

Fiscal Year 2015-16 Mid-Year Business Plan and Operating Budget Update

March 15, 2016

Fiscal Year 2015-16 Proposed Business Plan

Goal #1

- Reinvigorate lending activities
- Grow the Agency's balance sheet

Goal #2

- Align lending activities with State housing policy and increase operational efficiency

Goal #3

- KYHC: Help prevent avoidable foreclosures by providing assistance to eligible homeowners

Goal #1

Reinvigorate lending activities. Grow the Agency's balance sheet

- Generate income via single family lending opportunities
- Key Action Items:
 - \$605 million in 1st mortgage loans
 - \$75 million in downpayment assistance loans (DPA)
 - Generate \$5.75 million in new revenues and \$10.6 million in long term assets
 - Add mortgage broker business
 - Complete new lender manual
 - Issue 1,300 Mortgage Credit Certificates

Single Family Lending

Single Family Lending Volume	Fiscal Year 2015-16 Goals	Mid-Year Actuals	% of Goal (Completed)	Fiscal Year 2015-16 Revised Projection	% Goal (Projected)
1 st Mortgage (TBA)	\$605M	\$454M	75%	\$883M	146%
Downpayment Assistance (DPA)	\$75M	\$22M	29%	\$40M	53%
Mortgage Credit Certificates (MCC)	\$74M	\$58M	79%	\$121M	165%
TOTAL	\$754M	\$534M	71%	\$1.04B	139%

Single Family Revenue/Asset Generation	Fiscal Year 2015-16 Goals	Mid-Year Actuals	% of Goal (Completed)	Fiscal Year 2015-16 Revised Projection	% Goal (Projected)
1 st Mortgage (TBA)	\$3.25M	\$3.01M	93%	\$5.30M	163%
Downpayment Assistance (DPA)	\$2.40M	\$1.05M	44%	\$1.65M	69%
Mortgage Credit Certificates (MCC)	\$0.10M	\$0.20M	198%	\$0.27M	265%
TOTAL	\$5.75M	\$4.26M	74%	\$7.22M	125%

Single Family Lending

Single Family Unit Production	Fiscal Year 2015-16 Goals	Mid-Year Actuals	% of Goal (Completed)	Fiscal Year 2015-16 Revised Projection	% Goal (Projected)
1 st Mortgage (TBA)	2,700	2,133	79%	3,480	129%
Downpayment Assistance (DPA)	7,000	3,175	45%	4,700	67%
Mortgage Credit Certificates (MCC)	1,300	1,032	79%	2,150	165%
TOTAL	11,000	6,340	58%	10,330	94%

Additional Mid-Year Highlights

- Added the Zero Interest Program (ZIP) Extra DPA loan product to the FHA 1st mortgage loan product
- Completed the draft of the single family lenders manual to serve as a resource to lenders working with CalHFA
- Added mortgage broker business
- Evaluating alternative master servicing opportunities with the intent to improve the efficiency and profitability of our MBS delivery model
- Pursuing activation of a seller servicer number with Fannie Mae and Freddie Mac
- Implemented a policy change which requires that CalHFA down payment assistance be matched with a CalHFA 1st mortgage

Goal #1

Reinvigorate lending activities. Grow the Agency's balance sheet

- Generate income via multifamily lending opportunities
- Key Action Items:
 - \$100 million in multifamily lending
 - \$100 million in multifamily conduit financings
 - Generate \$6.5 million in new revenue and long term assets
 - Increase internal capacity via training and program development
 - Create portfolio preservation strategy
 - Adopt policies for Earned Surplus Funds

Multifamily Lending

Multifamily Lending Volume	Fiscal Year 2015-16 Goals	Mid-Year Actuals	% of Goal (Completed)	Fiscal Year 2015-16 Revised Projection	% Goal (Projected)
Multifamily Lending	\$100M	\$74M	74%	\$84M	84%
Mental Health Services Act (MHSA)	\$30M	\$14M	47%	\$32M	107%
Conduit Lending	\$100M	\$146M	146%	\$305M	305%
TOTAL	\$230M	\$234M	102%	\$421M	183%

Multifamily Revenue/Asset Generation	Fiscal Year 2015-16 Goals	Mid-Year Actuals	% of Goal (Completed)	Fiscal Year 2015-16 Revised Projection	% Goal (Projected)
Multifamily Lending	\$4.68M	\$2.70M	58%	\$2.77M	59%
Mental Health Services Act (MHSA)	\$1.14M	\$0.44M	38%	\$1.22M	107%
Conduit Lending	\$0.68M	\$0.99M	146%	\$1.84M	273%
TOTAL	\$6.50M	\$4.13M	63%	\$5.83M	90%

Multifamily Lending

Multifamily Unit Production	Fiscal Year 2015-16 Goals	Mid-Year Actuals	% of Goal (Completed)	Fiscal Year 2015-16 Revised Projection	% Goal (Projected)
Multifamily Lending	800	585	73%	723	90%
MHSA	200	92	46%	249	125%
Conduit Lending	500	736	147%	1,298	260%
TOTAL	1,500	1,413	94%	2,270	151%

Additional Mid-Year Highlights

- Adopted policies regarding the use of surplus funds for gap financing with CalHFA multifamily lending programs
 - Updated the Agency's underwriting and loan approval process
 - Drafted a preservation strategy for CalHFA multifamily portfolio projects
 - Completed a comprehensive training program designed to refresh staff's underwriting skills and provide current perspectives regarding current market conditions in the multifamily space
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Goal #1

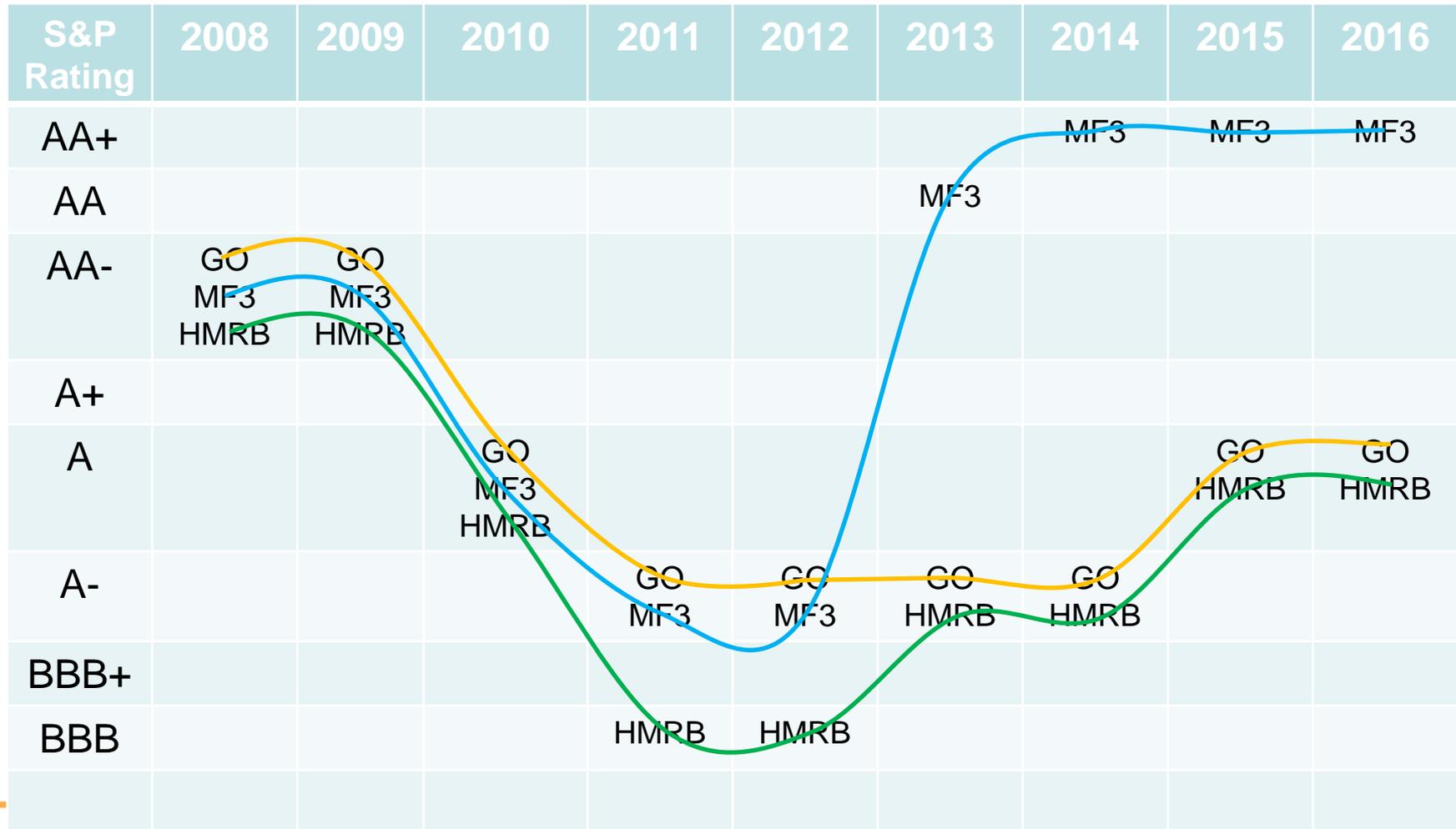
Reinvigorate lending activities. Grow the Agency's balance sheet

- Strengthen capital reserves and improve liquidity position
- Key Action Items:
 - Eliminate Temporary Credit Liquidity Program (TCLP)
 - Develop internal capacity to hedge MBS sales to increase fee income
 - Refine tools to manage allocation of capital and risk

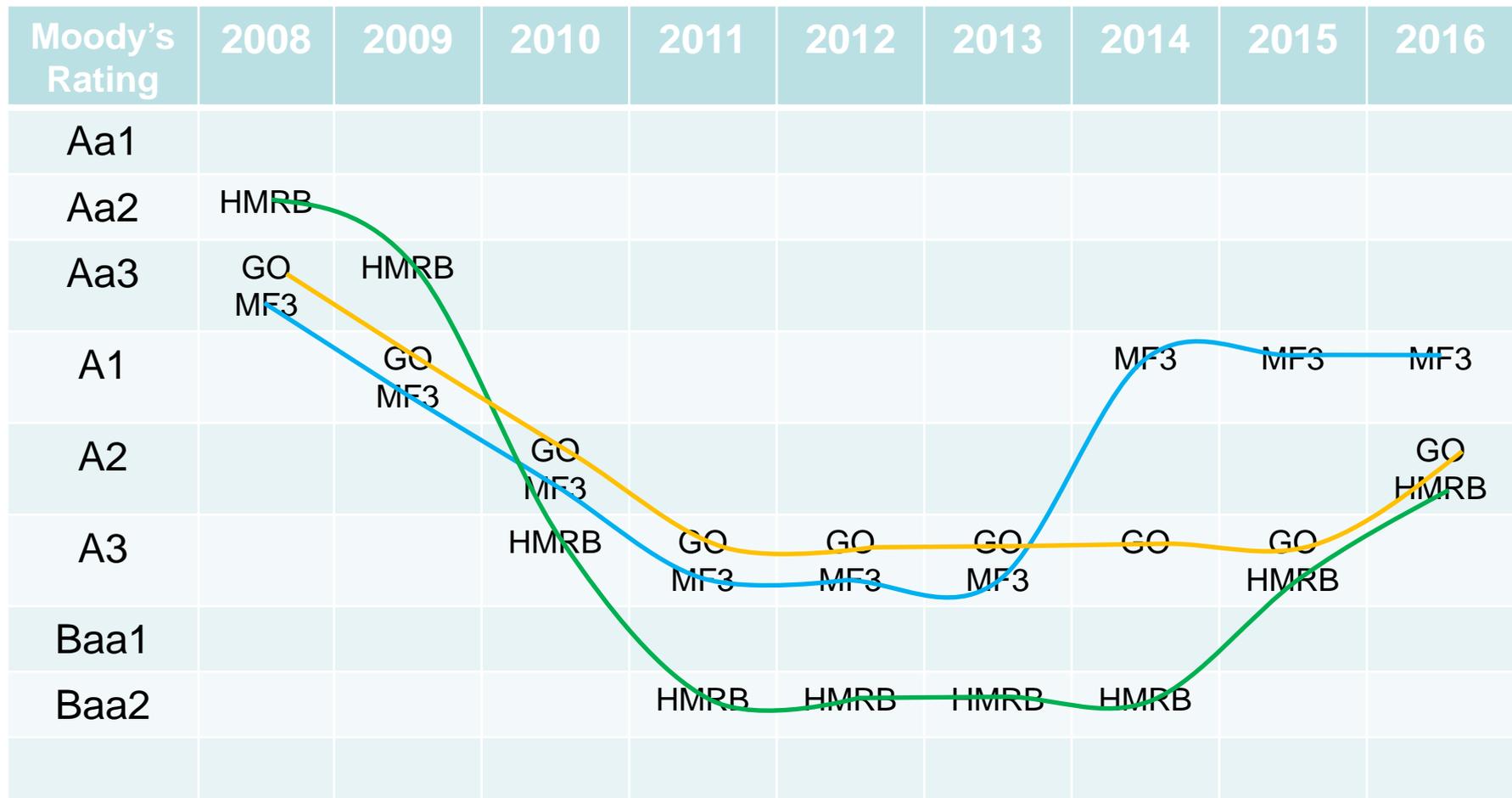
Mid-Year Highlights

- Replaced Temporary Credit and Liquidity Program (TCLP) credit facility five months ahead of schedule
- Standard & Poor's (S&P) upgraded the Home Mortgage Revenue Bond (HMRB) indenture from 'A-' to 'A' with a stable outlook and Moody's affirmed its 'A3' rating for the same bonds
- Several months later, S&P announced an upgrade of CalHFA's overall Issuer Credit rating from A- to A with positive outlook
- Moody's upgraded the HMRB indenture and the CalHFA overall Issuer Credit ratings from A3 to A2 with stable outlook

CalHFA (S&P Ratings)



CalHFA Moody's Ratings



Goal #2

Align lending activities with State housing policy and increase operational efficiency

- Complete organizational assessment and implement recommendations that increase operational efficiencies
 - Key Action Items:
 - Consolidate all Sacramento staff at 500 Capitol Mall
 - Eliminate unneeded vacant positions
 - Finalize organizational structure and functional roles
 - Continue to refine budget and business plan development
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Mid-Year Highlights

- Consolidated the West Sacramento office into the Agency's headquarters building at 500 Capitol Mall
 - Sublet an unused portion of the Culver City Office
 - Consolidating the Multifamily Lending division and the Asset Management division
 - Appointed a new Director of Multifamily Programs
 - Eliminated 12.5 permanent positions determined to be unneeded
 - Implemented of a comprehensive training program for multifamily staff
 - Began marketing our conduit issuance loan program
 - Merging the Portfolio Management division with Single Family Lending
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Goal #2

Align lending activities with State housing policy and increase operational efficiency

- Develop long-term strategies to monitor and mitigate enterprise risks

- Key Action Items:
 - Formalize strategies to integrate enterprise risk management efforts into the CalHFA business process
 - Develop a plan to review and improve quality assurance, risk management and internal controls across the Agency

Mid-Year Highlights

- The Agency is actively participating in the State Leadership Accountability Act risk assessment and reporting process
 - Agency is moving forward with recruitment for the vacant Finance Risk Manager position
 - Developing a Quality Control department for single family lending
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Goal #2

Align lending activities with State housing policy and increase operational efficiency

- Agency-wide IT integration of data collection, flow and reporting

- Key Action Items:
 - Develop IT governance structure and strategic plan that aligns IT priorities with business plan goals
 - Develop records management policy and update records retention schedule
 - Identify and train IT liaisons in all business units
 - Expand and improve electronic loan file submission

Mid-Year Highlights

- Established an IT governance committee
 - Completed the records management and retention policy
 - Refined the use and function of the Enterprise Content Management system
 - Automated the process by which single family lenders submit loan documents for approval and purchase
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Goal #2

Align lending activities with State housing policy and increase operational efficiency

- Enhance program delivery of affordable housing through continued collaboration with HCD and other partners
- Key Action Items:
 - In collaboration with DHCS and HCD determine next phase of MHP program
 - Assess goals, performance measures and viability of HOME TBRA and HUD 811 programs
 - Continue to explore integrated gap financing efforts amongst State affordable housing entities
 - Collaborate with HCD and CalVet to expand veteran housing opportunities

Mid-Year Highlights

MHSA/SNHP

- Surveyed stakeholders across the State regarding their interest in participating in a similar program to be administered by CalHFA, the Special Needs Housing Program (SNHP).

HUD Section 811 PRA

- CalHFA is currently administering \$3.3 million on six projects and 96 units of the Round 1 award.
- The state partnership released a NOFA in early February 2016 for the Round 2 award.

Small Loan Program

- CalHFA is developing a small loan program for loans under \$3.5 million.

Workforce Housing Loan Program

- CalHFA is working to develop a loan program for affordable rental housing serving tenants earning above 60% Area Median Income (AMI).

Goal #3

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

- Maximize use of KYHC program funds
- Key Action Items:
 - Submit program changes as needed to US Treasury to increase eligibility
 - Increase marketing efforts
 - Collaborate with other private and public entities to maximize and leverage potential foreclosure prevention resources
 - Measure program outcomes and assess barriers to eligibility

Mid-Year Highlights

- 56,000 homeowners have received assistance from the KYHC program since inception
 - As of December 31, 2015, a total of 5,672 eligible homeowners were in the active pipeline, pending final benefit determination, for one of the five KYHC programs
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FY 2015-16 Mid-Year Business Plan Update

Questions?





Mid-Year Update on the FY 2015-16 Operating Budget

Mar 15, 2016

CALIFORNIA HOUSING FINANCE AGENCY
MID-YEAR 2015-16 BUDGET UPDATE
(DOLLARS IN THOUSANDS)

	Approved Budget	Mid-Year Budget	Mid-Year Actuals	Variance	%	Projected 2015-16
RESOURCES						
Loan Servicing	\$ 2,067	\$ 1,034	\$ 1,250	\$ 217	20.9%	\$ 2,500
Insurance Release	\$ 813	\$ 407	\$ 988	\$ 582	143.1%	\$ 1,335
Loan Repayments	\$ 18,997	\$ 9,499	\$ 10,894	\$ 1,396	14.7%	\$ 19,313
Interest (mortgages/securities/cash)	\$ 10,298	\$ 5,149	\$ 4,898	\$ (251)	-4.9%	\$ 9,146
Fee Income	\$ 27,582	\$ 13,791	\$ 15,208	\$ 1,417	10.3%	\$ 30,033
Extraordinary Items	\$ 2,803	\$ 1,402	\$ 2,847	\$ 1,446	103.1%	\$ 11,108
TOTALS	\$ 62,560	\$ 31,280	\$ 36,085	\$ 4,805	15.4%	\$ 73,435
OPERATING BUDGET						
Salaries and Wages	\$ 21,566	\$ 10,783	\$ 10,055	\$ 728	6.8%	\$ 19,841
Reimbursements	\$ (534)	\$ (267)	\$ (491)	\$ 224	-83.9%	\$ (982)
Benefits	\$ 8,754	\$ 4,377	\$ 4,362	\$ 15	0.3%	\$ 8,724
General Expense	\$ 641	\$ 321	\$ 329	\$ (9)	-2.7%	\$ 658
Communications	\$ 499	\$ 250	\$ 169	\$ 81	32.3%	\$ 440
Travel	\$ 414	\$ 207	\$ 172	\$ 35	16.9%	\$ 390
Training	\$ 160	\$ 80	\$ 27	\$ 53	66.3%	\$ 96
Facilities Operation	\$ 3,100	\$ 1,550	\$ 1,514	\$ 36	2.3%	\$ 3,100
Consulting & Professional Services	\$ 3,982	\$ 1,991	\$ 1,084	\$ 907	45.6%	\$ 2,868
Central Administrative Services	\$ 2,960	\$ 1,480	\$ 1,461	\$ 19	1.3%	\$ 2,960
Information Technology	\$ 602	\$ 301	\$ 210	\$ 91	30.2%	\$ 495
Equipment	\$ 130	\$ 65	\$ 20	\$ 45	69.2%	\$ 190
Strategic Project Contracts	\$ 476	\$ 238	\$ 100	\$ 138	58.0%	\$ 427
TOTALS	\$ 42,750	\$ 21,375	\$ 19,012	\$ 2,363	11.1%	\$ 39,207
NET SURPLUS/(EXPENDITURE)	\$ 19,810	\$ 9,905	\$ 17,073	\$ 7,168	72.4%	\$ 34,228



Questions?
