

# Fiscal Year 2016-17 Business Plan & Operating Budget

May 17, 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

# Key Business Plan Initiatives

- Target \$1 billion in 1<sup>st</sup> mortgage loan purchases and \$48 million in down payment assistance (DPA)
  - Target \$8.3 million in revenue generation and \$19.8 million in long term asset generation for Single Family Programs
  - Improve master servicing delivery channels for Single Family lending
  - Target \$190 million in multifamily lending and \$300 million in conduit issuance
  - Target \$2.7 million in revenue generation and \$7.6 million in long term asset generation for Multifamily Programs.
  - Implement strategies to increase return on equity and develop long-term revenue streams using Single Family Mortgage Backed Securities (MBS)
-

# Single Family Lending Programs

Lend Volume	FY 2015-16 Goals	FY 2015-16 Revised	FY 2016-17 Proposed
First Mortgage Program	\$605M	\$883M	\$1.01B
MyHome DPA	\$75M	\$40M	\$48M
Mortgage Credit Certificates	\$74M	\$121M	\$130M
<b>Totals</b>	<b>\$754M</b>	<b>\$1.04B</b>	<b>\$1.19B</b>

Revenue Generation	FY 2015-16 Goals	FY 2015-16 Revised	FY 2016-17 Proposed
First Mortgage Program	\$3.25M	\$5.30M	\$6.10M
MyHome DPA	\$2.40M	\$1.65M	\$1.89M
Mortgage Credit Certificates	\$0.10M	\$0.27M	\$0.30M
<b>Totals</b>	<b>\$5.75M</b>	<b>\$7.22M</b>	<b>\$8.29M</b>

# Multifamily Lending Programs

Lend Volume	FY 2015-16 Goals	FY 2015-16 Revised	FY 2016-17 Proposed
Acquisition/Rehab Loan	\$100M	\$76M	\$90M
Refinance Loan Program	-	\$8M	\$100M
Conduit Loan Program	\$100M	\$305M	\$300M
Special Needs Housing (Formerly MHSA)	\$30M	\$32M	\$55M
<b>Totals</b>	<b>\$230M</b>	<b>\$421M</b>	<b>\$545M</b>

Revenue Generation	FY 2015-16 Goals	FY 2015-16 Revised	FY 2016-17 Proposed
Acquisition/Rehab Loan	\$4.68M	\$2.53M	\$2.77M
Refinance Loan Program	-	\$0.24M	\$5.43M
Conduit Loan Program	\$0.68M	\$1.84M	\$2.10M
Special Needs Housing (Formerly MHSA)	\$1.14M	\$1.22M	\$2.90M
<b>Totals</b>	<b>\$6.50M</b>	<b>\$5.83M</b>	<b>\$13.20M</b>

# Key Business Plan Initiatives (Cont'd)

- Develop working capital options for Single Family and Multifamily warehouse lines
  - Increase operational efficiencies through the use of technology, workforce planning and refinement of administrative processes
  - Seek establishment of an Enterprise Risk Management department to identify and mitigate business risks and strengthen internal controls
  - Refine information technology (IT) controls and ensure data security and business continuity
  - Continuously refine IT work plan to ensure IT priorities align with business plan goals
  - Assess data system infrastructure and streamline or consolidate where appropriate
-

# Key Business Plan Initiatives (Cont'd)

- Continue collaboration efforts with HCD, TCAC, CDLAC and other state partners to inform lending decisions and preservation strategies
  - Support federal housing partners in the development and expansion of programs that help finance affordable housing in California
  - Continue to heavily market Keep Your Home California (KYHC), assess barriers to eligibility and monitor program outcomes to ensure funds are fully utilized to meeting the needs of eligible homeowners.
-

# FY 2016-17 Business Plan

## Questions?

---



California Housing Finance Agency

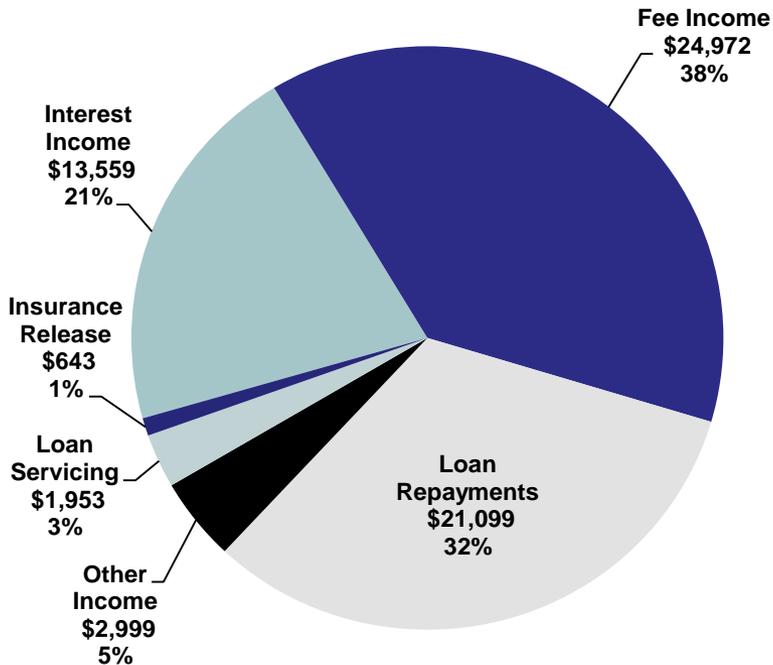
# CalHFA Operating Budget Fiscal Year 2016-17

# Fiscal Year 2016-17 Budget

(In Thousands)

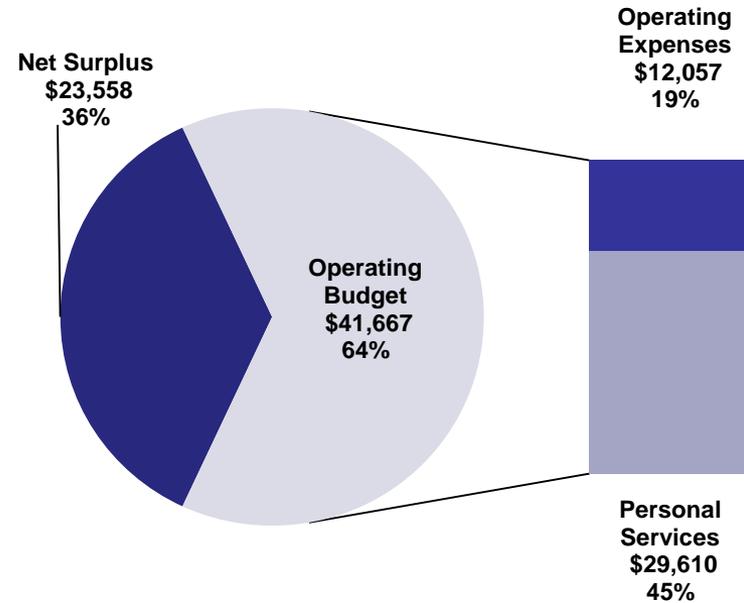
## Resources

**\$65,225**

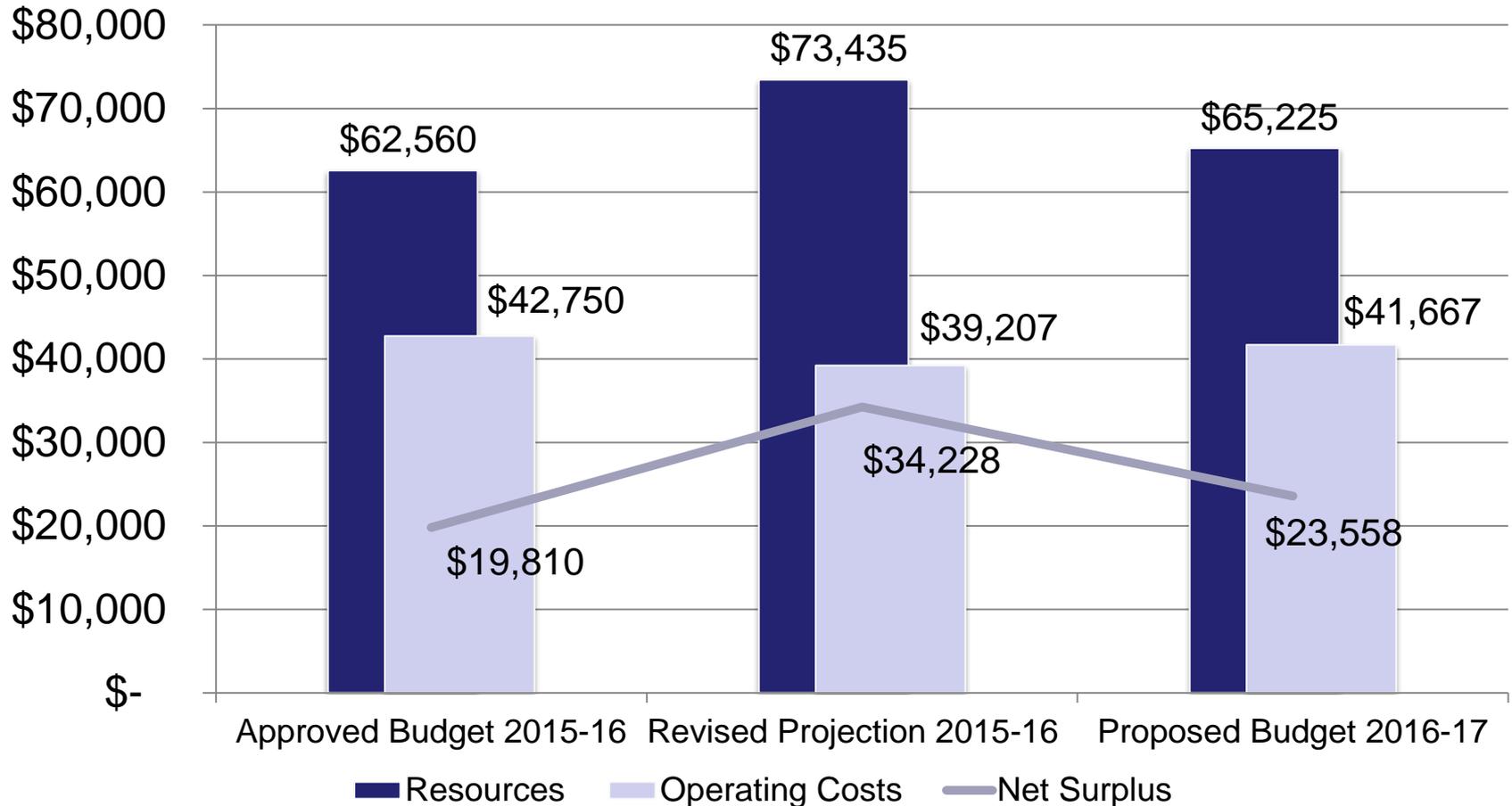


## Uses

**\$65,225**



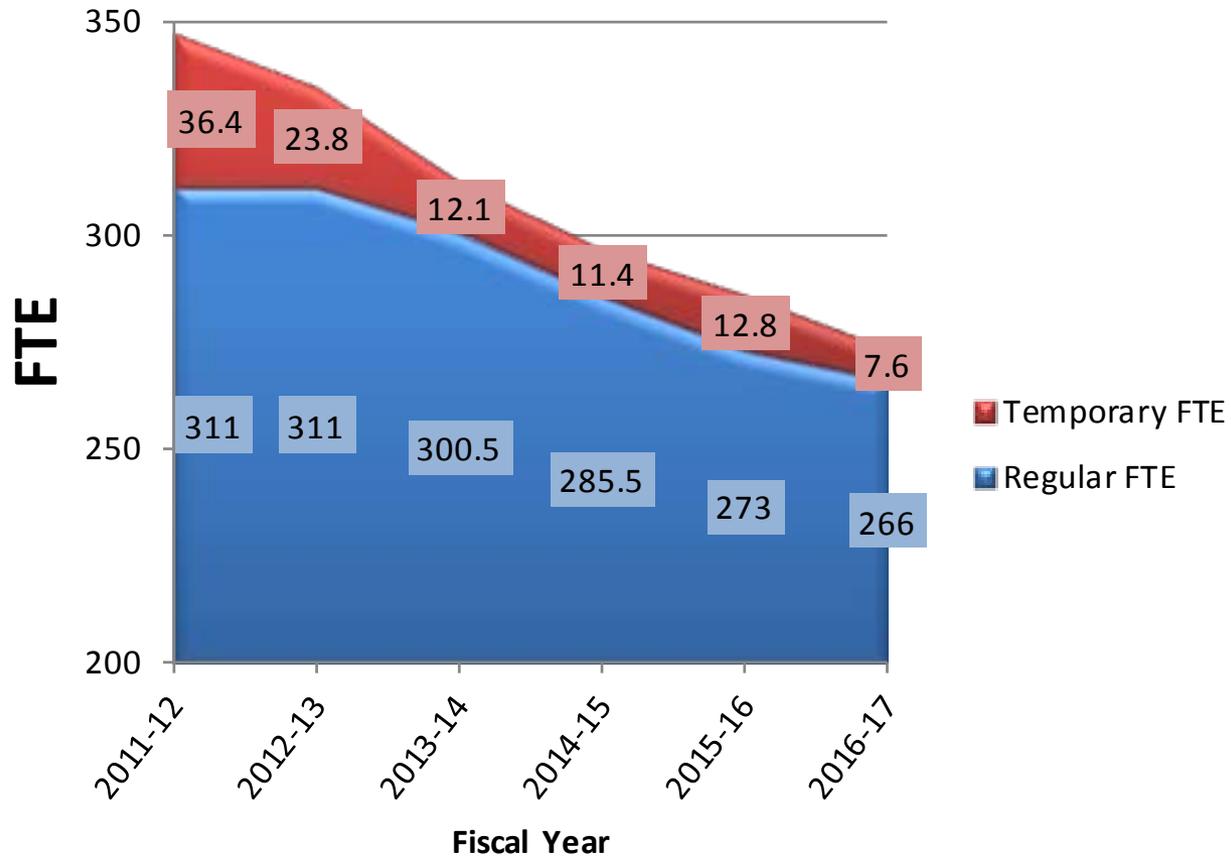
# Proposed Budget Comparison



**CALIFORNIA HOUSING FINANCE AGENCY**  
**Fiscal Year 2016-17 BUDGET**  
(DOLLARS IN THOUSANDS)

	<b>Adopted Budget 2014-15</b>	<b>Adopted Budget 2015-16</b>	<b>Proposed Budget 2016-17</b>	<b>Variance FY 15/16 to FY16/17</b>	
<b>RESOURCES</b>					
Loan Servicing	3,000	2,067	1,953	(114)	-6%
Insurance Release	942	813	643	(170)	-21%
Loan Repayments	19,744	18,997	21,099	2,102	11%
Interest (mortgages/securities/cash)	14,774	10,298	13,559	3,261	32%
Fee Income	11,314	27,582	24,972	(2,610)	-9%
Extraordinary Items		2,803	2,999	196	7%
<b>TOTALS</b>	<b>\$ 49,774</b>	<b>\$ 62,560</b>	<b>\$ 65,225</b>	<b>\$ 2,665</b>	<b>4%</b>
<b>OPERATING BUDGET</b>					
Salaries and Benefits	29,984	29,596	29,683	87	0%
Reimbursements	(496)	(534)	(599)	(65)	12%
Temp Services/Other	633	724	526	(198)	-27%
<i>Personal Services</i>	<b>30,121</b>	<b>29,786</b>	<b>29,610</b>	<b>(176)</b>	<b>-1%</b>
General Expense	677	641	694	53	8%
Communications	497	499	414	(85)	-17%
Travel	390	414	480	66	16%
Training	134	160	175	15	9%
Facilities Operation	3,084	3,100	2,825	(275)	-9%
Consulting & Professional Services	4,893	4,458	3,861	(597)	-13%
Central Administrative Services	2,312	2,960	2,624	(336)	-11%
Information Technology	663	602	854	252	42%
Equipment	120	130	130	-	0%
<i>Operating Expenses</i>	<b>12,770</b>	<b>12,964</b>	<b>12,057</b>	<b>(907)</b>	<b>-7%</b>
<b>TOTALS</b>	<b>\$ 42,891</b>	<b>\$ 42,750</b>	<b>\$ 41,667</b>	<b>\$ (1,083)</b>	<b>-3%</b>
				-	
<b>NET SURPLUS/(EXPENDITURE)</b>	<b>\$ 6,883</b>	<b>\$ 19,810</b>	<b>\$ 23,558</b>	<b>3,748</b>	<b>19%</b>

## Full Time Positions



# FY 2016-17 Business Plan

## Questions?

---

## 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
-

## 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:

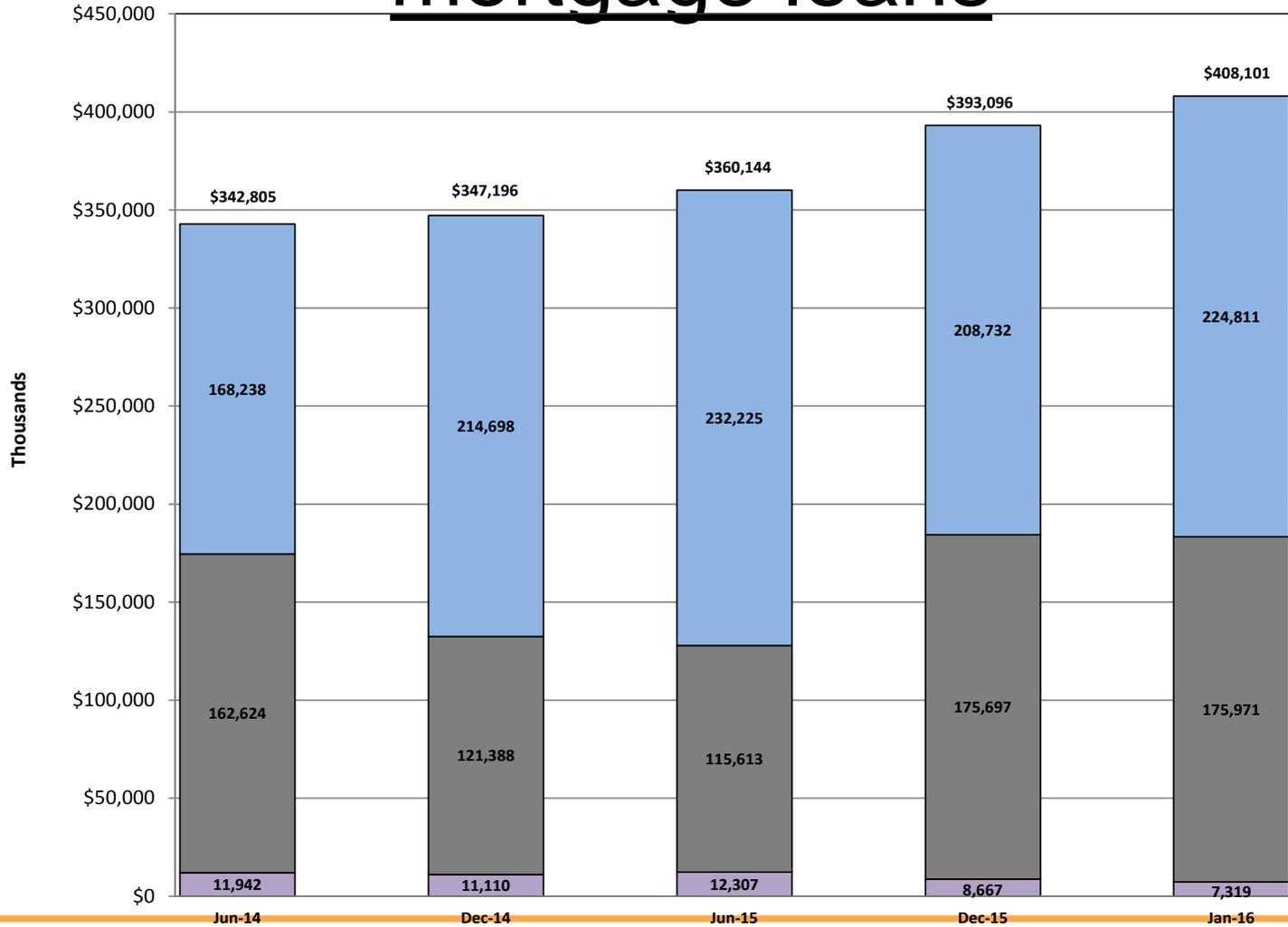
- Implement strategies to increase return on equity and develop long-term revenue streams using single-family MBS
- Develop working capital options for SF warehouse line and MF Lending

# **Update on Agency resources and liquidity**

**April 11, 2016**

---

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



■ Cash & Securities at Par

■ Mortgages

■ Interfund

# G-O liabilities

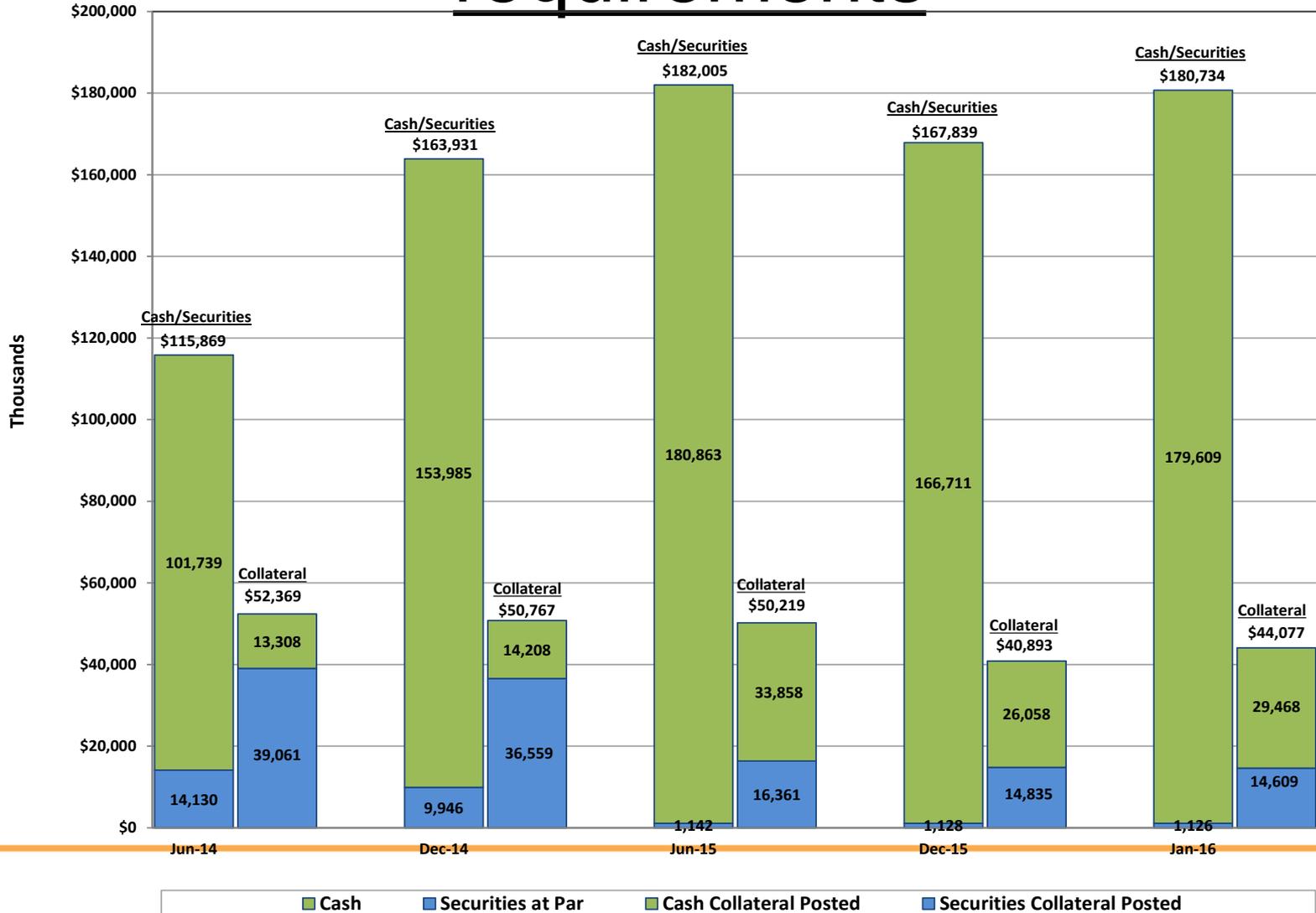
- **Expenditures**

- Operating expense: approx. \$40Mn annually

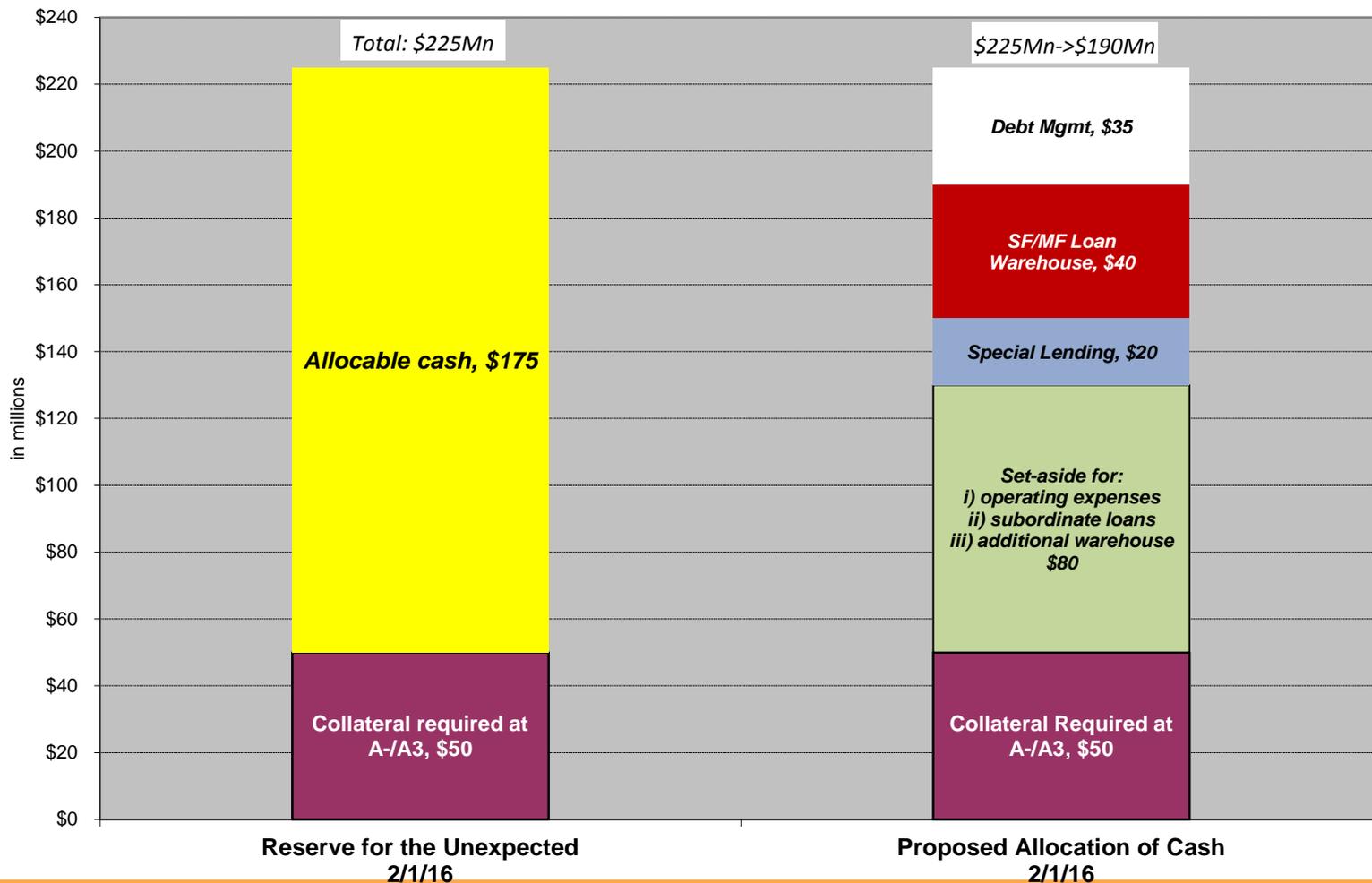
- **Guaranties**

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

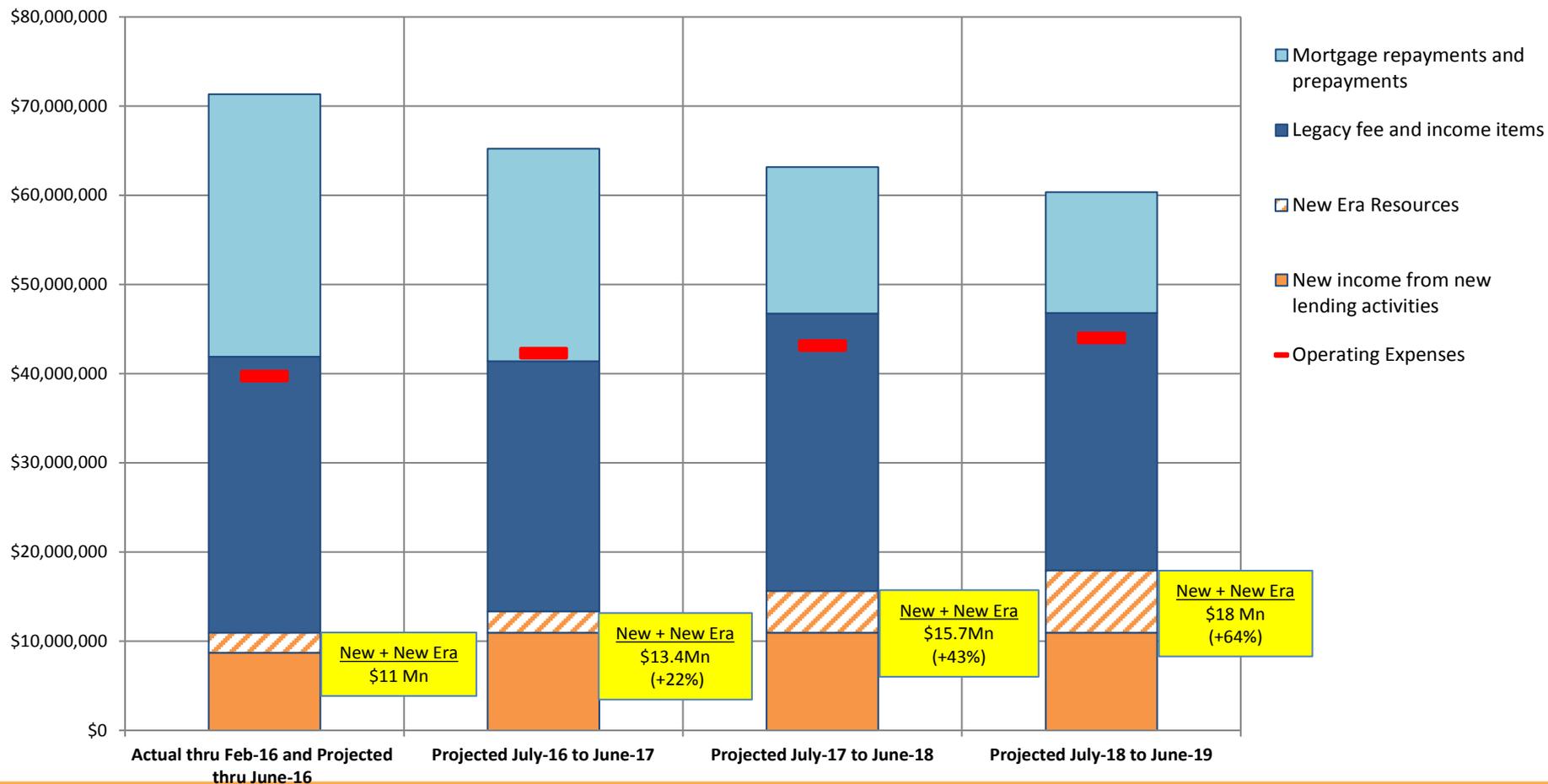
# Cash/securities and collateral posting requirements



# 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
-

# 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
-

## 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 hot site with critical data and application duplication and back up

# 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 hot site 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
-

### 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
-

# **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
<b>RESOURCES</b>						
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
<b>TOTALS</b>	<b>\$ 62,560</b>	<b>\$ 31,280</b>	<b>\$ 36,085</b>	<b>\$ 4,805</b>	<b>15.4%</b>	<b>\$ 73,435</b>
<b>OPERATING BUDGET</b>						
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
<b>TOTALS</b>	<b>\$ 42,750</b>	<b>\$ 21,375</b>	<b>\$ 19,012</b>	<b>\$ 2,363</b>	<b>11.1%</b>	<b>\$ 39,207</b>
<b>NET SURPLUS/(EXPENDITURE)</b>	<b>\$ 19,810</b>	<b>\$ 9,905</b>	<b>\$ 17,073</b>	<b>\$ 7,168</b>	<b>72.4%</b>	<b>\$ 34,228</b>

**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
<b>RESOURCES</b>						
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
<b>TOTALS</b>	<b>\$ 62,560</b>	<b>\$ 31,280</b>	<b>\$ 36,085</b>	<b>\$ 4,805</b>	<b>15.4%</b>	<b>\$ 73,435</b>
<b>OPERATING BUDGET</b>						
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
<b>TOTALS</b>	<b>\$ 42,750</b>	<b>\$ 21,375</b>	<b>\$ 19,012</b>	<b>\$ 2,363</b>	<b>11.1%</b>	<b>\$ 39,207</b>
<b>NET SURPLUS/(EXPENDITURE)</b>	<b>\$ 19,810</b>	<b>\$ 9,905</b>	<b>\$ 17,073</b>	<b>\$ 7,168</b>	<b>72.4%</b>	<b>\$ 34,228</b>