

# Fiscal Year 2016-17 Business Planning Workshop

April 11, 2016

# Fiscal Year 2016-17 Proposed Business Plan

## Goal #1

- Increase the Agency's future income and equity position by expanding single family and multifamily lending activities consistent with State housing needs

## Goal #2

- Continue to improve operational efficiencies through the use of technology, workforce planning and the implementation of best practices

## Goal #3

- Collaborate with other housing entities to deliver effective and efficient housing solutions

## Goal #4

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

# Single Family Lending FY 2016-17 Loan Production

## Goal #1

Increase the Agency's future income and equity position by expanding single family and multifamily lending activities consistent with State housing needs

- Generate income via single family lending opportunities

- Key Action Items:

- \$1.06 billion in loan production
  - Generate \$28.1 million in new revenues
  - Issue 2,600 Mortgage Credit Certificates
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## Single Family Lending Projections Fiscal Year 2016/17

<u>Product Type</u>	Number of Homebuyers	Amount of Loans	Fees Generated	Future Revenue Generated
First Mortgage - TBA Program	4,400	\$1,012,000,000	\$6,100,000	\$19,800,000
MyHome Loans	4,200	\$48,000,000	\$1,450,000	\$0
MCC Program	2,600	N/A	\$300,000	\$0
Other Fees			\$440,000	\$0
<b>Totals</b>	<b>7,000</b>	<b>\$1,060,000,000</b>	<b>\$8,290,000</b>	<b>\$19,800,000</b>
				<b>\$28,090,000</b>

### Plan Assumptions:

- Interest rates will not increase more than 50 bpts. during the fiscal year
- Secure an additional Master Servicer
- Add Fannie Mae no MI product to the CalHFA product mortgage programs
- Accept Freddie Mac reservations

# Multifamily Lending FY 2016-17 Loan Production

## Goal #1

Increase the Agency's future income and equity position by expanding single family and multifamily lending activities consistent with State housing needs

- Generate income via multifamily lending opportunities
- Key Action Items:
  - \$190 million in multifamily lending
  - \$300 million in multifamily conduit financings
  - Generate \$10.3 million in revenue

## Multifamily Programs Revenue Projections Fiscal Year 2016/17

<u>Product Type</u>	Number of Loans	Amount of Loans	Fees Generated	Future Revenue Generated
Acquisition/Rehabilitation Loan Program	6	\$90,000,000	\$930,000	\$1,837,500
Refinance Loan Program	10	\$100,000,000	\$1,050,000	\$4,375,000
Conduit Issuance Program	20	\$300,000,000	\$700,000	\$1,400,000
<b>Totals</b>	<b>36</b>	<b>\$490,000,000</b>	<b>\$2,680,000</b>	<b>\$7,612,500</b>
				<b>\$10,292,500</b>

### Plan Assumptions:

- Future revenue assumes loans prepay after 15 years
- Half of loans are from outside of CalHFA portfolio

## Goal #1

Increase the Agency's future income and equity position by expanding single family and multifamily lending activities consistent with State housing needs

- Strengthen Agency financial position by expanding credit facilities and maximizing return on equity.

- Key Action Items:

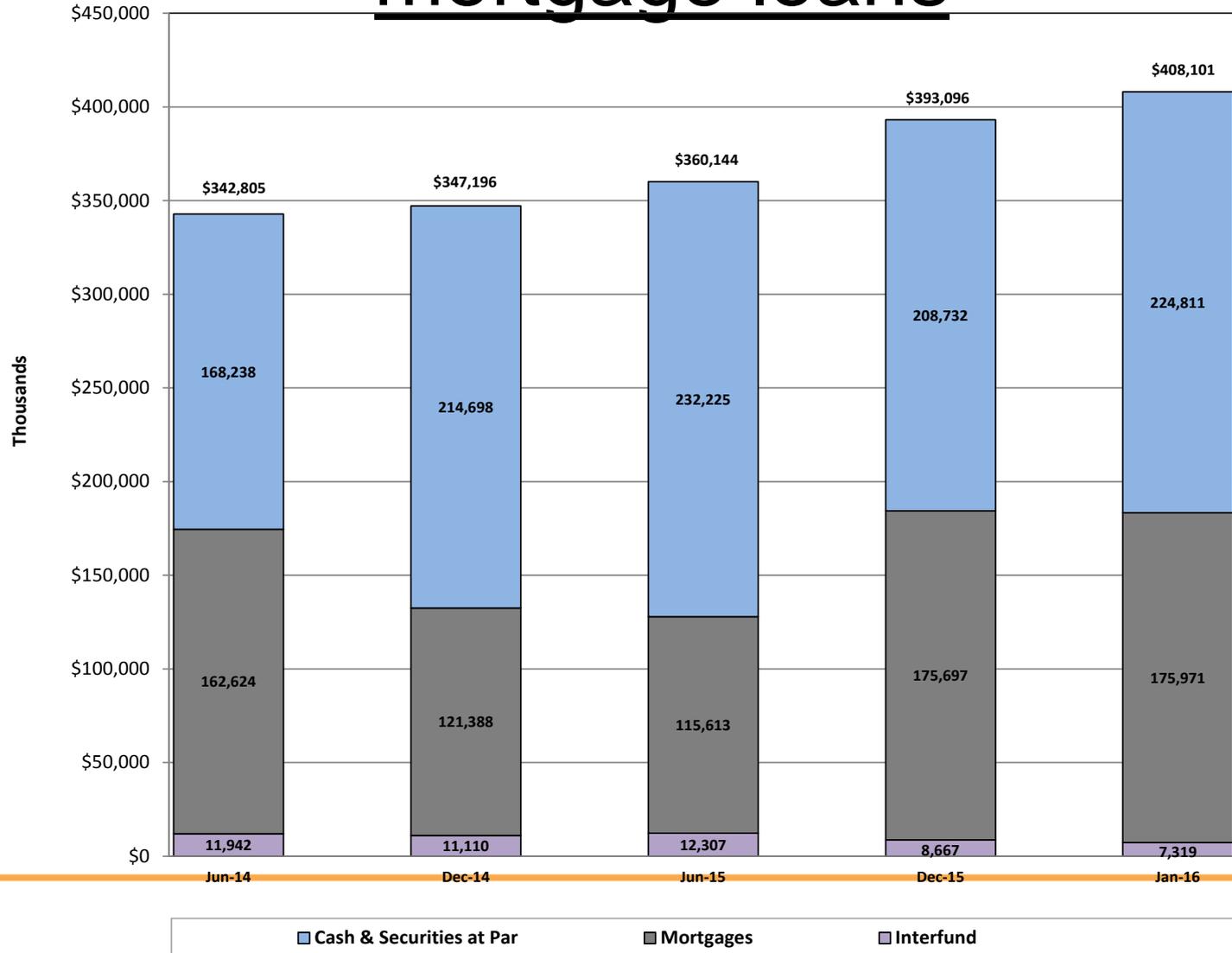
- Implement strategies to increase return on equity and develop long-term revenue streams using single-family MBS
- Develop working capital options for SF warehouse line and MF Lending

# **Update on Agency resources and liquidity**

**April 11, 2016**

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# G-O assets: cash/securities and mortgage loans



# G-O liabilities

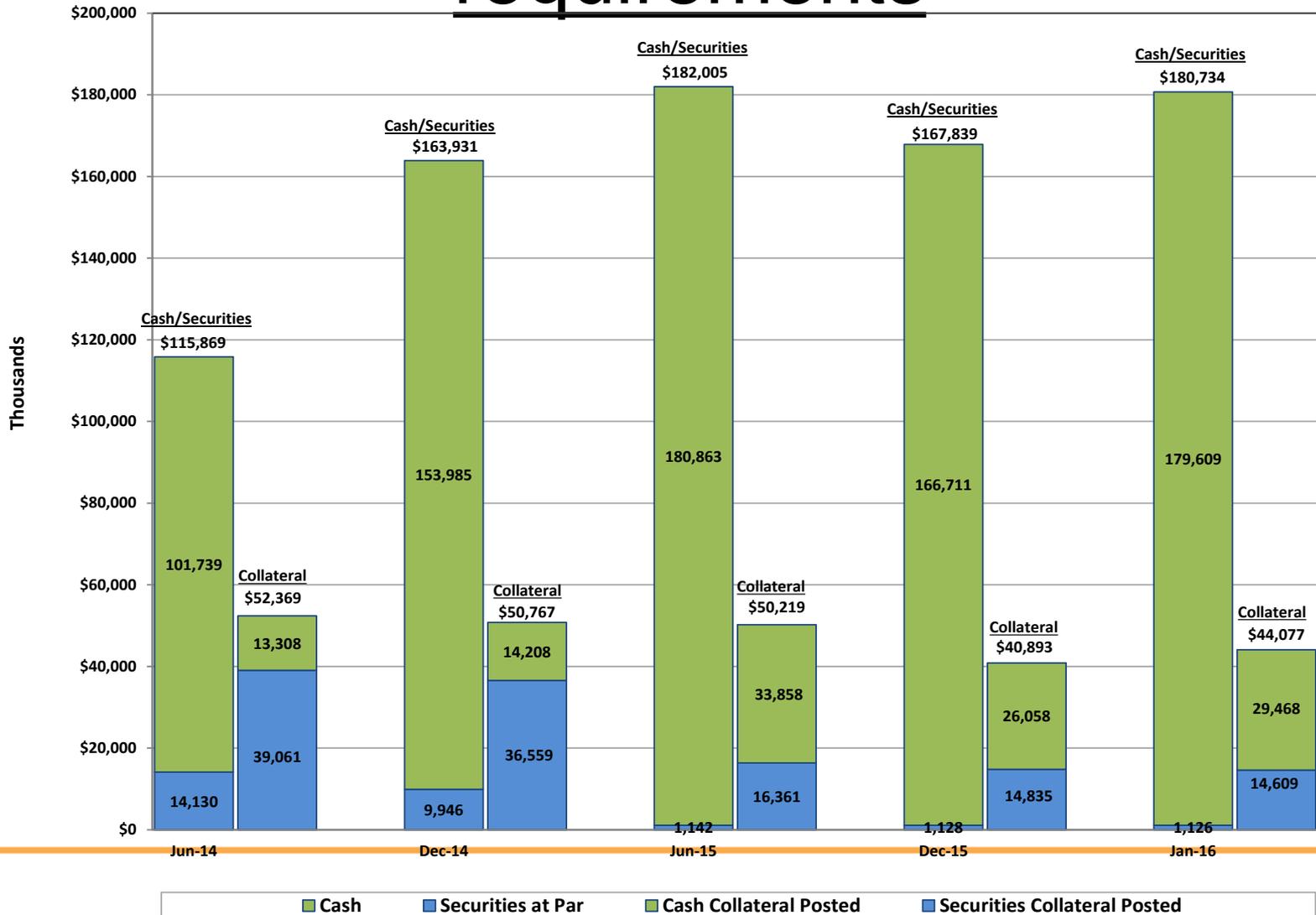
- **Expenditures**

- Operating expense: approx. \$40Mn annually

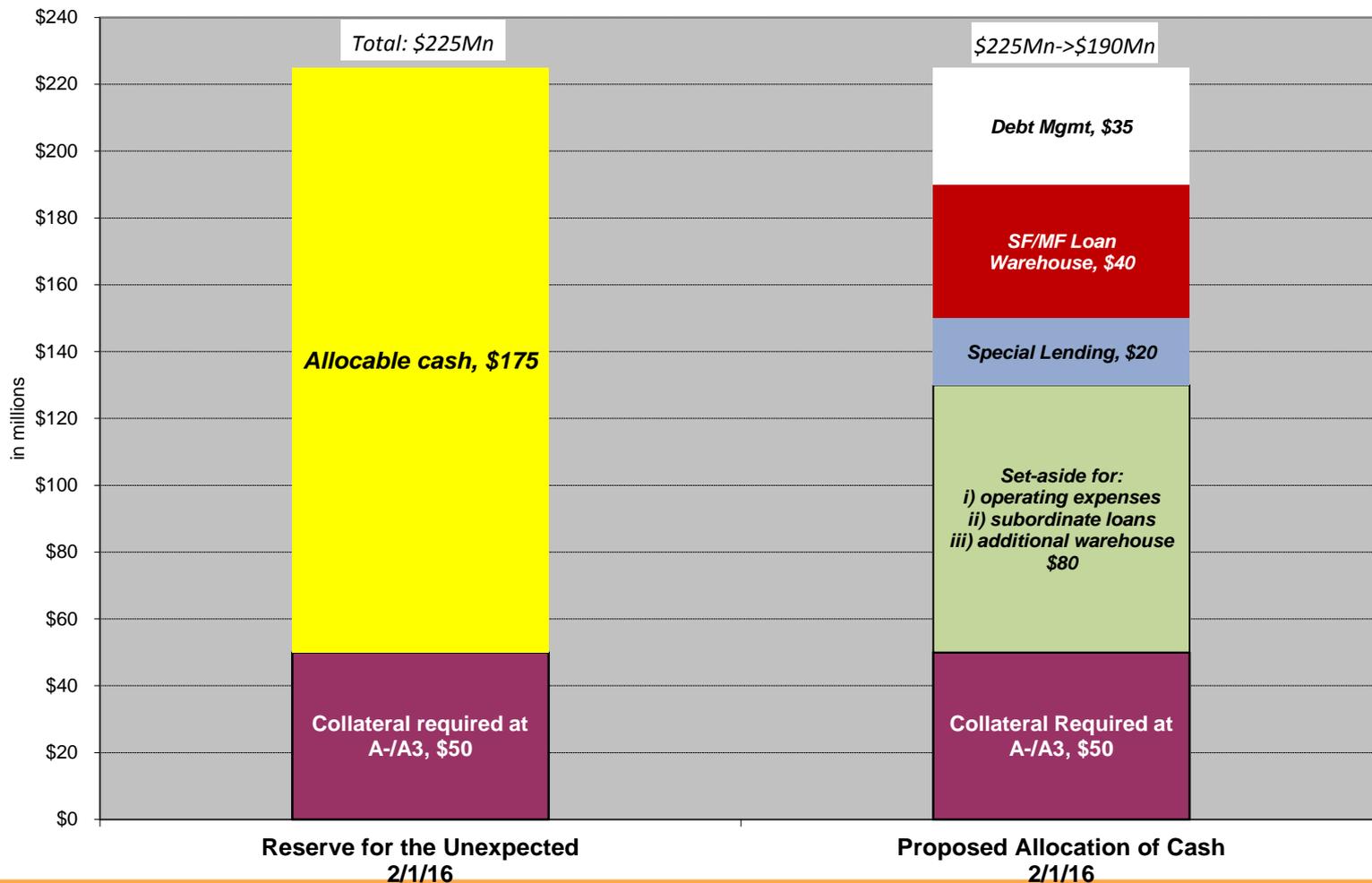
- **Guaranties**

- Swap portfolio: \$1.1Bn notional
- Swap collateral requirements: \$45Mn
- HUD MF Risk-share UPB: \$400Mn

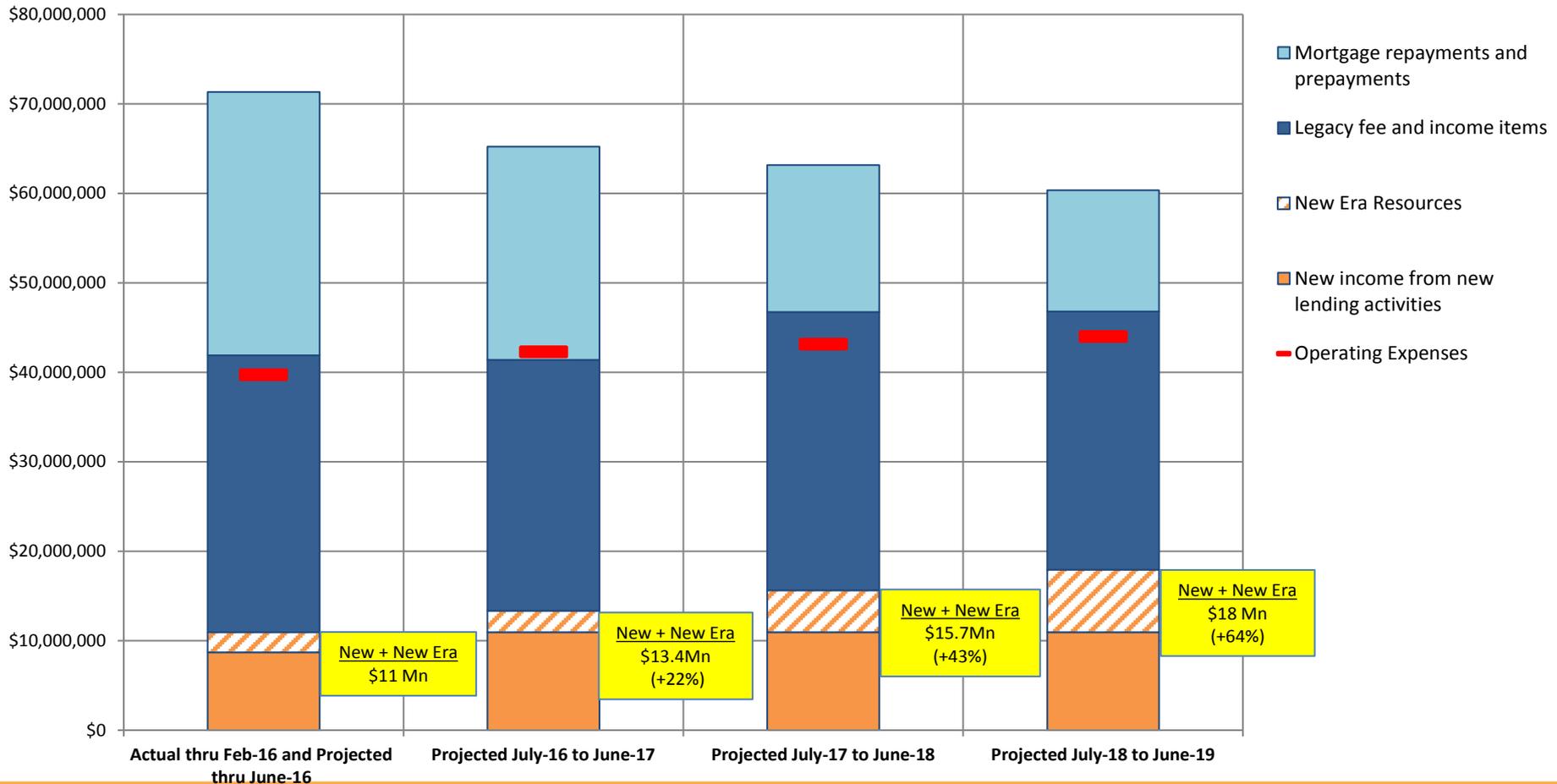
# Cash/securities and collateral posting requirements



# Allocation/reservation of cash/securities



# Projected FY16-19: declining legacy resources bolstered by new lending income



## Goal #2

Continue to improve operational efficiencies through the use of technology, workforce planning and the implementation of best practices

- **Increase Operational Efficiencies**

- **Key Action Items:**

- Continue to refine Agency's operational budget through administrative savings
- Implement improved strategies/process to recruit, train, and retain staff
- Better utilize information technology resources to streamline workflow

# Increase Operational Efficiencies

- Refine Agency contracting process for RFQ/RFP
  - Conduct a review of Agency support systems and identify opportunities to streamline, automate or eliminate manual processes
  - Review viability of consolidating servicing systems for Single Family and Multifamily loan products
  - Decrease offsite storage costs and usage
  - Strategically eliminate vacancies and shift staffing resources to support Agency initiatives and business needs
  - Streamline recruitment processes
  - Pursue options to automate time card processing
  - Implement formal workforce planning strategy and train department heads
  - Implement formal new employee orientation
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## Goal #2

Continue to improve operational efficiencies through the use of technology, workforce planning and the implementation of best practices

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

- Key Action Items:
  - Explore establishment of an Enterprise Risk Management Department to identify Agency business risks, reduce waste and strengthen internal controls
  - Maintain controls over IT data and tools to ensure data security and business continuity

# Implement long-term strategies to monitor and mitigate enterprise risks

- Continue to participate in the State Leadership Accountability Act (SLAA) process to identify Agency business risks, reduce waste and strengthen internal controls
- Ensure remediation activities to mitigate findings identified in the Nationwide Cyber Security Review (NCSR) are completed by 6/30/2017 and position CalHFA for SSAE16 SOC 1 reporting compliance
- Explore establishment of an Enterprise Risk Management Department to oversee: i) Quality Control; ii) Risk Management; iii) Internal Controls/Compliance and develop a robust plan to address each topic
- Mitigate the risk of a site or regional outage by creating and maintaining a technology plan that includes a remote disaster recovery hotsite with critical data and application duplication and back up

## Goal #2

Continue to improve operational efficiencies through the use of technology, workforce planning and the implementation of best practices

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

- Key Action Items:

- Continuously refine IT work plan to ensure that IT priorities align with business plan goals
- Assess current data system infrastructure and streamline or consolidate where appropriate

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

- Pursue workflow solutions for routing and approval of Agency forms and activities
  - Continue to identify and train IT liaisons in all business units
  - Enhance the efficiency and timeliness of management reporting
  - Implement data mapping GIS to improve decision making and monitoring outcomes
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### Goal #3

Collaborate with other housing entities to deliver effective and efficient housing solutions

- **Increase opportunities to meet California's affordable housing needs**
- Key Action Items:
  - Provide technical assistance to legislature and other interested parties regarding affordable housing
  - Collaborate with other State and local agencies to provide efficient financing of affordable housing
  - Support federal housing partners in the development and expansion of programs that help finance affordable housing in California

# Increase opportunities to meet California's affordable housing needs

- Possible development of a Stakeholder Advisory Committee for Single Family and Multifamily programs
- Identification of homeownership programs that crossover with other State and local agencies, and assess whether they function efficiently and collaboratively
- Continue collaboration with the legislature and other State and local housing agencies in support of veterans housing, MHSA, and other affordable housing efforts
- Promote HUD/FFB Multifamily financing program
- Participation in State Medicaid-Housing Partnerships to help State Medicaid and housing agencies work better together to reduce Medicaid costs
- Continue effectively administer the pilot HUD 811 program funds

## Goal #4

**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:
  - Aggressively market programs to eligible homeowners, community groups and media to expand awareness
  - Measure program outcomes and assess barriers to eligibility
  - Monitor program recipients to assess level of homeownership sustainability facilitated by program assistance

# FY 2016-17 Business Plan Workshop

## Questions?

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