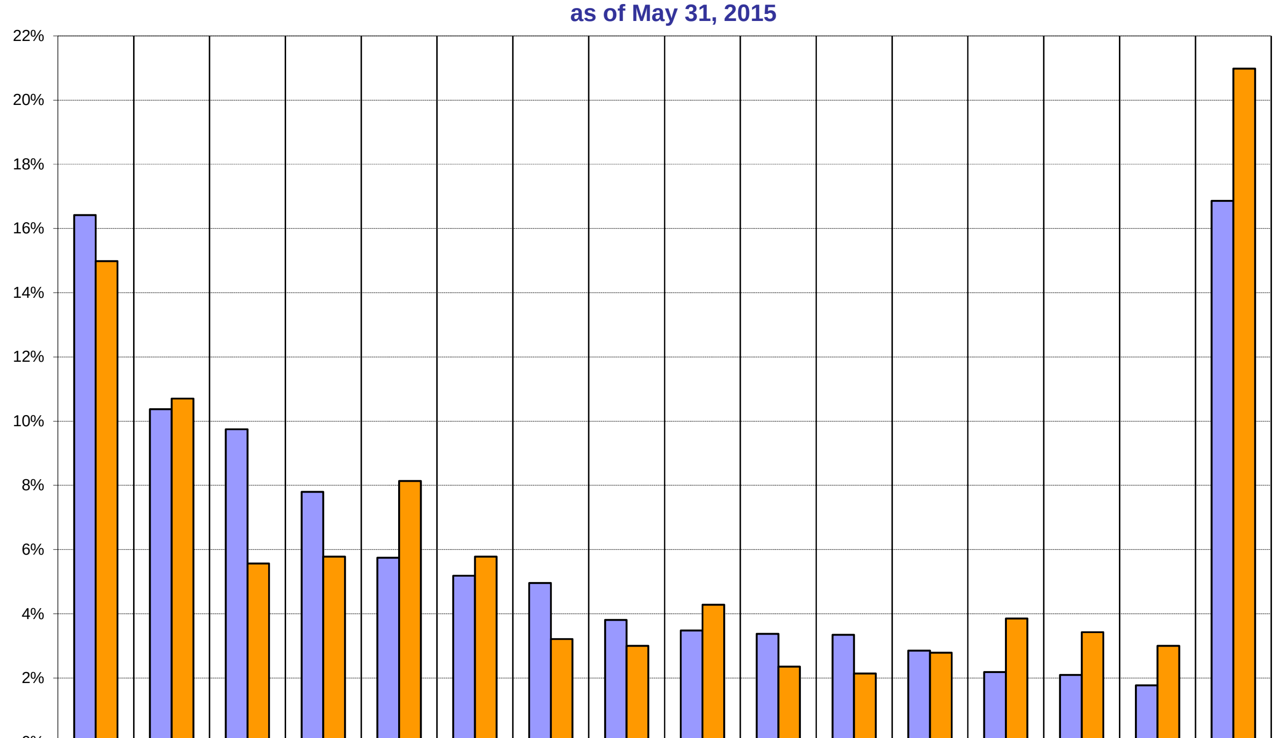
	CALHFA - LOAN SERVICING	GUILD MORTGAGE	CALHFA - LOAN SERVICING - BAC HOME LOANS	WELLS FARGO HOME MORTGAGE	EVERHOME MORTGAGE COMPANY	FIRST MORTGAGE CORP	OCWEN MORTGAGE	CITIMORTGAGE, INC.	DOVENMUEHLE MORTGAGE, INC.
% of Total Loan Count	53.20%	19.03%	13.13%	6.03%	3.61%	3.35%	1.20%	0.44%	0.01%
% of Total Delinquent Loan Count	46.68%	23.13%	11.56%	6.85%	6.85%	3.21%	1.28%	0.43%	0.00%

CalHFA FHA Loan Portfolio Performance Comparison by County
(% of Total Loan Count vs. % of Total Delinquent Loan Count)
as of May 31, 2015



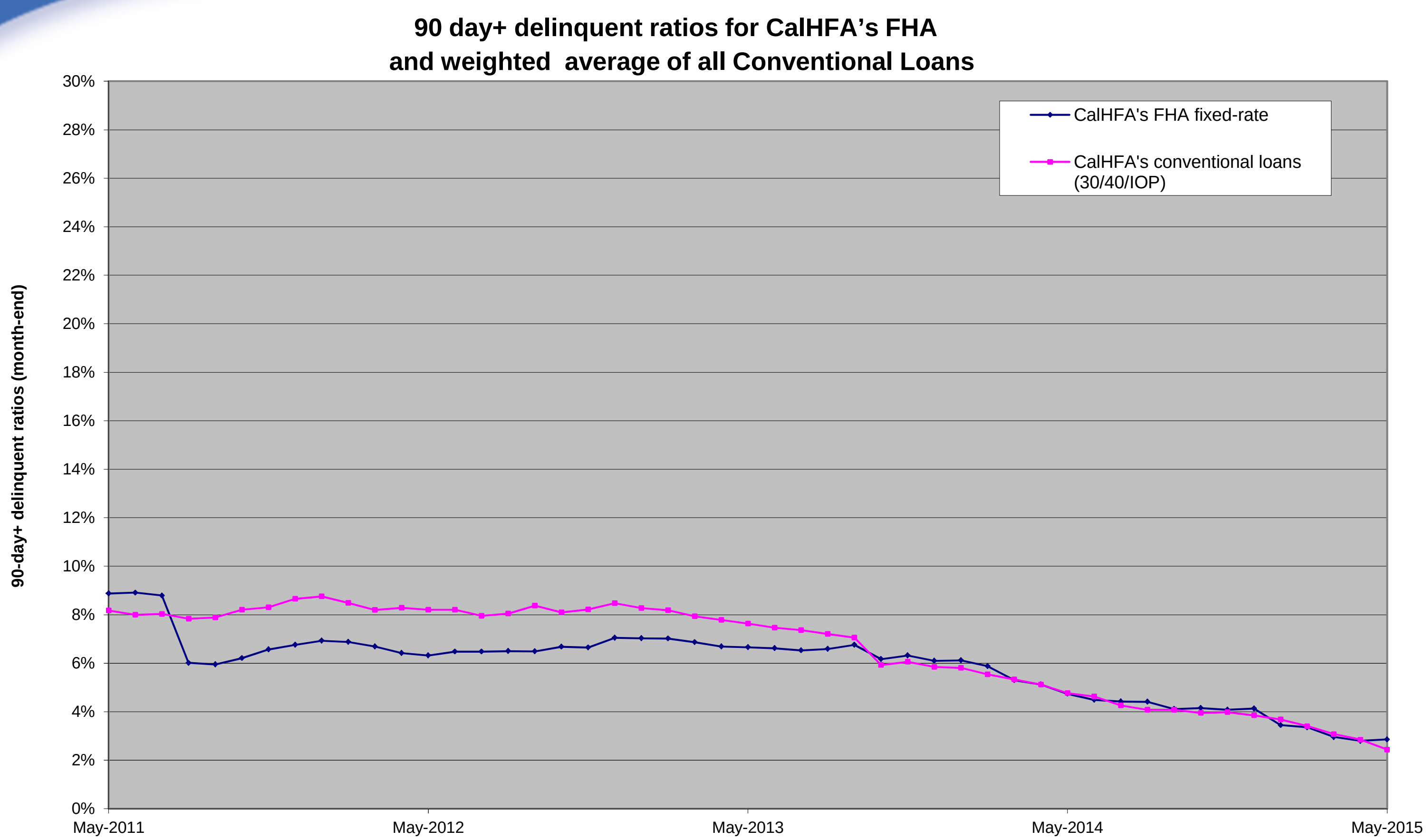
	LOS ANGELES	KERN	TULARE	FRESNO	SAN BERNARDINO	RIVERSIDE	SAN DIEGO	IMPERIAL	ORANGE	SACRAMENTO	KINGS	BUTTE	MONTEREY	SANTA BARBARA	SAN JOAQUIN	OTHER COUNTIES
% of Total Loan Count	16.85%	12.26%	10.00%	8.91%	5.99%	5.19%	5.07%	5.07%	3.26%	2.74%	2.49%	2.22%	1.91%	1.68%	1.68%	14.69%
% of Total Delinquent Loan Count	15.26%	12.11%	10.61%	11.11%	7.79%	7.13%	3.81%	5.47%	2.82%	2.65%	1.49%	1.49%	2.16%	1.66%	1.49%	12.94%

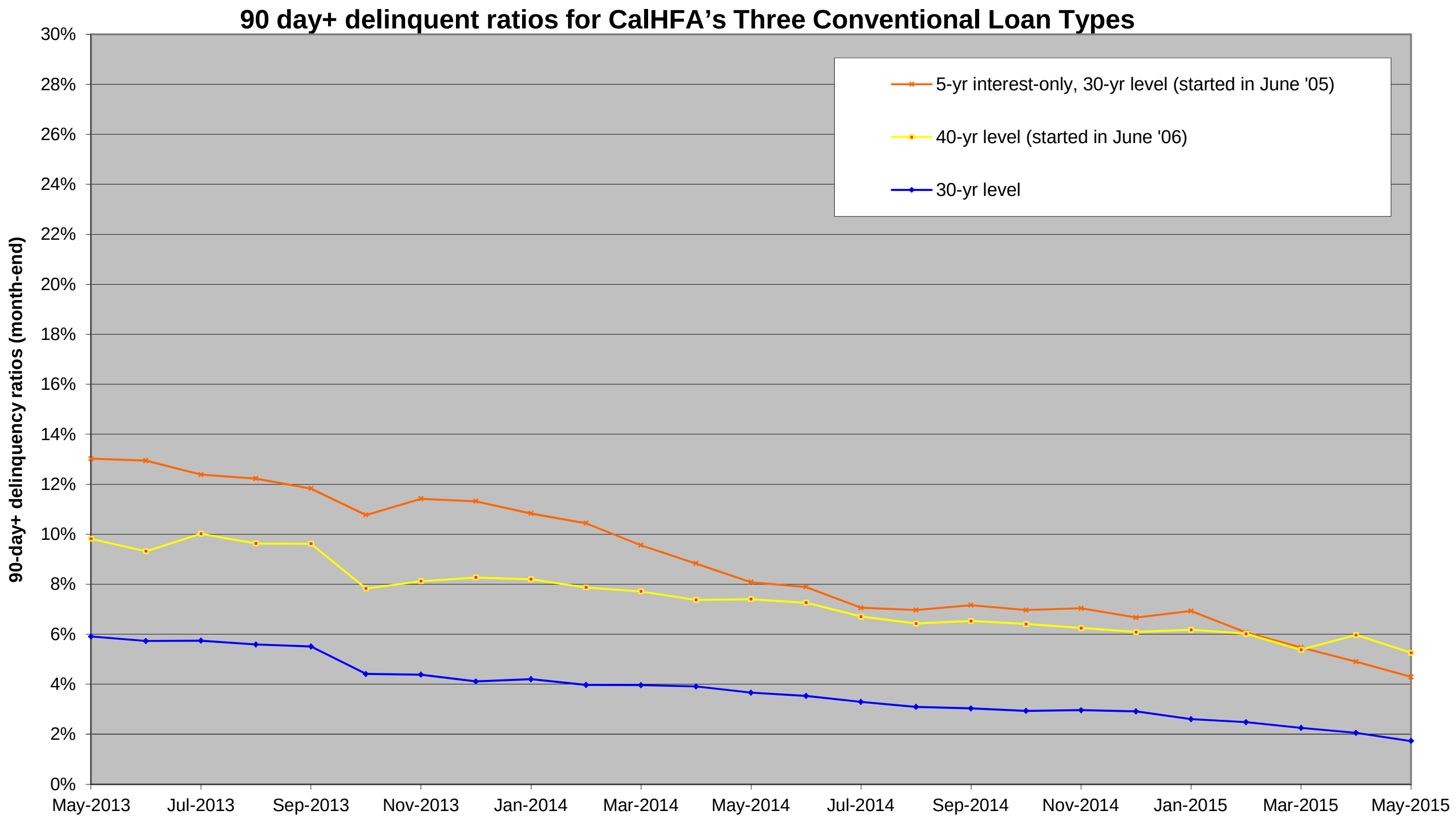
CalHFA Conventional Loan Portfolio Performance Comparison by County
(% of Total Loan Count vs. % of Total Delinquent Loan Count)
as of May 31, 2015



	LOS ANGELES	SAN DIEGO	SANTA CLARA	ALAMEDA	SACRAMENTO	CONTRA COSTA	ORANGE	VENTURA	RIVERSIDE	SONOMA	FRESNO	SAN BERNARDINO	BUTTE	TULARE	KERN	OTHER COUNTIES
% of Total Loan Count	16.42%	10.37%	9.74%	7.80%	5.75%	5.19%	4.96%	3.81%	3.48%	3.37%	3.35%	2.85%	2.19%	2.09%	1.77%	16.86%
% of Total Delinquent Loan Count	14.99%	10.71%	5.57%	5.78%	8.14%	5.78%	3.21%	3.00%	4.28%	2.36%	2.14%	2.78%	3.85%	3.43%	3.00%	20.99%

Cal HFA California Housing Finance Agency



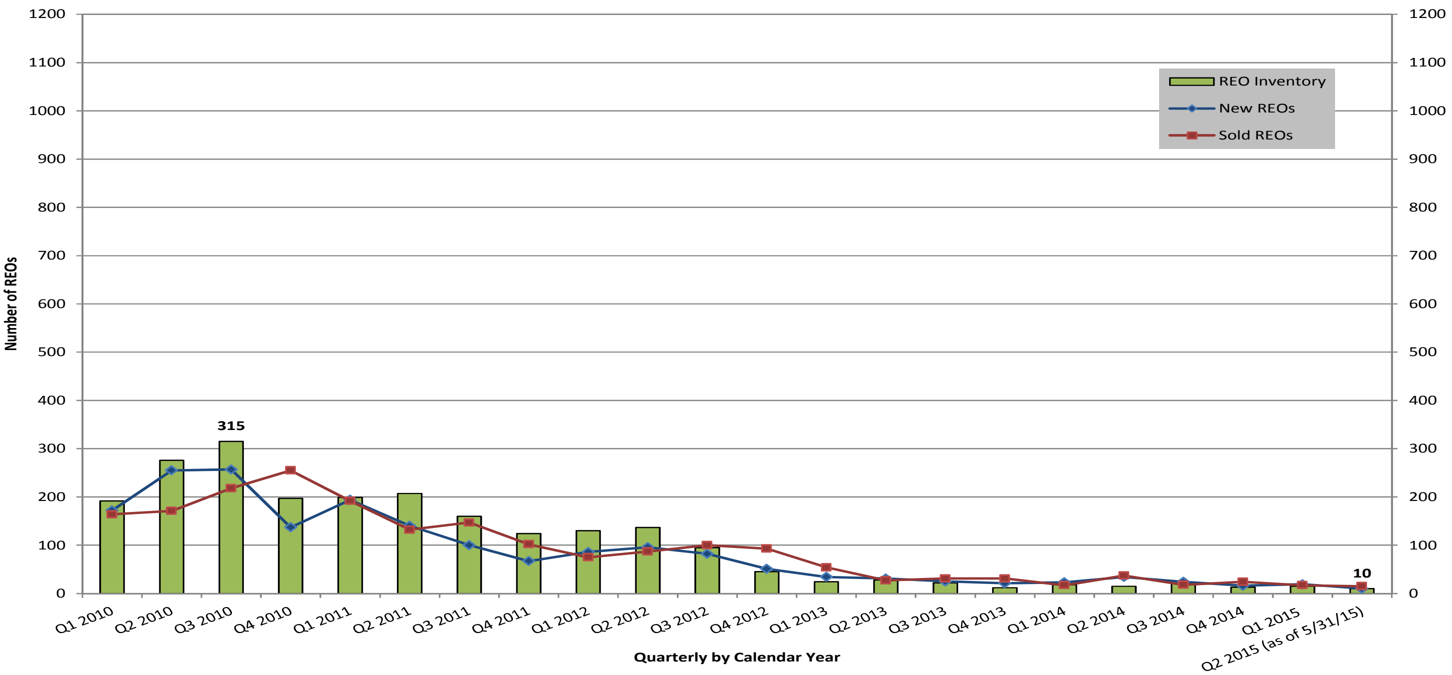


Real Estate Owned

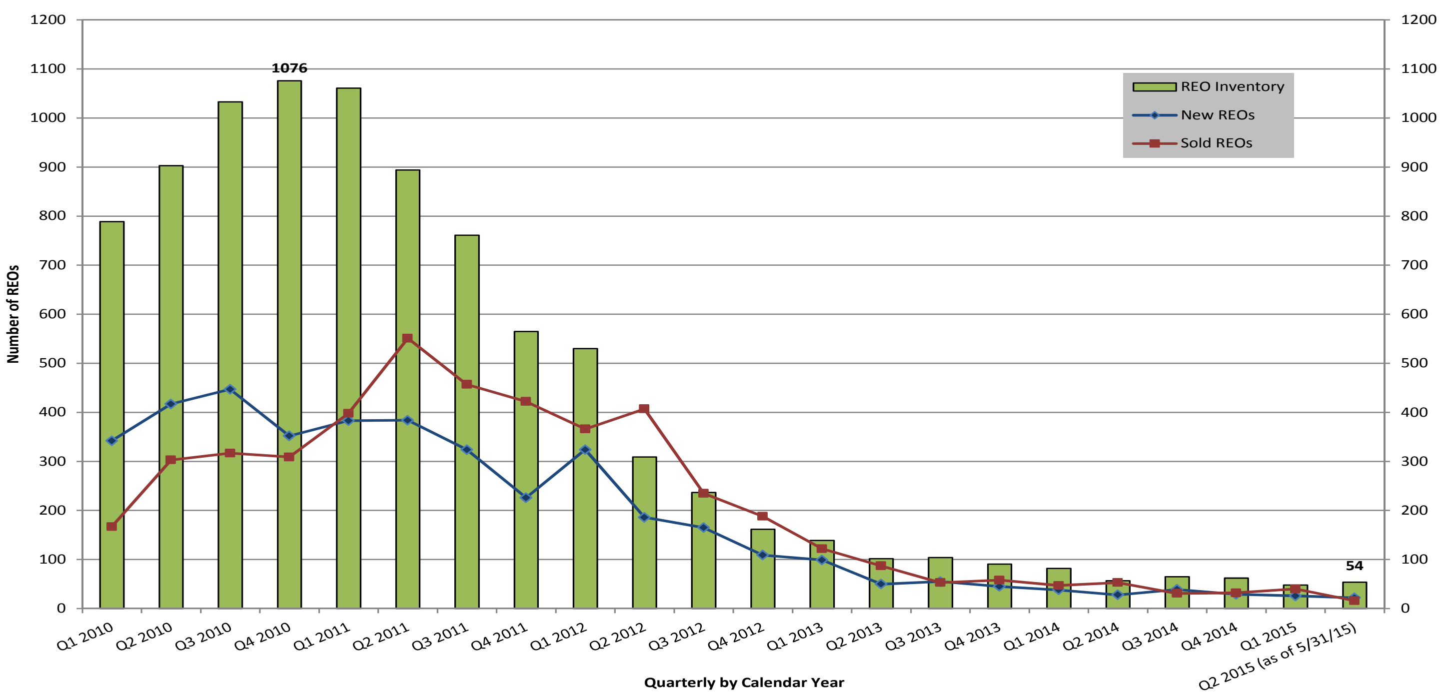
Calendar Year 2015 (As of May 31, 2015)												
			*Trustee Sales			Disposition of REO(s)						
Loan Type	Beginning Balance # of Loans	Prior Calendar Adj.	Reverted to CalHFA Jan-Apr	Reverted to CalHFA May	Total Trustee Sales	Repurchased by Lender Jan-Apr	Market Sale(s) Jan-Apr	Repurchased by Lender May	Market Sale(s) May	Total Disposition of REO(s)	Ending Balance # of Loans	UPB of REO's Owned
FHA/RHS/VA	15	(2)	26	3	29	23		9		32	10	$ 1,711,913
Conventional	60	2	39	9	48		50		6	56	54	11,877,525
Total	75	0	65	12	77	23	50	9	6	88	64	$ 13,589,438

*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 six (6) 3rd party sales to date 2015.

FHA REO Inventory

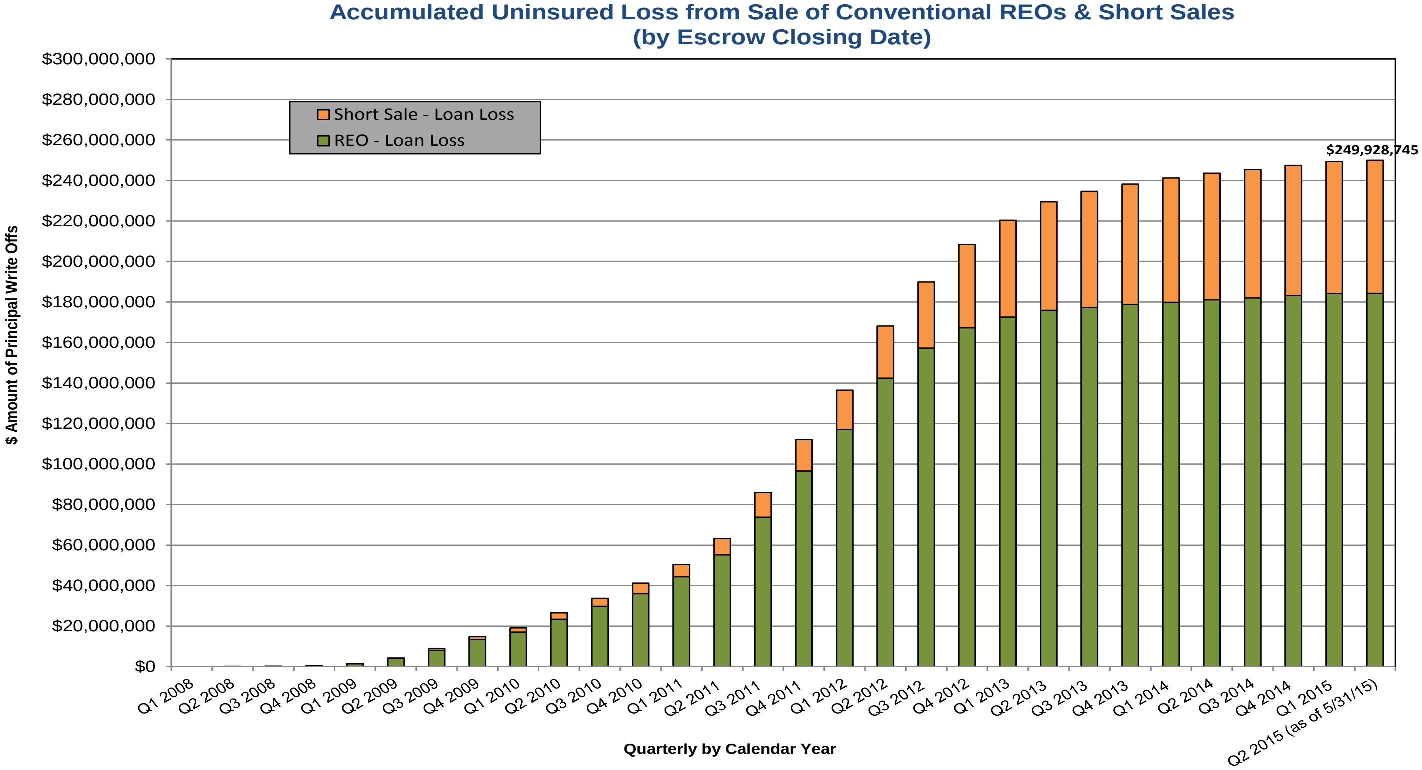


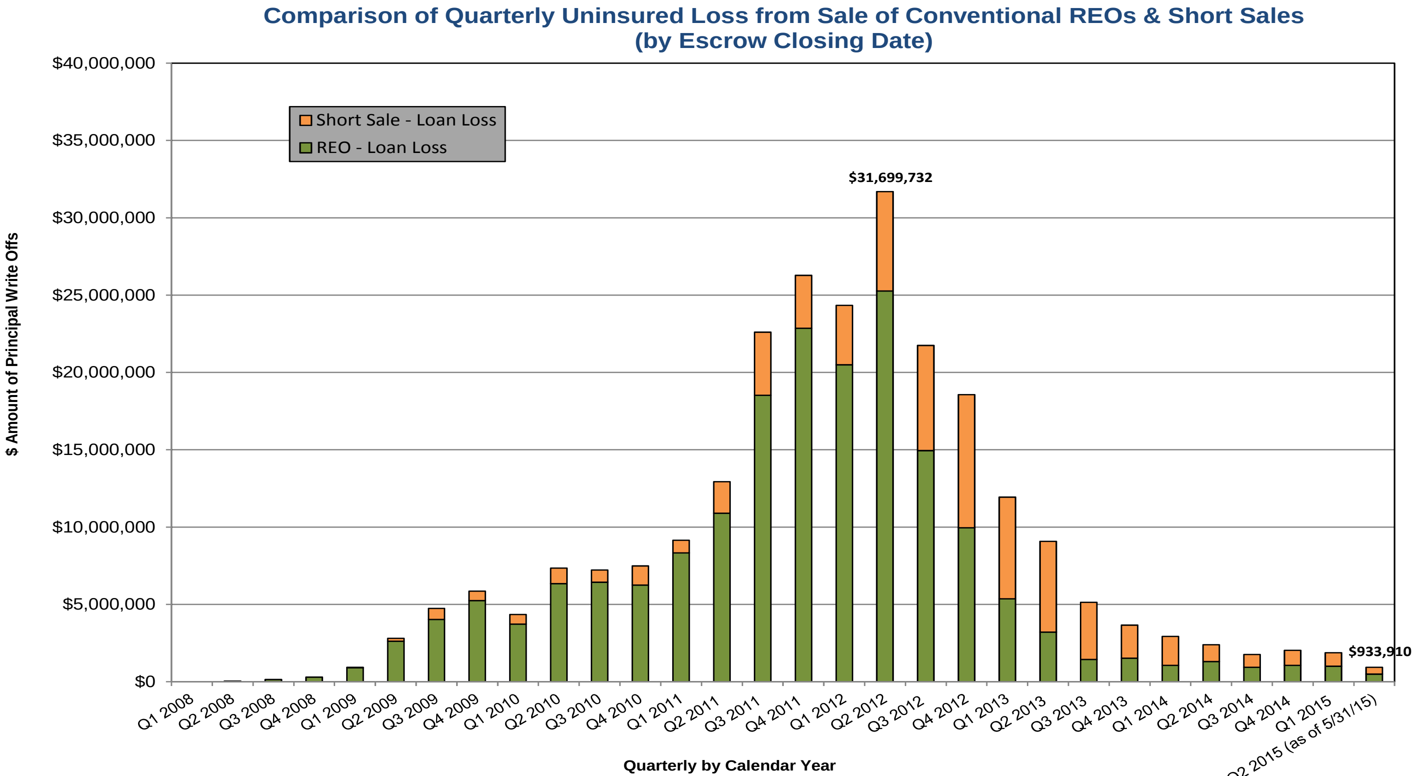
Conventional REO Inventory



2015 Year to Date Composition of 1st Trust Deed Loss
(As of May 31, 2015)

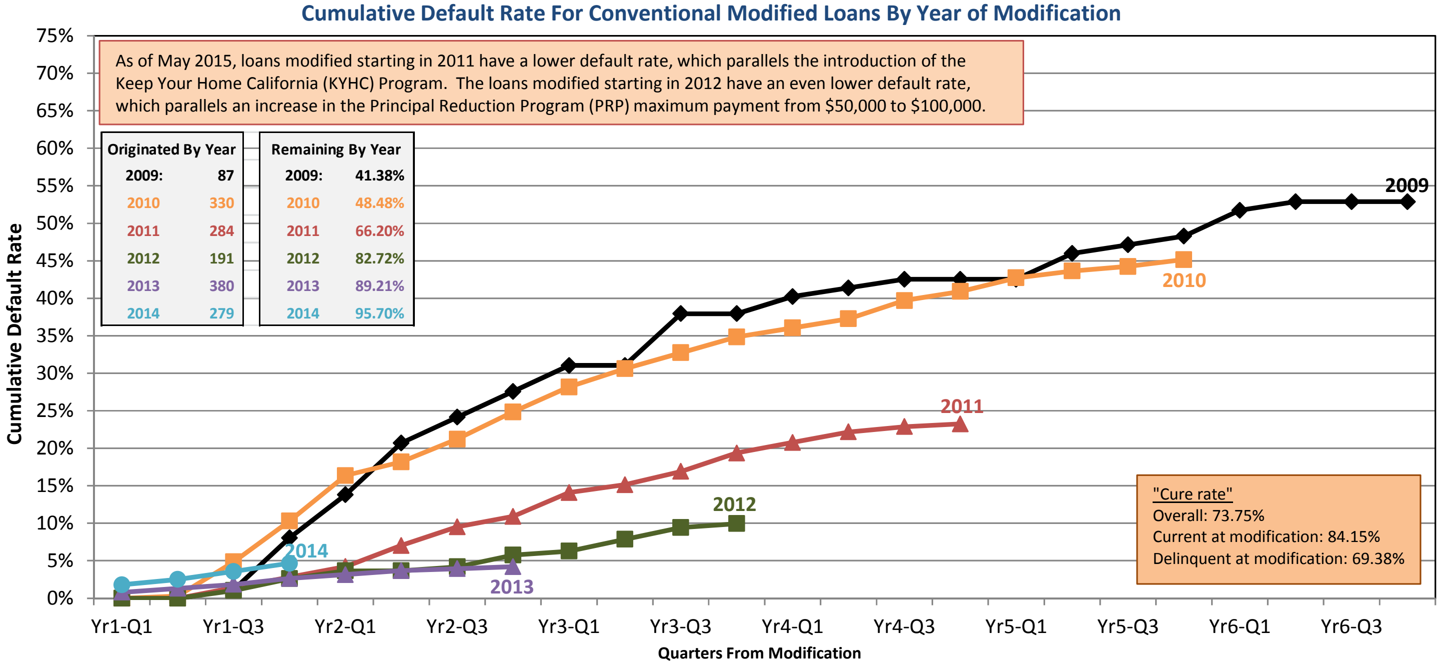
Loan Type	Disposition				Principal Write-Offs
	Repurchased by Lender	Market Sales	Short Sales	Loan Balance at Sales	
FHA/RHS/VA	32		7	$ 6,515,844	
Conventional		56	36	23,044,297	$ (2,806,655)
	32	56	43	$ 29,560,140	$ (2,806,655)



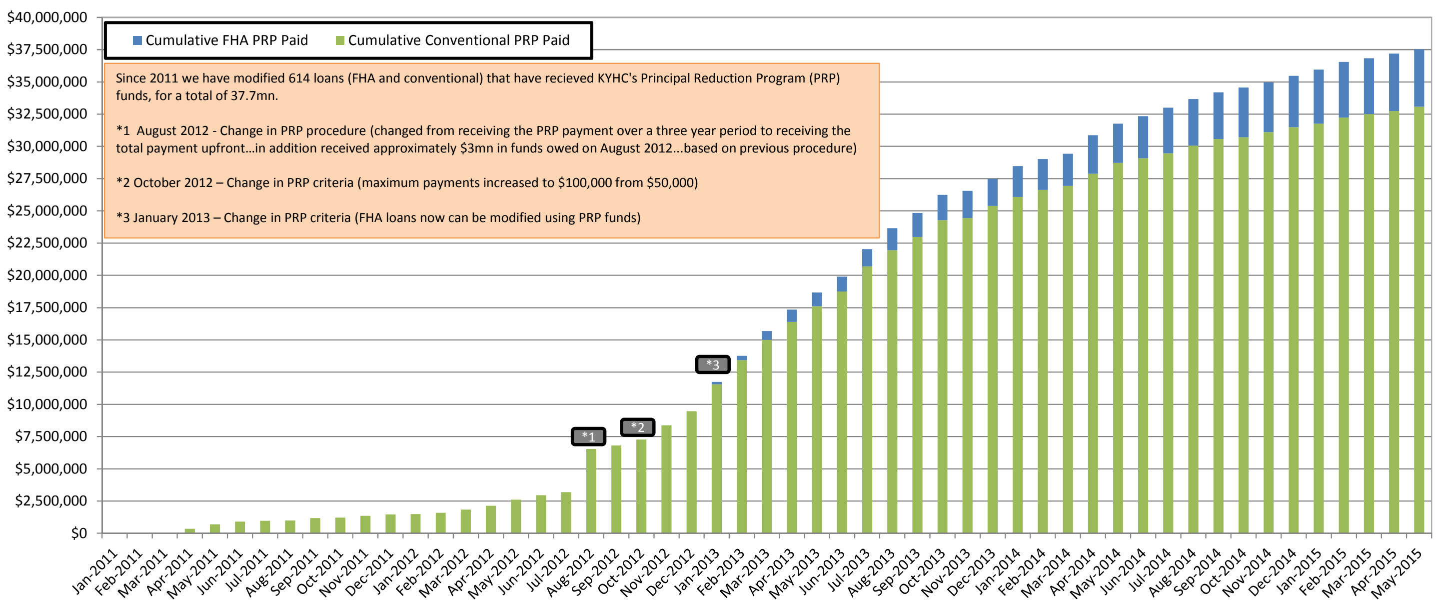


Cal HFA California Housing Finance Agency

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: CalHFA Board of Directors Date: June 29, 2015

From: Di Richardson, Director of Legislation Di
CALIFORNIA HOUSING FINANCE AGENCY

Subject: Legislative Report

Affordable Housing

AB 668 **(Gomez D) Property taxation: assessment: affordable housing.**
Status: Senate Governance and Finance Committee.

Summary Would require the county assessor to consider, when valuing real property for property taxation purposes, a recorded contract with a nonprofit corporation that meets prescribed requirements, including requirements that the nonprofit corporation has received a welfare exemption for properties intended to be sold to low-income families who participate in a special no-interest loan program, and that the contract includes a restriction on the use of the land for at least 30 years to owner-occupied housing available at affordable housing cost..

Notes: According to the author, "this bill creates consistency throughout the state by authorizing the county assessors, when determining the value of a property for tax purposes for affordable housing sold to low-income families, to consider the effect of the recorded contracts and deed restrictions on affordability between the buyer and a nonprofit organization in assessment of that land."

Building Standards/Codes

SB 7 **(Wolk D) Housing: water meters: multiunit structures.**
Status: Assembly Committee on Water, Parks and Wildlife

Summary: Would express the intent of the Legislature to encourage the conservation of water in multifamily residential rental buildings through means either within the landlord's or the tenant's control, and to ensure that the practices involving the sub-metering of dwelling units for water service are just and reasonable, and include appropriate safeguards for both tenants and landlords.

Dedicated Source

AB 1335 **(Atkins D) Building Homes and Jobs Act.**
Status: Pending Assembly Floor

Summary: This bill would impose a $75 fee for the recording of every real estate instrument, paper, or notice required or permitted by law to be recorded. Revenue generated from the fee would be deposited into the Building Homes and Jobs Trust Fund (Fund), which the bill would create, to be used for affordable housing purposes. The bill would require the Department of Housing and Community Development (HCD) to develop a plan for the investment of moneys derived from the fee. This bill would also state the intent of the Legislature to create the position of Secretary of Housing within State government.

Density Bonus

AB 744 **(Chau D) Planning and zoning: density bonuses.**
Status: Pending Senate Transportation and Housing Committee

Summary: Would prohibit, at the request of the developer, a city, county, or city and county from imposing a vehicular parking ratio in excess of 0.5 spaces per bedroom on a development that includes the maximum percentage of low- and very low income units, and is located within one-half mile of a major transit stop if there is unobstructed access to the transit stop.

Notes: According to the author, AB 744 aligns local land use decisions more closely with the goals of AB 32 and SB 375 by reducing the parking required for housing developments that include affordable units and are close to transit or are home to seniors or special needs individuals. Much of California's existing parking requirements are based on low-density and single-purpose land use designations. Parking is costly to build and maintain and can increase the cost of projects in existing development areas.

Homeless

AB 870 **(Cooley D) Homelessness: rapid rehousing.**
Status: Senate Committee on Transportation and Housing

Summary: Would establish a 2-year enhancement program within the Department of

Housing and Community Development for awarding grants to counties and private nonprofit organizations that operate a rapid rehousing program. The bill would require the department to develop guidelines to select 4 counties and private nonprofit organizations to receive these grant funds and require that eligible counties and private nonprofit organizations include those that are eligible to receive funds from the state pursuant to the Emergency Solutions Grants Program with a demonstrated high funding need.

Housing Finance

AB 90 **(Atkins D) Federal Housing Trust Fund.**
Status: Senate Transportation and Housing

Summary:
Would designate the Department of Housing and Community Development as the state agency responsible for administering funds received by the state from the federal Housing Trust Fund. This bill would require the department to administer the funds through programs that produce, preserve, rehabilitate, or support the operation of rental housing for extremely low income and very low income households, except that up to 10% of funding may be used to support homeownership for extremely low income and very low income households.

Miscellaneous

AB 447 **(Maienschein R) Property insurance: discrimination.**
Status: Senate Committee on Insurance

Summary: Current law provides that sex, race, color, religion, ancestry, national origin, disability, medical condition, genetic information, marital status, or sexual orientation shall not, of itself, constitute a condition or risk for which a higher rate, premium, or charge may be required of the insured. This bill would, for specified types of real property, add certain other facts relating to the insured or the insured property to the categories that may not be used by an insurer for the purposes described above, including, under certain circumstances, the level or source of income and the receipt of government or public assistance.

Notes: This bill, sponsored by Housing California, is intended to prohibit any company that provides residential property insurance from refusing to issue a policy to tenants of Section 8 housing.

AB 1056 **(Atkins D) Housing assistance: formerly incarcerated tenants.**
Status: Senate Committee on Public Safety.

Summary: Would require the Board of State and Community Corrections to administer a competitive grant program that focuses on community-based solutions for reducing recidivism. The bill would establish minimum criteria for the grant program and would require the board to establish an Executive Steering Committee, composed of 13 members, including a housing expert, to adopt guidelines for the submission of proposals for the grant program, including threshold or scoring criteria, or both.

Notes: According to the author's staff, this bill was introduced to create the Second Chance Community Re-Entry Program to provide post-incarceration housing supports using a rapid-rehousing model

Mortgage Lending

AB 139 **(Gatto D) Nonprobate transfers: revocable transfer upon death deeds.**
Status: Senate Judiciary Committee

Summary: Would, until January 1, 2021, create the revocable transfer on death deed (revocable TOD deed), as defined, which would transfer real property on the death of its owner without a probate proceeding. The bill would require that a person have testamentary capacity to make or revoke the deed and would require that the deed be in a statutory form provided for this purpose. The revocable TOD deed must be signed, dated, acknowledged, and recorded, as specified, to be effective.

Notes: This bill, following recommendations by the California Law Revision Commission (CLRC), allows owners of real property, until January 1, 2021, to transfer their property upon death, outside the normal probate procedure, through a written instrument known as a "revocable transfer upon death deed" (RTDD).

Tax Credits

AB 35 **(Chiu D) Income taxes: credits: low-income housing: allocation increase.**
Status: Senate Committee on Government and Finance

Summary: This bill, for calendar years beginning 2015, would increase the aggregate housing credit dollar amount that may be allocated among low-income housing projects by $300,000,000, as specified. The bill, under the insurance taxation law, the Personal Income Tax Law, and the Corporation Tax Law, would modify the definition of applicable percentage relating to qualified low-income buildings that meet specified criteria.

Notes: According to the author, "California is undergoing a serious housing affordability crisis with a shortfall of over one million affordable homes. According to a 2014 report by the California Housing Partnership Corporation, median rents in California have increased by over 20 percent while the median income has dropped by 8 percent. The private housing market is simply not meeting the demand for low to moderate income homes. The shortage is particularly challenging in the rental market, typically the last resort for lower-income households, many of whom were forced out of single-family homes during the great recession. State and Federal divestment in affordable housing has exacerbated this problem. With the elimination of California's redevelopment agencies and the exhaustion of state housing bonds, California has reduced its funding for the development and preservation of affordable homes by 79 percent -- from approximately $1.7 billion a year to nearly nothing. There is currently no permanent source of funding to compensate for this loss.

SB 377 **(Beall D) Income taxes: insurance taxes: credits: low-income housing: sale of credit.**
Status: Assembly Housing and Community Development Committee

Summary: Would, for taxable years beginning on or after January 1, 2016, and before January 1, 2026 , allow a taxpayer that is allowed a low-income housing tax credit to elect to sell all or a portion of that credit to one or more unrelated parties for each taxable year in which the credit is allowed for not less than 80% of the amount the credit to be sold, as provided.

Notes: According to the author, "SB 377 seeks to increase the impact of the state's existing low-income housing tax credit (LIHTC) with no fiscal impact to the state by structuring the credits in a way that is not subject to federal taxation. LIHTCs are awarded to developers of qualified projects and are the primary source of capital to construct and rehabilitate thousands of affordable housing units each year. Non-profit affordable housing developers, who do not have the required tax liability on their own, must seek out private equity investments for their developments. Under current law, investors must become owners of the property to claim the credits against their state tax liabilities. Due to the fact that state taxes are deductible from federal taxes, a reduction in the state tax liability increases the federal tax liability for the investor. With the federal corporate tax rate at 35%, investors will generally invest no more than 65 cents for each dollar of state credit. SB 377 addresses this issue by allowing a developer who is awarded state credits to sell the credits to an investor without admitting the investor to the ownership partnership and thereby increasing the value of the credit, closer to one dollar for each dollar of credit, to the investor. SB 377 will significantly increase the value of state LIHTCs and therefore the public benefit because it will largely eliminate the federal tax impacts associated with investors claiming state credits. It will also greatly increase the efficiency of the program and allow many more affordable housing units to be built for the same level of state tax expenditure. In other words, this bill gives the state a bigger bang for its buck."

Veterans Homeless and Housing Program

AB 253 **(Hernandez, Roger D) Mental Health**
Status: Senate Transportation and Housing Committee

Summary: Would expand the Mental Health Services Oversight and Accountability

Commission by 2 additional members who each have specified mental health knowledge and experience, to be appointed by the Governor. Would require the Department of Housing and Community Development, the California Housing Finance Agency and the California Department of Veterans affairs to give a preference to applicants for the Veterans Homeless and Housing Program to applicants that can demonstrate a multiyear funding commitment of Mental Health Services Act funding.

AB 388 **(Chang R)** **Housing: homeless veterans: reports.**
Status: Senate Transportation and Housing Committee

Summary: The Department of Housing and Community Development is required to submit an annual report to the Governor and both houses of the Legislature on the operations and accomplishments during the previous fiscal year of the housing programs administered by the department and an evaluation, in collaboration with the Department of Veterans Affairs, of any program established by the department pursuant to the Veterans Housing and Homeless Prevention Act of 2014. This bill would additionally require the evaluation to include information relating to the effectiveness in helping homeless veterans of any organization that was issued funds pursuant to that act.

Notes: According to the author, "[r]ecent program guidelines established place reporting requirements on the sponsors of Proposition 41 housing programs. The content of those reports is currently permissive and therefore leaves room for these reports to leave out information measuring the success level of these programs."

AB 1029 **(Frazier D)** **Veterans Service Providers.**
Status: Senate Appropriations Committee

Summary: Would allow entities meeting specified requirements to apply to the Department of Veterans Affairs to become certified California veteran service providers. The bill would require the department to maintain a list of certified California veteran service providers on its Internet Web site. The bill would require that certification would remain valid for 3 years unless the entity is decertified by the department. The bill would require the department to adopt rules, procedures, and regulations as necessary to decertify an entity if it no longer meets the requirements to be a certified California veteran service provider.

State of California

M E M O R A N D U M

To: CalHFA Board of Directors Date: June 29, 2015

From: Di Richardson, Director of Legislation Di
CALIFORNIA HOUSING FINANCE AGENCY

Subject: Keep Your Home California Update

Attached please find the most recent quarterly report for the KYHC program. This report covers information through March 31, 2015, which marks the end of the first quarter for this year.

I have also included the cover memo that was sent to US Treasury, which highlights the progress made over this past quarter. This and all other quarterly reports can be found on the Reports and Statistics section of the KYHC website (http://keepyourhomecalifornia.org/quarterly-reports/).

As always, please let me know if you have any questions

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May 15, 2015

To: Mark McArdle, U.S. Treasury

From: Di Richardson, President CalHFA MAC

Re: Quarterly Performance Data Report to U.S. Treasury, for period ending March 31, 2015

Attached please find a copy of the Quarterly Performance Data Report, for the period ending March 31, 2015. This report reflects the homeowner characteristics, results and outcomes for the Keep Your Home California (KYHC) Hardest Hit Fund (HHF) program.

The report describes several important milestones and accomplishments for the KYHC HHF Program.

- This quarter KYHC launched the Reverse Mortgage Assistance Pilot Program (RevMAP) to servicers with the largest California reverse mortgage portfolios. RevMAP is designed to provide financial assistance to eligible senior homeowners who are in default with their FHA home equity conversion mortgages (HECM) because of failure to pay required property expenses such as property taxes and homeowner's insurance. Eligible senior homeowners who have a valid hardship are eligible to receive up to $25,000 dollars in program assistance.

- RevMAP approved applicants for the quarter totaled 36 transactions with a benefit amount of $456,841.

The Principal Reduction Program (PRP) showed a marked improvement in the following key areas:

- The PRP transaction pipeline continues to show steady improvement. The most popular utility continues to be Recast which enables a homeowner to obtain an affordable payment and reduce the total debt associated with their first mortgage without use of a servicer-provided loan modification.
  - Of the 584 approved PRP transactions for the quarter, 394 (67%) homeowners received assistance through the Recast utility.

- For the quarter, approved PRP transactions (includes Recast, Modification and Curtailment utilities) resulted in a reduction of the median property loan-to-value from 139% to 110%. The median monthly payment was reduced $216 per month, from $1,316 to $1,100; an almost 16% reduction. The median homeowner debt-to-income ratio was also reduced from 32% to 26%.

The following chart contains pre- and post-assistance metrics for each of the three PRP utilities (i.e., Recast, Modification and Curtailment) for Q1 of calendar year 2015. Because the three PRP utilities each comprise a subset of the total PRP transaction population reported in the Quarterly Performance Report, the per-utility details provided differ from the total PRP production.

Principal Reduction Program (PRP) - Q1 2015

	Recast			Curtailment			Modification (2)		
	Pre Assistance	Post Assistance (3)	Change	Pre Assistance	Post Assistance (3)	Change	Pre Assistance	Post Assistance (3)	Change
Median Principal Balance (1)	$231,808	$172,851	-$58,957	$229,733	$159,844	-$69,889	$275,000	$234,353	-$40,647
Median Monthly Payment	$1,283	$1,073	-16%	$1,251	$1,066	-15%	$1,628	$1,287	-21%
Loan to Value	139%	109%	-22%	142%	107%	-25%	139%	114%	-18%
Debt to Income %	30%	25%	-17%	28%	25%	-11%	39%	30%	-23%
Median Assistance	$62,000			$72,000			$34,249		
Homeowners Approved	394			79			111		
Homeowners Approved	67%			14%			19%		

(1) Median Principal Balance Change includes impact of KYHC assistance and investor forbearance, if any.

(2) Post Assistance Principal Balance involving a servicer-provided loan modification includes impact of investor match and/or forbearance in addition to KYHC assistance. Median assistance reflects only KYHC contribution.

(3) Post assistance results for each PRP utility are acquired from servicer reports that are provided to KYHC on a flow basis. As a result, post-assistance results may not capture the entire population of the pre-assistance data reported for all approved homeowners.

Additional areas of interest:

- Program administration expenses, as a percentage of benefit assistance dollars provided for the quarter and from program inception, were 9.6% and 11.2%, respectively.
- Unique homeowners receiving assistance in the quarter and from program inception were 2,846 and 48,864, respectively. The total number of homeowners projected to receive assistance from KYHC programs is on target and expected to grow through calendar year 2015.

The following chart contains by-program summary data for Q1 2015.

Homeowner Approvals - Q1 2015		
Program	2015 - Q1	
Unemployment Mortgage Assistance (UMA)	2,521	63%
Mortgage Reinstatement Assistance Program (MRAP)	786	20%
Principal Reduction Program (PRP)	584	15%
Transition Assistance Program (TAP)	50	1%
Reverse Mortgage Assistance Pilot Program (RevMAP)	36	1%
Total	3,977	100%

- Despite continued improvement to California's statewide unemployment figure (1) approximately 33% of the unemployed population have been out of work for more than 27 weeks which is longer than the maximum unemployment benefit period provided by the state's Employment Development Department. This market condition lead CalHFA MAC to extend its maximum UMA program benefit period from 12 months to 18 months and enable homeowners who are no longer receiving state employment benefits to qualify for continuing benefits. This program change was implemented late in the prior quarter. As a result CalHFA MAC anticipates increased volume in the UMA program that will be reflected in upcoming reporting periods.

  (1) California's statewide unemployment rate improved from 7.9% as of March 31, 2014 to 6.5% as of March 31, 2015, which remains above the national average rate of 5.5% as of March 31, 2015.

- UMA program approved applicants for the quarter and from program inception were 2,521 and 38,847, respectively. Program to date, 25% of UMA recipients ended their assistance as a result of becoming re-employed.
  - The percentage of homeowners who ended their UMA assistance as a result of becoming re-employed for the quarter was 29.7%, which is slightly above Q4 2014. Fifty two percent (52.3%) of the homeowners who became re-employed this quarter did so between the ninth and twelfth months of receiving unemployment assistance benefits from KYHC.

- Mortgage Reinstatement Assistance Program (MRAP) approved applicants for the quarter and from program inception were 786 and 8,704, respectively. Ninety four percent (94%) of all MRAP approved applicants received assistance as a pure reinstatement. Six percent (6%) received MRAP assistance in conjunction with a servicer-provided loan modification. MRAP assistance helped reduce or eliminate arrearages and loan expenses that would have been capitalized (added) to the unpaid principal balance before the loan was modified to achieve an affordable payment.

- Overall, 99%, 98% and 93% of the homeowners still own their homes six (6), twelve (12) and twenty-four (24) months after receiving KYHC assistance, respectively. Of the 1,604 homeowners that no longer own their homes 24 months after receipt of KYHC assistance, 684 (43%) were due to home resale, 789 (49%) were due to a short sale* and 131 (8%) were due to foreclosure**. KYHC recovered $10,857,099.79 (46%) of the total assistance provided to homeowners that no longer remained in their home 24 months after receiving benefit assistance.

  * Short sale defined as a sale where KYHC did not recover 100% of assistance provided.

  ** KYHC may have recovered some portion of assistance provided.

- Seventy four percent (74%) of homeowners who received KYHC benefit assistance since program inception are below 80% of the area median income (AMI) for their county of residence.

As of the date of this report, the following chart provides year-over-year information on total and by-program servicer participation levels and growth from Q1 2014 through Q1 2015.

Servicer Participation - Q1 2015 / Q1 2014 Comparison				
Program	**2015 - Q1**	**2014 - Q1**	**% Change**	**# Change**
Unemployment Mortgage Assistance (UMA)	224	181	24%	43
Mortgage Reinstatement Assistance Program (MRAP)	218	177	23%	41
Principal Reduction Program (PRP)	154	121	27%	33
Transition Assistance Program (TAP)	147	70	110%	77
Reverse Mortgage Assistance Pilot Program (RevMAP)	5	0	100%	5
Participating in All Programs *	122	117	4%	5

* Excludes Reverse Mortgage Assistance Pilot Program.

The following tables provide summaries of the statistical reporting data for U.S. Treasury including explanations of trends and program results.

Homeowners Assisted by Program

Through March 31, 2015, 48,864 unique homeowners have received assistance from the KYHC program. Five thousand one hundred nineteen (5,119) homeowners have received secondary assistance from KYHC (i.e., never exceeding the individual or overall program cap) including 3,127 homeowners that received UMA program assistance more than once, five (5) homeowners received additional MRAP program assistance **, nineteen (19) homeowners received additional PRP program assistance and 1,968 homeowners received assistance from a unique, second KYHC program. A breakdown by program of homeowners assisted, assistance provided to date and remaining assistance committed is illustrated in the following chart.

**MRAP funds were provided, returned in error by the Servicer, and provided again. These homeowners did not receive two reinstatements.

Homeowners Assisted - Program to Date Q1 2015							
Program	**Count**		**Amount Awarded**	**Future Commitment**	**Total**	**Allocation (as of 4/6/15)**	**%**
Unemployment Mortgage Assistance (UMA)	38,847	72%	$512,751,190	$74,254,315	$587,005,506	$715,595,915	82%
Mortgage Reinstatement Assistance Program (MRAP)	8,704	16%	$117,009,246	$0	$117,009,246	$165,900,000	71%
Principal Reduction Program (PRP)	5,519	10%	$328,411,073	$0	$328,411,073	$912,598,913	36%
Transition Assistance Program (TAP)	843	2%	$2,996,389	$0	$2,996,389	$7,500,000	40%
Reverse Mortgage Assistance Pilot Program (RevMAP)	36	0%	$456,841	$0	$456,841	$25,000,000	2%
Community Second Mortgage Principal Reduction Program	34	0%	$589,210	$0	$589,210	$589,210	100%
Total	53,983	100%	$962,213,950	$74,254,315	$1,036,468,265	$1,827,184,038	57%

* Remaining Commitment consists of scheduled assistance to homeowners contingent on homeowner remaining unemployed.

Also included in the remaining commitment amount shown above, are approved homeowner transactions whose assistance was temporarily suspended by KYHC. An example of an approved but temporarily suspended transaction is a loan that is service transferred before the assistance has been paid in full to the transferor servicer. These transactions require special review and handling while the transferee servicer information is obtained. As of March 31, 2015, 69 UMA, 2 MRAP, and 2 PRP homeowners who were approved had their assistance temporarily suspended for a total of $675,284.82 in suspended assistance.

In Process Homeowners

As of March 31, 2015, a total of 6,374 homeowners were in the active pipeline, pending program eligibility determination, for one of the five KYHC programs; an increase of 273 transactions (4%) as compared to the pipeline as of December 31, 2014. A breakdown by program of homeowners "In Process" is provided in the following chart.

In Process Homeowners - Q1 2015		
Program	**#**	**%**
Unemployment Mortgage Assistance (UMA)	2,646	42%
Mortgage Reinstatement Assistance Program (MRAP)	1,827	29%
Principal Reduction Program (PRP)	1,574	25%
Transition Assistance Program (TAP)	76	1%
Reverse Mortgage Assistance Pilot Program (RevMAP)	251	4%
Total	6,374	100%

Transaction Processing Time

The chart below reflects the quarter ending March 31, 2015 and program-to-date transaction processing times (in days) for each program. The transaction processing times are extended for MRAP and PRP whenever assistance is combined with a loan modification. These transactions often require the homeowner to complete a trial payment plan which can increase the time to approve and fund a transaction by an additional three to four months.

CalHFA MAC continually monitors processing time performance to ensure that homeowners obtain the assistance they need in a timely and efficient manner.

Median Transaction Processing Time (in days) - Q1 2015		
Program	**Quarter**	**Program to Date**
Unemployment Mortgage Assistance (UMA)	50	38
Mortgage Reinstatement Assistance Program (MRAP) *	71	69
Principal Reduction Program (PRP) *	63	83
Transition Assistance Program (TAP)	58	57
Reverse Mortgage Assistance Pilot Program (RevMAP)	92	92
Total	57	48

* MRAP and PRP transactions when combined with a formal modification have an elongated processing timeframe. KYHC funds are disbursed to the servicer after the homeowner has successfully completed their trial payment plan and are ready to convert to their permanent modification.

Scheduled Assistance Disbursements

The following charts show the scheduled benefit disbursements for the UMA and PRP programs, respectively.

Unemployment Mortgage Assistance (UMA)	
Period	**Amount**
Program to Date (a)	$512,751,190
April 2015	$10,245,591
May 2015	$8,911,230
June 2015	$8,134,128
July 2015	$6,993,530
August 2015	$5,707,778
September 2015	$4,794,914
October 2015	$3,959,465
November 2015	$3,210,071
December 2015	$3,044,777
January 2016	$3,014,818
February 2016	$2,990,781
March 2016	$2,955,572
April 2016	$2,934,633
May 2016	$2,913,332
June 2016	$2,151,224
July 2016	$1,495,895
August 2016	$796,577
Program Total (b)	$587,005,506

(a) Assistance disbursed as of March 31, 2015 - Quarterly UST Report amount

Principal Reduction Program (PRP)	
Period	**Amount**
Program to Date (a)	$328,396,603
2015 - Q4 (Note 1)	$14,470
Program Total (b)	$328,411,073

(a) Assistance disbursed as of March 31, 2015

(b) Assistance reported on Quarterly UST Report

Note 1. PRP assistance for one (1) homeowner is scheduled for disbursement in the fourth quarter of 2015. This transaction was approved for assistance during the time when KYHC paid PRP over a 3-year period.

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This document describes the Housing Finance Agency (HFA) Hardest-Hit Fund (HHF) data that state HFAs are required to provide to Bank of New York Mellon. It includes quarterly borrower characteristic data and program specific performance data. All HFA HHF data submitted to Bank of New York Mellon must be accurate, complete, and in agreement with retained HFA records. Data should be reported by each state HFA by the 15th of the month following the quarter.

Data requested in the "Borrower Characteristic" worksheet should be reported in aggregate for all HHF programs run by the state HFA. Program specific data is separated into reporting tabs for each individual program. State HFAs should report program performance data on an individual program basis. A data dictionary has been provided to assist in the definition of each data point.

Report Quarter: March 31, 2015

Template Version Date: January 2015

California

HFA Performance Data Reporting- Borrower Characteristics

	3/31/2015 QTD	Cumulative
Unique Borrower Count		
Number of Unique Borrowers Receiving Assistance	2,846	48,864
Number of Unique Borrowers Denied Assistance 1	1,871	32,262
Number of Unique Borrowers Withdrawn from Program 1	2,401	33,377
Number of Unique Borrowers in Process 1	4,950	N/A
Total Number of Unique Borrower Applicants	12,068	119,453
Program Expenditures ($)		
Total Assistance Provided to Date	$78,124,795.86	$962,213,949.77
Total Spent on Administrative Support, Outreach, and Counseling	$7,502,637.11	$107,404,363.05
Borrower Income ($)		
Above $90,000	5.55%	3.76%
$70,000- $89,000	12.47%	10.03%
$50,000- $69,000	21.22%	19.29%
Below $50,000	60.75%	66.91%
Borrower Income as Percent of Area Median Income (AMI)		
Above 120%	6.39%	3.65%
110%- 119%	5.41%	4.41%
100%- 109%	6.75%	5.08%
90%- 99%	7.06%	6.08%
80%- 89%	7.59%	7.08%
Below 80%	66.80%	73.70%
Geographic Breakdown (by county)		
Alameda	61	1,539
Alpine	0	1
Amador	2	76
Butte	12	216
Calaveras	1	83
Colusa	4	33
Contra Costa	78	1,616
Del Norte	1	12
El Dorado	13	307
Fresno	144	1,622
Glenn	2	23
Humboldt	6	78
Imperial	87	489
Inyo	0	12
Kern	96	1,015
Kings	15	189
Lake	3	91
Lassen	1	18
Los Angeles	602	10,333
Madera	29	260
Marin	0	146
Mariposa	1	16
Mendocino	3	38
Merced	21	348
Modoc	0	2
Mono	0	7
Monterey	12	289
Napa	6	149
Nevada	5	155

California		
HFA Performance Data Reporting- Borrower Characteristics		
	3/31/2015 QTD	**Cumulative**
Orange	153	2,922
Placer	28	755
Plumas	3	24
Riverside	307	5,148
Sacramento	169	3,202
San Benito	5	80
San Bernardino	281	4,255
San Diego	186	3,977
San Francisco	13	221
San Joaquin	95	1,459
San Luis Obispo	11	189
San Mateo	12	374
Santa Barbara	14	270
Santa Clara	53	1,310
Santa Cruz	9	207
Shasta	7	247
Sierra	0	5
Siskiyou	4	36
Solano	43	860
Sonoma	13	480
Stanislaus	69	935
Sutter	6	132
Tehama	3	43
Trinity	0	5
Tulare	50	665
Tuolumne	3	86
Ventura	87	1,429
Yolo	11	238
Yuba	6	147
Home Mortgage Disclosure Act (HMDA)		
Borrower		
Race		
American Indian or Alaskan Native	26	303
Asian	229	3,459
Black or African American	333	4,909
Native Hawaiian or other Pacific Islander	22	442
White	1,907	28,810
Information Not Provided by Borrower	329	10,941
Ethnicity		
Hispanic or Latino	1,082	14,785
Not Hispanic or Latino	1,499	25,376
Information Not Provided by Borrower	265	8,703
Sex		
Male	1,515	25,179
Female	1,299	22,279
Information Not Provided by Borrower	32	1,406
Co-Borrower		
Race		
American Indian or Alaskan Native	15	129
Asian	175	1,919
Black or African American	134	1,389
Native Hawaiian or other Pacific Islander	19	330
White	1,232	13,711
Information Not Provided by Borrower	360	7,073

California

HFA Performance Data Reporting- Borrower Characteristics

	3/31/2015 QTD	Cumulative
Ethnicity		
Hispanic or Latino	734	7,580
Not Hispanic or Latino	891	11,025
Information Not Provided by Borrower	310	5,946
Sex		
Male	616	8,709
Female	1,223	13,794
Information Not Provided by Borrower	96	2,048
Hardship		
Unemployment	1,628	35,413
Underemployment	652	7,279
Divorce	40	486
Medical Condition	90	918
Death	89	827
Other	347	3,941
Current Loan to Value Ratio (LTV)		
<100%	72.73%	53.13%
100%-109%	6.89%	8.72%
110%-120%	5.13%	7.36%
>120%	15.25%	30.78%
Current Combined Loan to Value Ratio (CLTV)		
<100%	72.66%	52.81%
100%-119%	12.05%	16.04%
120%-139%	8.01%	11.36%
140%-159%	3.87%	7.60%
>=160%	3.41%	12.19%
Delinquency Status (%)		
Current	59.49%	63.65%
30+	7.87%	7.70%
60+	6.01%	5.75%
90+	26.63%	22.89%
Household Size		
1	640	11,800
2	671	10,663
3	488	7,895
4	569	11,767
5+	478	6,739

1 Applications marked as Denied, Withdrawn or In Process may not roll forward from prior quarter's report due to changes in the status of homeowners application for assistance.

California

HFA Performance Data Reporting- Program Performance
Unemployment Mortgage Assistance Program

	3/31/2015 QTD	Cumulative
Program Intake/Evaluation		
Approved		
Number of Applications Approved	2,521	38,847
% of Total Number of Applications	37.67%	56.84%
Denied		
Number of Applications Denied 3	420	8,350
% of Total Number of Applications	6.28%	12.22%
Withdrawn		
Number of Applications Withdrawn 4	1,106	18,497
% of Total Number of Applications	16.52%	27.07%
In Process		
Number of Applications In Process	2,646	N/A
% of Total Number of Applications	39.53%	N/A
Total		
Total Number of Applications Received	6,693	68,340
Number of Borrowers Participating in Other HFA HHF Programs or Program Components	214	1,550
Program Characteristics		
General Characteristics		
Median 1st Lien Housing Payment Before Assistance	$1,511.18	$1,563.05
Median 1st Lien Housing Payment After Assistance	$0.00	$0.00
Median 2nd Lien Housing Payment Before Assistance	$0.00	$0.00
Median 2nd Lien Housing Payment After Assistance	N/A	N/A
Median 1st Lien UPB Before Program Entry	$228,174.72	$245,214.22
Median 1st Lien UPB After Program Entry	N/A	N/A
Median 2nd Lien UPB Before Program Entry	$0.00	$0.00
Median 2nd Lien UPB After Program Entry	N/A	N/A
Median Principal Forgiveness[1]	N/A	N/A
Median Length of time Borrower Receives Assistance	N/A	9
Median Assistance Amount	$3,239.12	$12,556.81
Assistance Characteristics		
Assistance Provided to Date	$32,513,041.17	$512,751,190.41
Total Lender/Servicer Assistance Amount	N/A	N/A
Lender/Servicer Match (%)	N/A	N/A
Median Lender/Servicer Assistance per Borrower	N/A	N/A
Other Characteristics		
Median Length of Time from Initial Request to Assistance Granted	50	38
Current		
Number	2,106	31,737
%	83.54%	81.70%
Delinquent (30+)		
Number	139	2,334
%	5.51%	6.01%
Delinquent (60+)		
Number	84	1,400
%	3.33%	3.60%
Delinquent (90+)		
Number	192	3,376
%	7.62%	8.69%

California

HFA Performance Data Reporting- Program Performance
Unemployment Mortgage Assistance Program

		3/31/2015 QTD	Cumulative
Program Outcomes			
	Borrowers No Longer in the HHF Program (Program Completion/Transition or Alternative Outcomes)	2,464	33,100
Alternative Outcomes			
	Foreclosure Sale		
	Number	0	0
	%	0.00%	0.00%
	Cancelled		
	Number	43	1,771
	%	1.75%	5.35%
	Deed in Lieu		
	Number	0	0
	%	0.00%	0.00%
	Short Sale		
	Number	0	0
	%	0.00%	0.00%
Program Completion/ Transition			
	Loan Modification Program		
	Number	0	0
	%	0.00%	0.00%
	Re-employed/ Regain Appropriate Employment Level		
	Number	731	8,446
	%	29.67%	25.52%
	Reinstatement/Current/Payoff		
	Number	0	0
	%	0.00%	0.00%
	Short Sale		
	Number	N/A	N/A
	%	N/A	N/A
	Deed in Lieu		
	Number	N/A	N/A
	%	N/A	N/A
	Other - Borrower Still Owns Home		
	Number	1,690	22,883
	%	68.59%	69.13%
Homeownership Retention[2]			
	Six Months Number	N/A	34,573
	Six Months %	N/A	99.39%
	Twelve Months Number	N/A	29,728
	Twelve Months %	N/A	97.98%
	Twenty-four Months Number	N/A	17,936
	Twenty-four Months %	N/A	92.79%
	Unreachable Number	N/A	36
	Unreachable %	N/A	0.10%

1. Includes second mortgage settlement

2. Borrower still owns home

3 One application required a re-counsel in this quarter. Application was determined to be ineligible for program assistance.

4 Two applications are no longer being reported as Withdrawn due to them being duplicate homeowner applications.

Statistics are based on number of Approved Applications

Program Outcome results may not carryforward from prior quarters due to reclassifications of outcome based on additional information and/or continued improvements in KYHC's data collection processes.

California			
HFA Performance Data Reporting- Program Performance Principal Reduction Program			
		3/31/2015 QTD	Cumulative
Program Intake/Evaluation			
	Approved		
	Number of Applications Approved	584	5,519
	% of Total Number of Applications	14.37%	14.07%
	Denied		
	Number of Applications Denied 4	1,112	19,813
	% of Total Number of Applications	27.36%	50.51%
	Withdrawn		
	Number of Applications Withdrawn 5	794	12,319
	% of Total Number of Applications	19.54%	31.41%
	In Process		
	Number of Applications In Process	1,574	N/A
	% of Total Number of Applications	38.73%	N/A
	Total		
	Total Number of Applications Received	4,064	39,225
	Number of Borrowers Participating in Other HFA HHF Programs or Program Components	13	65
Program Characteristics			
General Characteristics			
	Median 1st Lien Housing Payment Before Assistance	$1,316.07	$1,632.76
	Median 1st Lien Housing Payment After Assistance	$1,099.92	$1,309.86
	Median 2nd Lien Housing Payment Before Assistance	$0.00	$0.00
	Median 2nd Lien Housing Payment After Assistance	N/A	N/A
	Median 1st Lien UPB Before Program Entry	$239,393.91	$278,998.62
	Median 1st Lien UPB After Program Entry	$180,640.50	$214,709.30
	Median 2nd Lien UPB Before Program Entry	$0.00	$0.00
	Median 2nd Lien UPB After Program Entry	N/A	N/A
	Median Principal Forgiveness[1]	$61,000.00	$76,000.00
	Median Length of Time Borrower Receives Assistance	N/A	N/A
	Median Assistance Amount	$58,000.00	$56,000.00
Assistance Characteristics			
	Assistance Provided to Date	$34,028,789.59	$328,411,073.21
	Total Lender/Servicer Assistance Amount	$1,911,442.03	$86,298,187.59
	Borrowers Receiving Lender/Servicer Match (%)	11.13%	29.30%
	Median Lender/Servicer Assistance per Borrower	$19,406.26	$40,424.25
Other Characteristics			
	Median Length of Time from Initial Request to Assistance Granted	63	83
	Current		
	Number	300	2,610
	%	51.37%	47.29%
	Delinquent (30+)		
	Number	48	426
	%	8.22%	7.72%
	Delinquent (60+)		
	Number	30	352
	%	5.14%	6.38%
	Delinquent (90+)		
	Number	206	2,131
	%	35.27%	38.61%

California

HFA Performance Data Reporting- Program Performance
Principal Reduction Program

		3/31/2015 QTD	Cumulative
Program Outcomes			
	Borrowers No Longer in the HHF Program (Program Completion/Transition or Alternative Outcomes)	584	5,519
Alternative Outcomes			
	Foreclosure Sale		
	Number	0	0
	%	0.00%	0.00%
	Cancelled 3		
	Number	2	133
	%	0.34%	2.41%
	Deed in Lieu		
	Number	0	0
	%	0.00%	0.00%
	Short Sale		
	Number	0	0
	%	0.00%	0.00%
Program Completion/ Transition			
	Loan Modification Program 3		
	Number	111	2,316
	%	19.01%	41.96%
	Re-employed/ Regain Appropriate Employment Level		
	Number	N/A	N/A
	%	N/A	N/A
	Reinstatement/Current/Payoff 3		
	Number	471	3,070
	%	80.65%	55.63%
	Short Sale		
	Number	N/A	N/A
	%	N/A	N/A
	Deed in Lieu		
	Number	N/A	N/A
	%	N/A	N/A
	Other - Borrower Still Owns Home		
	Number	0	0
	%	0.00%	0.00%
Homeownership Retention [2]			
	Six Months Number	N/A	4,404
	Six Months %	N/A	99.75%
	Twelve Months Number	N/A	3,420
	Twelve Months %	N/A	99.13%
	Twenty-four Months Number	N/A	1,101
	Twenty-four Months %	N/A	96.07%
	Unreachable Number	N/A	4
	Unreachable %	N/A	0.09%

1. Includes second mortgage settlement
2. Borrower still owns home
3. Four homeowners cancelled assistance that KYHC approved in prior quarters (2 Reinstatement, 2 Loan Modifiaction).

4 One application previously reported as Denied was determed to be a duplicate transaction and is no longer reported.

5 One application previously reported as Withdrawn was determined to be a duplicate application and is no longer reported.

Statistics are based on number of Approved Applications

Program Outcome results may not carryforward from prior quarters due to reclassifications of outcome based on additional information and/or continued improvements in KYHC's data collection processes.

California

HFA Performance Data Reporting- Program Performance
Mortgage Reinstatement Assistance Program

		3/31/2015 QTD	Cumulative
Program Intake/Evaluation			
	Approved		
	Number of Applications Approved	786	8,704
	% of Total Number of Applications	14.65%	15.56%
	Denied		
	Number of Applications Denied 5	1,148	20,693
	% of Total Number of Applications	21.39%	36.99%
	Withdrawn		
	Number of Applications Withdrawn	1,605	24,714
	% of Total Number of Applications	29.91%	44.18%
	In Process		
	Number of Applications In Process	1,827	N/A
	% of Total Number of Applications	34.05%	N/A
	Total		
	Total Number of Applications Received	5,366	55,938
	Number of Borrowers Participating in Other HFA HHF Programs or Program Components	53	353
Program Characteristics			
General Characteristics			
	Median 1st Lien Housing Payment Before Assistance	$1,458.67	$1,415.85
	Median 1st Lien Housing Payment After Assistance	N/A	N/A
	Median 2nd Lien Housing Payment Before Assistance	$0.00	$0.00
	Median 2nd Lien Housing Payment After Assistance	N/A	N/A
	Median 1st Lien UPB Before Program Entry	$234,541.61	$236,411.39
	Median 1st Lien UPB After Program Entry	N/A	N/A
	Median 2nd Lien UPB Before Program Entry	$0.00	$0.00
	Median 2nd Lien UPB After Program Entry	N/A	N/A
	Median Principal Forgiveness[1]	N/A	N/A
	Median Length of time Borrower Receives Assistance	N/A	N/A
	Median Assistance Amount	$13,015.47	$12,301.59
Assistance Characteristics			
	Assistance Provided to Date	$10,956,904.34	$117,009,245.51
	Total Lender/Servicer Assistance Amount	$0.00	$0.00
	Borrowers Receiving Lender/Servicer Match (%)	0.00%	0.00%
	Median Lender/Servicer Assistance per Borrower	$0.00	$0.00
Other Characteristics			
	Median Length of Time from Initial Request to Assistance Granted	71	69
	Current		
	Number	1	28
	%	0.13%	0.32%
	Delinquent (30+)		
	Number	123	1391
	%	15.65%	15.98%
	Delinquent (60+)		
	Number	106	1307
	%	13.49%	15.02%
	Delinquent (90+)		
	Number	556	5,978
	%	70.74%	68.68%

California

HFA Performance Data Reporting- Program Performance
Mortgage Reinstatement Assistance Program

		3/31/2015 QTD	Cumulative
Program Outcomes 4			
	Borrowers No Longer in the HHF Program (Program Completion/Transition or Alternative Outcomes)	784	8,702
Alternative Outcomes			
	Foreclosure Sale		
	Number	0	0
	%	0.00%	0.00%
	Cancelled 3		
	Number	0	77
	%	0.00%	0.88%
	Deed in Lieu		
	Number	0	0
	%	0.00%	0.00%
	Short Sale		
	Number	0	0
	%	0.00%	0.00%
Program Completion/ Transition			
	Loan Modification Program		
	Number	45	461
	%	5.74%	5.30%
	Re-employed/ Regain Appropriate Employment Level		
	Number	N/A	N/A
	%	N/A	N/A
	Reinstatement/Current/Payoff 3		
	Number	739	8,164
	%	94.26%	93.82%
	Short Sale		
	Number	N/A	N/A
	%	N/A	N/A
	Deed in Lieu		
	Number	N/A	N/A
	%	N/A	N/A
	Other - Borrower Still Owns Home		
	Number	0	0
	%	0.00%	0.00%
Homeownership Retention[2]			
	Six Months Number	N/A	7,138
	Six Months %	N/A	99.57%
	Twelve Months Number	N/A	5,451
	Twelve Months %	N/A	98.36%
	Twenty-four Months Number	N/A	3,018
	Twenty-four Months %	N/A	93.76%
	Unreachable Number	N/A	9
	Unreachable %	N/A	0.13%

1. Includes second mortgage settlement

2. Borrower still owns home

3. Five homeowners cancelled assistance that KYHC approved in prior quarters, previously reported in Reinstatement classification.

4. Two homeowners approved in current quarter will receive a supplement payment next quarter and therefore are not counted in Program Outcomes section until all assistance is funded.

5 One application previously reported as Denied was determined to be a duplicate application and is no longer reported.

Statistics are based on number of Approved Applications

Program Outcome results may not carryforward from prior quarters due to reclassifications of outcome based on additional information and/or continued improvements in KYHC's data collection processes.

California

HFA Performance Data Reporting- Program Performance
Transition Assistance Program

		3/31/2015 QTD	Cumulative
Program Intake/Evaluation			
	Approved		
	Number of Applications Approved	50	843
	% of Total Number of Applications	27.03%	42.71%
	Denied		
	Number of Applications Denied *	19	436
	% of Total Number of Applications	10.27%	22.09%
	Withdrawn		
	Number of Applications Withdrawn *	40	619
	% of Total Number of Applications	21.62%	31.36%
	In Process		
	Number of Applications In Process *	76	N/A
	% of Total Number of Applications	41.08%	N/A
	Total		
	Total Number of Applications Received	185	1,974
	Number of Borrowers Participating in Other HFA HHF Programs or Program Components	0	0
Program Characteristics			
General Characteristics			
	Median 1st Lien Housing Payment Before Assistance	$1,710.85	$1,844.13
	Median 1st Lien Housing Payment After Assistance	N/A	N/A
	Median 2nd Lien Housing Payment Before Assistance	$0.00	$0.00
	Median 2nd Lien Housing Payment After Assistance	N/A	N/A
	Median 1st Lien UPB Before Program Entry	$296,352.59	$312,876.00
	Median 1st Lien UPB After Program Entry	N/A	N/A
	Median 2nd Lien UPB Before Program Entry	$0.00	$0.00
	Median 2nd Lien UPB After Program Entry	N/A	N/A
	Median Principal Forgiveness[1]	N/A	N/A
	Median Length of time Borrower Receives Assistance	N/A	N/A
	Median Assistance Amount	$2,110.00	$4,000.00
Assistance Characteristics			
	Assistance Provided to Date	$169,220.00	$2,996,389.47
	Total Lender/Servicer Assistance Amount	N/A	N/A
	Lender/Servicer Match (%)	N/A	N/A
	Median Lender/Servicer Assistance per Borrower	N/A	N/A
Other Characteristics			
	Median Length of Time from Initial Request to Assistance Granted	58	57
	Current		
	Number	1	25
	%	2.00%	2.97%
	Delinquent (30+)		
	Number	1	17
	%	2.00%	2.02%
	Delinquent (60+)		
	Number	1	17
	%	2.00%	2.02%
	Delinquent (90+)		
	Number	47	784
	%	94.00%	93.00%

California

HFA Performance Data Reporting- Program Performance
Transition Assistance Program

		3/31/2015 QTD	Cumulative
Program Outcomes			
	Borrowers No Longer in the HHF Program (Program Completion/Transition or Alternative Outcomes)	50	843
Alternative Outcomes			
	Foreclosure Sale		
	Number	0	0
	%	0.00%	0.00%
	Cancelled		
	Number	0	0
	%	0.00%	0.00%
	Deed in Lieu		
	Number	N/A	N/A
	%	N/A	N/A
	Short Sale		
	Number	N/A	N/A
	%	N/A	N/A
Program Completion/ Transition			
	Loan Modification Program		
	Number	N/A	N/A
	%	N/A	N/A
	Re-employed/ Regain Appropriate Employment Level		
	Number	N/A	N/A
	%	N/A	N/A
	Reinstatement/Current/Payoff		
	Number	N/A	N/A
	%	N/A	N/A
	Short Sale		
	Number	50	841
	%	100.00%	99.76%
	Deed in Lieu		
	Number	0	2
	%	0.00%	0.24%
	Other - Borrower Still Owns Home		
	Number	N/A	N/A
	%	N/A	N/A
Homeownership Retention[2]			
	Six Months Number	N/A	N/A
	Six Months %	N/A	N/A
	Twelve Months Number	N/A	N/A
	Twelve Months %	N/A	N/A
	Twenty-four Months Number	N/A	N/A
	Twenty-four Months %	N/A	N/A
	Unreachable Number	N/A	N/A
	Unreachable %	N/A	N/A

1. Includes second mortgage settlement

2. Borrower still owns home

Statistics are based on number of Approved Applications

Program Outcome results may not carryforward from prior quarters due to reclassifications of outcome based on additional information and/or continued improvements in KYHC's data collection processes.

California

HFA Performance Data Reporting- Program Performance
Reverse Mortgage Assistance Program

	3/31/2015 QTD	Cumulative
Program Intake/Evaluation		
Approved		
Number of Applications Approved	36	36
% of Total Number of Applications	10.84%	10.68%
Denied		
Number of Applications Denied	2	3
% of Total Number of Applications	0.60%	0.89%
Withdrawn		
Number of Applications Withdrawn	43	47
% of Total Number of Applications	12.95%	13.95%
In Process		
Number of Applications In Process	251	N/A
% of Total Number of Applications	75.60%	N/A
Total		
Total Number of Applications Received	332	337
Number of Borrowers Participating in Other HFA HHF Programs or Program Components	0	0
Program Characteristics		
General Characteristics		
Median 1st Lien Housing Payment Before Assistance	$0.00	$0.00
Median 1st Lien Housing Payment After Assistance	N/A	N/A
Median 2nd Lien Housing Payment Before Assistance	$0.00	$0.00
Median 2nd Lien Housing Payment After Assistance	N/A	N/A
Median 1st Lien UPB Before Program Entry	$0.00	$0.00
Median 1st Lien UPB After Program Entry	N/A	N/A
Median 2nd Lien UPB Before Program Entry	$0.00	$0.00
Median 2nd Lien UPB After Program Entry	N/A	N/A
Median Principal Forgiveness[1]	N/A	N/A
Median Length of time Borrower Receives Assistance	N/A	N/A
Median Assistance Amount	$11,084.46	$11,084.46
Assistance Characteristics		
Assistance Provided to Date	$456,840.76	$456,840.76
Total Lender/Servicer Assistance Amount	N/A	N/A
Lender/Servicer Match (%)	N/A	N/A
Median Lender/Servicer Assistance per Borrower	N/A	N/A
Other Characteristics		
Median Length of Time from Initial Request to Assistance Granted	92	92
Current		
Number	36	36
%	100.0%	100.0%
Delinquent (30+)		
Number	0	0
%	0.0%	0.0%
Delinquent (60+)		
Number	0	0
%	0.0%	0.0%
Delinquent (90+)		
Number	0	0
%	0.0%	0.0%

California

HFA Performance Data Reporting- Program Performance
Reverse Mortgage Assistance Program

		3/31/2015 QTD	Cumulative
Program Outcomes			
	Borrowers No Longer in the HHF Program (Program Completion/Transition or Alternative Outcomes)	36	36
Alternative Outcomes			
	Foreclosure Sale		
	Number	N/A	N/A
	%	N/A	N/A
	Cancelled		
	Number	0	0
	%	0.00%	0.00%
	Deed in Lieu		
	Number	N/A	N/A
	%	N/A	N/A
	Short Sale		
	Number	N/A	N/A
	%	N/A	N/A
Program Completion/ Transition			
	Loan Modification Program		
	Number	N/A	N/A
	%	N/A	N/A
	Re-employed/ Regain Appropriate Employment Level		
	Number	N/A	N/A
	%	N/A	N/A
	Reinstatement/Current/Payoff		
	Number	36	36
	%	100.00%	100.00%
	Short Sale		
	Number	N/A	N/A
	%	N/A	N/A
	Deed in Lieu		
	Number	N/A	N/A
	%	N/A	N/A
	Other - Borrower Still Owns Home		
	Number	0	0
	%	0.00%	0.00%
Homeownership Retention[2]			
	Six Months Number	N/A	0
	Six Months %	N/A	0.00%
	Twelve Months Number	N/A	0
	Twelve Months %	N/A	0.00%
	Twenty-four Months Number	N/A	0
	Twenty-four Months %	N/A	0.00%
	Unreachable Number	N/A	0
	Unreachable %	N/A	0.00%

1. Includes second mortgage settlement

2. Borrower still owns home

Program Outcome results may not carryforward from prior quarters due to reclassifications of outcome based on additional information and/or continued improvements in KYHC's data collection processes.

California

HHF Performance Data Reporting- Program Performance
Community Subordinated Lien Principal Reduction Program

		3/31/2015 QTD	Cumulative
Program Intake/Evaluation			
	Approved		
	Number of Applications Approved	0	34
	% of Total Number of Applications	0.00%	80.95%
	Denied		
	Number of Applications Denied	0	8
	% of Total Number of Applications	0.00%	19.05%
	Withdrawn		
	Number of Applications Withdrawn	0	0
	% of Total Number of Applications	0.00%	0.00%
	In Process		
	Number of Applications In Process	0	N/A
	% of Total Number of Applications	0.00%	N/A
	Total		
	Total Number of Applications Received	0	42
	Number of Borrowers Participating in Other HFA HHF Programs or Program Components	0	0
Program Characteristics			
General Characteristics			
	Median 1st Lien Housing Payment Before Assistance	$0.00	$1,588.39
	Median 1st Lien Housing Payment After Assistance	N/A	N/A
	Median 2nd Lien Housing Payment Before Assistance	$0.00	$400.16
	Median 2nd Lien Housing Payment After Assistance	$0.00	$0.00
	Median 1st Lien UPB Before Program Entry	$0.00	$199,962.00
	Median 1st Lien UPB After Program Entry	N/A	N/A
	Median 2nd Lien UPB Before Program Entry	$0.00	$70,273.00
	Median 2nd Lien UPB After Program Entry	$0.00	$30,000.00
	Median Principal Forgiveness[1]	$0.00	$48,713.17
	Median Length of time Borrower Receives Assistance	N/A	N/A
	Median Assistance Amount	$0.00	$18,954.03
Assistance Characteristics			
	Assistance Provided to Date	$0.00	$589,210.41
	Total Lender/Servicer Assistance Amount	$0.00	$993,998.69
	Borrowers Receiving Lender/Servicer Match (%)	0%	100%
	Median Lender/Servicer Assistance per Borrower	$0.00	$28,807.95
Other Characteristics			
	Median Length of Time from Initial Request to Assistance Granted	0	108
	Current		
	Number	0	30
	%	0.00%	88.24%
	Delinquent (30+)		
	Number	0	0
	%	0.00%	0.00%
	Delinquent (60+)		
	Number	0	0
	%	0.00%	0.00%
	Delinquent (90+)		
	Number	0	4
	%	0.00%	11.76%

California			
HHF Performance Data Reporting- Program Performance Community Subordinated Lien Principal Reduction Program			
		3/31/2015 QTD	**Cumulative**
Program Outcomes			
	Borrowers No Longer in the HHF Program (Program Completion/Transition or Alternative Outcomes)	0	34
Alternative Outcomes			
	Foreclosure Sale		
	Number	0	0
	%	0.00%	0.00%
	Cancelled		
	Number	0	0
	%	0.00%	0.00%
	Deed in Lieu		
	Number	0	0
	%	0.00%	0.00%
	Short Sale		
	Number	0	0
	%	0.00%	0.00%
Program Completion/ Transition			
	Loan Modification Program		
	Number	0	0
	%	0.00%	0.00%
	Re-employed/ Regain Appropriate Employment Level		
	Number	N/A	N/A
	%	N/A	N/A
	Reinstatement/Current/Payoff		
	Number	0	34
	%	0.00%	100.00%
	Short Sale		
	Number	N/A	N/A
	%	N/A	N/A
	Deed in Lieu		
	Number	N/A	N/A
	%	N/A	N/A
	Other - Borrower Still Owns Home		
	Number	0	0
	%	0.00%	0.00%
Homeownership Retention[2]			
	Six Months Number	N/A	33
	Six Months %	N/A	97.06%
	Twelve Months Number	N/A	32
	Twelve Months %	N/A	96.97%
	Twenty-four Months Number	N/A	22
	Twenty-four Months %	N/A	100.00%
	Unreachable Number	N/A	0
	Unreachable %	N/A	0.00%

1. Includes second mortgage settlement

2. Borrower still owns home

Statistics are based on number of Approved Applications

Program Outcome results may not carryforward from prior quarter report due to reclassification of outcome based on additional information received and continued improvement in data collection processes.

Data Dictionary

HFA Performance Data Reporting - Borrower Characteristics

The Following Data Points Are To Be Reported In Aggregate For All Programs:

Unique Borrower Count		
	Number of Unique Borrowers Receiving Assistance	Total number of ***unique*** borrowers having received some form of assistance under any one of the HFA's programs. The number of borrowers represented in the other "Borrower Characteristics" fields should foot to this number.
	Number of Unique Borrowers Denied Assistance	Total number of ***unique*** borrowers ***not*** receiving assistance under any of the programs and not withdrawn.
	Number of Unique Borrowers Withdrawn from Program	Total number of ***unique*** borrowers who ***do not*** receive assistance under any program because of voluntary withdrawal after approval or failure to complete application despite attempts by the HFA
	Number of Unique Borrowers in Process	Total number of ***unique*** borrowers who have not been decisioned for any program and are pending review. This should be reported in the QTD column only.
	Total Number of Unique Applicants	Total number of ***unique*** borrowers. This should be the total of the four above fields (using the QTD column for in process borrowers)
Program Expenditures		
	Total Assistance Provided to Date	**Total** amount of assistance disbursed on behalf of all borrowers.
	Total Spent on Administrative Support, Outreach, and Counseling	**Tota**l amount spent on administrative expenses to support the program(s).
Borrower Income		
	All Categories	At the time of assistance, borrower's annual income ($) rounded to the nearest thousand.
Borrower Income as Percent of Area Median Income (AMI)		
	All Categories	At the time of assistance, borrower's annual income as a percentage of area median income.
Geographic Breakdown (by County)		
	All Categories	Number of aggregate borrowers assisted in each county listed.
Home Mortgage Disclosure Act (HMDA)		
	Borrower	
	Race	
	All Categories	All totals for the aggregate number of borrowers assisted.
	Ethnicity	
	All Categories	All totals for the aggregate number of borrowers assisted.
	Sex	
	All Categories	All totals for the aggregate number of borrowers assisted.
	Co-Borrower	
	Race	
	All Categories	All totals for the aggregate number of borrowers assisted.
	Ethnicity	
	All Categories	All totals for the aggregate number of borrowers assisted.
	Sex	
	All Categories	All totals for the aggregate number of borrowers assisted.
Hardship		
	All Categories	All totals for the aggregate number of borrowers assisted.
Current Loan to Value Ratio (LTV)		
	All Categories	Market loan-to-value ratio calculated using the unpaid principal balance of the first mortgage at the time of assistance divided by the most current valuation at the time of assistance.
Current Combined Loan to Value Ratio (CLTV)		
	All Categories	Market combined loan-to-value ratio calculated using the unpaid principal balance for all first and junior liens at the time of assistance divided by the most current valuation at the time of assistance.
Delinquency Status (%)		
	All Categories	Delinquency status at the time of assistance.
Household Size		
	All Categories	Household size at the time of assistance.

HFA Performance Data Reporting - Program Performance

The Following Data Points Are To Be Reported In Aggregate For All Programs:

Program Intake/Evaluation		
	Approved	
	Number of Borrowers Receiving Assistance	The total number of borrowers receiving assistance for the specific program.
	% of Total Number of Applications	Total number of borrowers receiving assistance for the specific program divided by the total number of borrowers who applied for the specific program.
	Denied	
	Number of Borrowers Denied	The total number of borrowers denied for assistance for the specific program. A denial is defined as a borrower who has provided the necessary information for consideration for program assistance, but is not approved for assistance under the specific program.
	% of Total Number of Applications	Total number of borrowers denied for assistance for the specific program divided by the total number of borrowers who applied for the specific program.
	Withdrawn	
	Number of Borrowers Withdrawn	The total number of borrowers withdrawn from the specific program. A withdrawal is defined as a borrower who was approved but never received funding, or a borrower who drops out of the process despite attempts by the HFA to complete application.
	% of Total Number of Applications	Total number of borrowers withdrawn for the specific program divided by the total number of borrowers who applied for the specific program.
	In Process	
	Number of Borrowers In Process	The total number of borrowers who have applied for assistance from the specific program that have not been decisioned and are pending review. This should be reported in the QTD column only.
	% of Total Number of Applications	Total number of borrowers who have applied for assistance from the specific program that have not been decisioned and are pending review divided by the total number of borrowers who applied for the specific program.
	Total	
	Total Number of Borrowers Applied	Total number of borrowers who applied for the specific program (approved, denied, withdrawn and QTD in process)
	Number of Borrowers Participating in Other HFA HHF Programs or Program Components	Number of borrowers participating in other HFA sponsored HHF programs or other HHF program components (*i.e.*, funded borrowers only).

Program Characteristics (For All Approved Applicants)		
General Characteristics		
	Median 1st Lien Housing Payment Before Assistance	Median first lien housing payment ***paid by homeowner*** prior to receiving assistance. In other words, the median contractual borrower payment on their first lien before receiving assistance.
	Median 1st Lien Housing Payment After Assistance	Median first lien housing payment ***paid by homeowner*** after receiving assistance. In other words, the median contractual first lien payment less HFA contribution.
	Median 2nd Lien Housing Payment Before Assistance	Median second lien housing payment ***paid by homeowner*** prior to receiving assistance. In other words, the median contractual borrower payment on their second lien before receiving assistance.
	Median 2nd Lien Housing Payment After Assistance	Median second lien housing payment ***paid by homeowner*** after receiving assistance. In other words, the median contractual second lien payment less HFA contribution.
	Median 1st Lien UPB Before Program Entry	Median unpaid principal balance prior to receiving assistance.
	Median 1st Lien UPB After Program Entry	Median unpaid principal balance after receiving assistance.
	Median 2nd Lien UPB Before Program Entry	Median second lien unpaid principal balance prior to receiving assistance.
	Median 2nd Lien UPB After Program Entry	Median second lien unpaid principal balance after receiving assistance.
	Median Principal Forgiveness	Median amount of principal reduction provided, including the amount ($) provided by the HFA on behalf of the borrower and the amount ($) provided by the lender/servicer, including second lien extinguishment. Extinguished fees should only be included if those fees have been capitalized.
	Median Length of Time Borrower Receives Assistance	Median length of time borrowers receive on-going assistance (*e.g.*, mortgage payment assistance programs). Please report in months (round up to closest integer). This only need be reported in the cumulative column.
	Median Assistance Amount	Median amount of assistance ($) disbursed to the lender/servicer on behalf of the borrower.
Assistance Characteristics		
	Assistance Provided	Total amount of aggregate assistance provided by the HFA (does not include lender matching assistance or borrower partial payments).
	Total Lender/Servicer Assistance Amount	Total amount of aggregate assistance provided by the lenders/servicers (does not include HFA assistance). Waived servicing fees and/or forbearance does not count towards lender/servicer assistance.
	Borrowers Receiving Lender/Servicer Match (%)	Number of borrowers receiving lender/servicer match divided by the total number of assisted borrowers.
	Median Lender/Servicer Assistance per Borrower	Median lender/servicer matching amount (for borrowers receiving match assistance).
Other Characteristics		
	Median Length of Time from Initial Request to Assistance Granted	Median length of time from initial contact with borrower to assistance provided. Please report in days (round up to closest integer).
	Current	
	Number	Number of borrowers current at the time assistance is received.
	%	Number of current borrowers divided by the total number of approved applicants.
	Delinquent (30+)	
	Number	Number of borrowers 30+ days delinquent but less than 60 days delinquent at the time assistance is received.
	%	Number of borrowers 30+ days delinquent but less than 60 days delinquent divided by the total number of approved applicants.
	Delinquent (60+)	
	Number	Number of borrowers 60+ days delinquent but less than 90 days delinquent at the time assistance is received.
	%	Number of borrowers 60+ days delinquent but less than 90 days delinquent divided by the total number of approved applicants.
	Delinquent (90+)	
	Number	Number of borrowers 90+ days delinquent at the time assistance is received.
	%	Number of borrowers 90+ days delinquent divided by the total number of approved applicants.
Program Outcomes		
	Borrowers No Longer in the HHF Program (Program Completion/Transition or Alternative Outcome)	Number of borrowers no longer receiving assistance under this program.
Alternative Outcomes		
	Foreclosure Sale	
	Number	Number of borrowers transitioned out of the HHF program into a foreclosure sale as an alternative outcome of the program.
	%	Number of foreclosed borrowers divided by the total number of borrowers no longer receiving assistance under this program.
	Cancelled	
	Number	Number of borrowers who were ***approved and funded***, then were disqualified or voluntarily withdrew from the program without re-employment or other intended transition.
	%	Number of cancelled borrowers divided by the total number of borrowers no longer receiving assistance under this program.
	Deed-in-Lieu	
	Number	Number of borrowers transitioned out of the HHF program into a deed-in-lieu as an alternative outcome of the program.
	%	Number of borrowers who transitioned from their homes via a deed-in-lieu divided by the total number of borrowers no longer receiving assistance under this program.
	Short Sale	
	Number	Number of borrowers transitioned out of the HHF program into a short sale as an alternative outcome of the program.
	%	Number of borrowers who transitioned from their homes via a short sale divided by the total number of borrowers no longer receiving assistance under this program.

Program Completion/ Transition		
	Loan Modification Program	
	Number	Number of borrowers who transitioned into a loan modification program (such as the Making Home Affordable Program).
	%	Number of borrowers who transitioned into a loan modification program divided by the total number of borrowers no longer receiving assistance under this program.
	Re-employed/ Regain Appropriate Employment Level	
	Number	Number of borrowers who transitioned out of the program due to regaining employment and/or appropriate levels of employment.
	%	Number of re-employed/appropriately employed borrowers divided by the total number of borrowers no longer receiving assistance under this program.
	Reinstatement/Current/Payoff	
	Number	Number of borrowers who transitioned out of the program due to reinstating/bringing loan current or paying off their mortgage loan.
	%	Number of reinstated/current/paid off borrowers divided by the total number of borrowers no longer receiving assistance under this program.
	Short Sale	
	Number	Number of borrowers who transitioned out of the program into a short sale *as the desired outcome of the program* .
	%	Number of borrowers who transitioned from their homes via a short sale as the desired outcome of the program divided by the total number of borrowers no longer receiving assistance under this program.
	Deed-in-Lieu	
	Number	Number of borrowers who transitioned out of the program into a deed-in-lieu *as the desired outcome of the program* .
	%	Number of borrowers who transitioned from their homes via a deed-in-lieu divided by the total number of borrowers no longer receiving assistance under this program.
	Other - Borrower Still Owns Home	
	Number	Number of borrowers who transitioned out of the program not falling into one of the transition categories above, but still maintaining ownership of the home.
	%	Number of transitioned borrowers in this category divided by the total number of borrowers no longer receiving assistance under this program.
Homeownership Retention		
	Six Months	Number of borrowers assisted by the program who retain ownership at least 6 months after receipt of initial assistance, including borrowers who retain their home for more than 6 months but less than 12 months. (Note: Borrowers in the 12-month and 24-month counts should also be included in the 6-month count, as the two intervals are not mutually exclusive.)
	%	Number of borrowers assisted by the program who retain ownership at least 6 months after receipt of initial assistance divided by the total number of households assisted by the program 6 months prior to reporting period.
	Twelve Months	Number of borrowers assisted by the program who retain ownership at least 12 months after receipt of initial assistance, including borrowers who retain their home for more than 12 months but less than 24 months. (Note: Borrowers in the 24-month count should also be included in the 6-month and 12-month counts, as the two intervals are not mutually exclusive.)
	%	Number of borrowers assisted by the program who retain ownership at least 12 months after receipt of initial assistance divided by the total number of households assisted by the program 12 months prior to reporting period.
	Twenty-four Months	Number of borrowers assisted by the program who retain ownership at least 24 months after receipt of initial assistance. Borrowers who retain their home for 24 months should be included in the 6-month, 12-month, and 24-month counts.
	%	Number of borrowers assisted by the program who retain ownership at least 24 months after receipt of initial assistance divided by the total number of households assisted by the program 24 months prior to reporting period.
	Unreachable	Number of borrowers assisted by the program for whom homeownership retention status cannot be verified by any available means.
	%	Number of borrowers assisted by the program for whom homeownership retention status cannot be verified by any available means divided by the total number of borrowers assisted.
Geographic Breakdown (by City/County)		
	Approved/Funded Number of Structures	Number of aggregate structures funded in each city or county listed.

HFA Performance Data Reporting - Program Notes

	(Mortgage payment assistance program name)	Program provides monthly mortgage payment assistance on behalf of homeowners who are unable to afford their monthly payment due to a qualified financial hardship.
	(Reinstatement assistance program name)	Program provides assistance to reinstate a delinquent mortgage on behalf of a homeowner who became delinquent due to a qualified financial hardship.
	(Principal reduction/modification assistance program name)	Program provides principal reduction assistance in conjunction with a loan modification, reamortization (recast), or refinance to reduce a homeowner's monthly payment; assistance may be applied as curtailment when the homeowner is in a severe negative equity position.
	(Note purchase/modification program name)	Program provides funds to facilitate modifications for eligible homeowners with mortgages purchased in a distressed asset sale.
	(Second mortgage/lien elimination assistance program name)	Program provides assistance to reduce or eliminate a second mortgage or lien to create an affordable payment.
	(Transition assistance/short sale program name)	Program provides assistance to facilitate a short sale or deed-in-lieu and/or relocation/transition assistance to a homeowner transitioning from the home via a short sale or deed-in-lieu.
	(Blight elimination program name)	Program provides funds to prevent foreclosures through demolition, greening, and ongoing maintenance of vacant and abandoned blighted residential properties.
	(Reverse mortgage assistance program name)	Program provides funds to reinstate delinquent property taxes and/or other liens for eligible homeowners who have received the maximum benefit from their reverse mortgages.
	(Other Program Name)	(Other Program Description)

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RESOLUTION 15-14

RESOLUTION APPOINTING DIRECTOR OF MULTIFAMILY PROGRAMS

WHEREAS, the position of Director of Multifamily Programs of the California Housing Finance Agency ("Agency") is currently vacant; and

WHEREAS, the Agency Board of Directors is authorized to appoint an employee pursuant to California Constitution Article VI, Section 4(e); and

WHEREAS, it is the intent of the Board of Directors to convert the position of Program Administrator to that of a Director of Multifamily Programs; and

WHEREAS, a copy of the duty statement for the position of Director of Multifamily Programs, which may be revised from time to time at the discretion of the Executive Director, is attached hereto; and

WHEREAS, it is the intent of the Board of Directors that the Director of Multifamily Programs shall serve under the general direction of the Executive Director; and

WHEREAS, the Board of Directors is authorized to set a salary for the position of Director of Multifamily Programs; and

WHEREAS, _______________ is well qualified for the position of Director of Multifamily Programs; and

WHEREAS, the Board of Directors wishes to appoint ___________ to the position of Director of Multifamily Programs of the California Housing Finance Agency;

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

1. _____________ is hereby appointed to the position of Director of Multifamily Programs of the California Housing Finance Agency, serving under the general direction of the Executive Director, effective upon the administration of the Oath of Office at an annual salary of $______ which may be revised from time to time, at the discretion of the Executive Director not to exceed $_________.

I hereby certify that this is a true and correct copy of Resolution 15-14 adopted at a duly constituted meeting of the Board of Directors of the Agency held on July 14, 2015, at Sacramento, California.

ATTEST: ________________________

Secretary

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Duty Statement
Director of Multifamily Programs

Under the general direction of the Executive Director, California Housing Finance Agency (CalHFA), the Director of Multifamily Programs is responsible for the oversight and management of CalHFA's Multifamily Lending Division and Asset Management Division. The director manages and provides guidance regarding multifamily lending programs and asset management activities. In partnership with various outside entities, works to develop or refine CalHFA's multifamily loan products. These partners include non-profit organizations, for-profit developers, officials with commercial banks, savings and loans, mortgage bankers, local entities such as housing authorities, numerous state and federal agencies such as the Department of Housing and Community Development (HCD), Fannie Mae, Freddie Mac, the Department of Housing and Urban Development (HUD), state and federal legislators, and investors of CalHFA's bond programs. These partnerships are an integral part of increasing California's safe and affordable housing stock. Duties include:

<u>Essential Functions:</u>

40% <u>Multifamily Programs</u> – Directs the review and evaluation of multifamily housing program proposals to determine that they are capable of sustaining affordable rents, that construction costs are realistic and acceptable for proposed design, and that provisions for operating expenses are realistic; makes recommendations to the Board of Directors regarding mortgage commitments; coordinates Agency activities with other public agencies with the intent of providing leadership and coordination of public and private efforts in the California affordable housing finance field; cultivates new deal sources, both internally and externally; reviews and determines whether a proposed site is suitable for mixed income housing and whether the developer has adequate experience and financial strength to complete the proposed project satisfactorily. Maintains extensive contact with local, state and federal agencies, housing sponsors, local lenders, project sponsors and consultants in the field of affordable housing project development and financing.

25% <u>Asset Management</u> – Responsible for managing the Agency's portfolio of multifamily properties financed or owned by CalHFA and serves as the primary advisor to the Executive Director on all asset management policy issues. This includes on-going financial reviews; physical inspections; compliance review of federal, state, and contractual requirements; administration of occupancy requirements, tenancy laws and tenant grievance procedures; loan modifications; rent increases; transfer of ownerships; insurance procurement; work outs and foreclosures; administration of reserve accounts and federal Section 8 revenue and subsidies; and the collection of federal Section 8 earned surplus each year. Leads the collaboration of asset management functions with the HCD.

15% Collaborates with the Financing Division and makes recommendations related to multifamily financing structures and approaches to maximize CalHFA's return on investment and mitigate financial risks. Formulates and presents program policy recommendations to the Executive Director and CalHFA's Board of Directors. This includes formulating and recommending new policies, loan programs, loan products, and funding levels. Participates in department wide planning and policy development as a member of the executive staff.

10% Resolves the most sensitive and complex issues. This includes meeting/conferring with CalHFA staff, Legislators and their staff, Business, Consumer Services and Housing Agency (BCSH), top officials of trade associations including the California Association of Realtors (CAR), California Building Industry Association (CBIA), California Mortgage Bankers Association (CMBA), individual home builders and lenders, including some of the largest in the state and nation, other State departments such as HCD and the State Treasurer's Office, federal departments including the Department of Housing and Urban Development (HUD), the Veterans Administration (VA), and the United States Department of Agriculture (Rural Development), government sponsored enterprises (GSE) such as Fannie Mae and Freddie Mac, and various organizations and advocates representing the interests of low-income housing and the nonprofit housing industry.

10% At the request of the Executive Director and Chief Deputy Director, represents CalHFA and makes presentations at conferences and meetings and serves as CalHFA's multifamily subject matter expert at such events. Oversees and directs outreach and technical assistance to lenders, builders, realtors, nonprofits, and local government entities. Participates in staff meetings, attends training, provides work status reports, handles special projects, and performs other duties as assigned.