



# Financial Policies Update

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**Erwin Tam**

Director of Financing

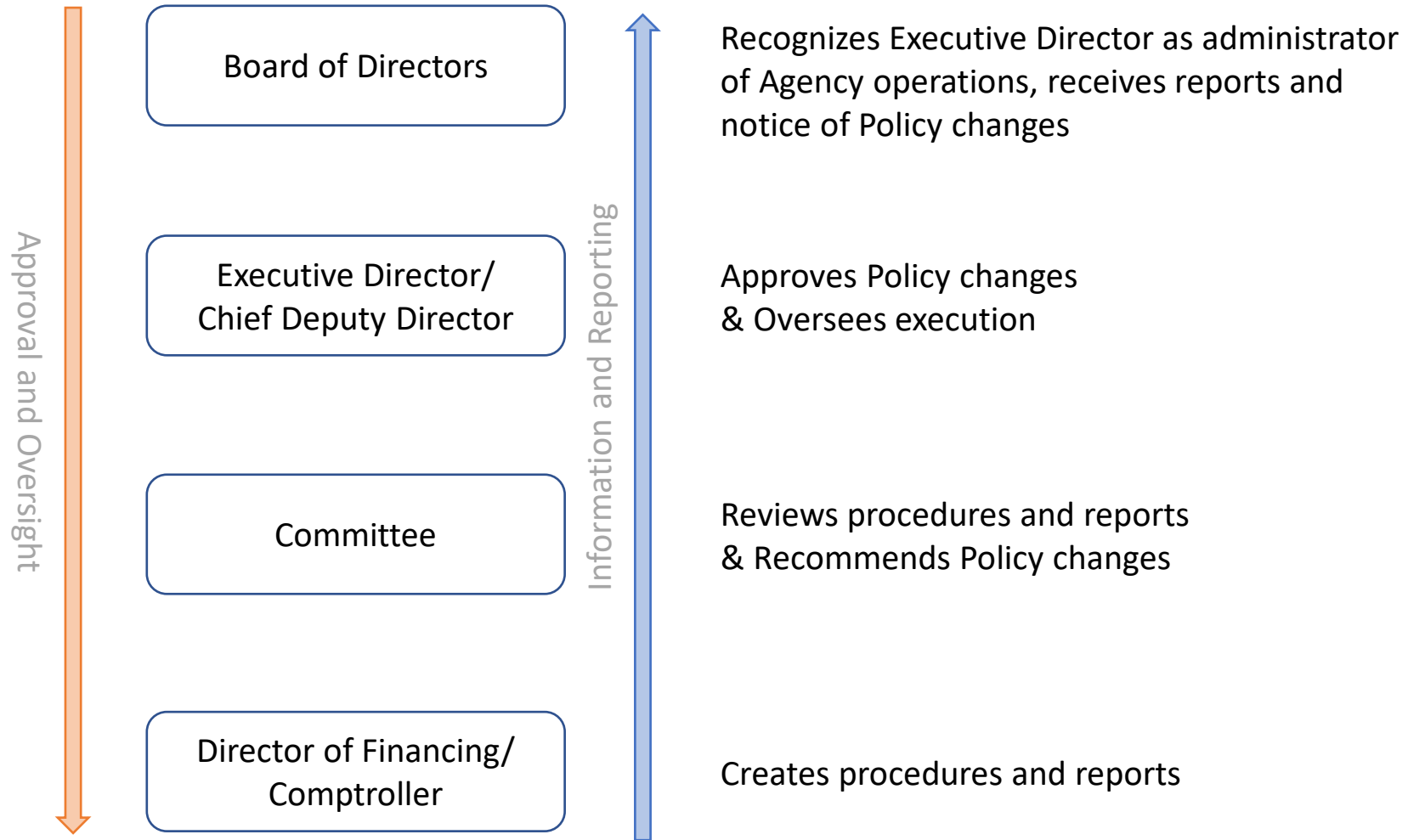


## Financial Policy Overview

- In 2022, the Board of Directors approved three amended and restated policies:
  - Financial Risk Management (formerly the Hedge Policy)
  - Investment & Debt Management (formerly the Investment Policy)
  - Disclosure
- Future amendments can be approved by the Executive Director and presented to the Board



## Policy Reporting Structure





## Financial Policies - Committee Structure

- The draft committee structure reduces the number of committees from five to three
- The sizes of the committees are decreased from a maximum size of 12 members to seven members

	Financial Risk Management	Investment & Debt Management	Disclosure
Dir. of Financing	Chair	Chair	Chair
Dir. of ERM & Compliance	Vice-Chair	Member*	Member*
Comptroller	Member	Vice-Chair	Vice-Chair
General Counsel	Member*	Member*	Member*
Risk Manager	Member	Member	Member
Dir. of Homeownership			Member*
Dir. Of Multifamily			Member*

*\*can designate another individual*



## Summary of Amendments to the Financial Risk Management Policy

- Inclusion of a method to calculate a required Hedge Reserve Account balance (prior version authorized a reserve funded at the discretion of the Director of Financing)
- Change in method of calculating counterparty diversity to DV01, representing the risk the agency takes from a change in the market of 1 basis point (prior version was based on notional amount)
- Correction to the funding requirement of the Emergency Reserve Account to be greater than the minimum balance (prior version was equal to minimum balance)
- Elimination of all references to Pre-2014 Orphan swaps as these obligations have been terminated
- Defining semi-annual reporting to the board for swaps to be February 1 and August 1
- Correction of typos



## Summary of Amendments to the Investment & Debt Management Policy

- Elimination of references to indentures with no outstanding bonds
- Clarification that permitted investments for each indenture is already incorporated into Policy
- Addition of certain investment risks to be considered, including: Credit Risk, Custodial Credit Risk, Concentration of Credit Risk, and Interest Rate Risk
- Correction of typos



## Summary of Amendments to the Disclosure Policy

- All changes to the Disclosure Policy were originated by the Agency's Bond Counsel – Orrick Herrington & Sutcliffe.
- Includes clarification of responsibility of the Director of Financing to develop procedures for the preparation of any offering document for debt and to ensure no material misstatements
- Adds clarifying language to support the procedures for gathering information from production divisions for continuing disclosure and to ensure no material misstatements
- Adds language to the purpose of the review of the Annual Comprehensive Financial Report is to ensure that information is complete, true and accurate in all material respects and is not materially misleading



## Recent CalHFA Ratings Upgrades

- On June 20, 2023, CalHFA was upgraded to “Aa2” by Moody’s Investors Service
- In December 2022, S&P upgraded CalHFA to “AA” by S&P Global
- CalHFA has achieved its highest credit ratings ever

