MOODY'S
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Update

Contacts

Eileen Hawes 212-553-4880
AVP-Analyst MIS
eileen.hawes@moodys.com

Florence Zeman 212-553-4836
Associate Managing Director
florence.zeman@moodys.com

California Housing Finance Agency

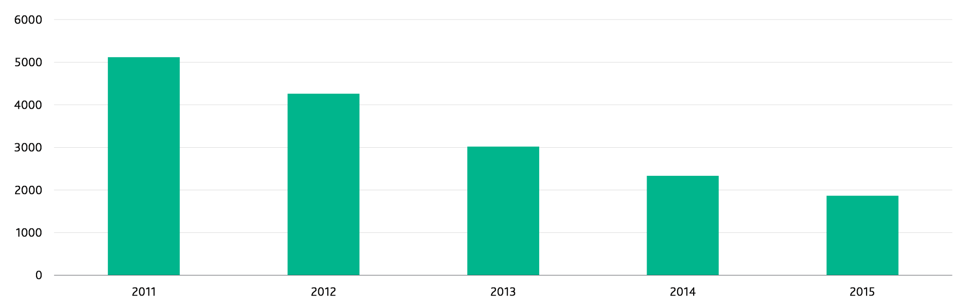
Rating Update - Moody's upgrades to A2 from A3 California Housing Finance Agency Home Mtg. Rev. Bonds; outlook stable

Summary Rating Rationale

Moody's Investors Service has upgraded the long-term underlying rating of California Housing Finance Agency's (CalHFA) Home Mortgage Revenue Bonds to A2 from A3. The outlook on the rating is stable.

The A2 rating reflects the program's solid financial performance demonstrated by increased balance sheet strength and profitability, enhanced loan performance with relatively low single family mortgage loan delinquencies and foreclosures, and improved cash flow projections under all stress runs. The seasoning of the loans further supports the rating and provides cushion in the event of a potential downturn.

Exhibit 1
California Housing Finance Agency's Home Mortgage Revenue Bonds Outstanding (in billions)



as of June 30
Source: Moody's Investors Service adjusted issuer financial statements

Credit Strengths

» Program asset- to- debt ratio (PADR): 1.156 (based on audited 6/30/15 results); improvement in fiscal year 2015 exceeded expectations

» Favorable macro-economic and real estate conditions in the State of California

» Diversification of providers for liquidity facilities

» Mortgage insurance mitigates loan losses: FHA insurance on 31% of loans, Genworth Mortgage Insurance Corporation reinsurance on 30% of loans (GMICO, Ba1, stable)

» Solid loan asset performance due to decreases in loan delinquencies/foreclosures to 2.47% (as of December 31, 2015) and reduced losses on foreclosed loans

» CalHFA support as net swap payments are paid by the Agency subject to reimbursement by HMRB

» Strong management actions continue to improve program performance

Credit Challenges

» Large, complex swap portfolio with collateral posting requirements; substantial portion of variable rate debt

» GMICO reinsurance policies became subject to rollover on the 10th anniversary of each vintage (subject to reimbursement of accumulated reserves) reducing benefit of mortgage insurance

» Unhedged portion of variable rate debt causes stress in rising interest rate cash flow scenarios

Rating Outlook

The outlook is stable based on favorable trends in loan and financial performance; however, the rating is likely to be limited by the underlying volatility in the macro-economic conditions in the State of California.

Factors that Could Lead to an Upgrade

» Decline in percentage of VRDBs and corresponding termination of swaps

» Continuation of the current trend of improved financial performance, including growth of PADR and profitability

» Continued reduction in delinquencies and loan losses

Factors that Could Lead to a Downgrade

» A reversal of the trend in financial performance, including reduced PADR and/or profitability

» A reversal in improving trends of mortgage loan performance, through increased delinquencies or foreclosures leading to increasing losses

Key Indicators

Exhibit 2

California Housing Finance Agency's Home Mortgage Revenue Bonds

(Year Ending 06/30)	2015	2014	2013	2012	2011	2010
Total Bonds Outstanding	1,866,915	2,335,370	3,016,715	4,261,315	5,117,045	6,209,250
Asset to Debt Ratio	115.60%	112.16%	108.80%	107.21%	108.25%	106.95%
Margins	9.23%	3.95%	6.03%	5.33%	15.88%	-3.23%
Variable Rate Debt as a % of Bonds Outstanding	50.38%	53.57%	57.15%	63.28%	64.81%	59.38%
Swapped Debt as a % of Variable Rate Debt	87.37%	81.87%	79.90%	64.06%	66.72%	75.84%
Seriously Delinquent	2.71%	4.71%	7.31%	7.56%	8.55%	11.50%

Source: Moody's Investors Service

Recent Developments

Recent developments are incorporated in the Detailed Rating Considerations.

Detailed Rating Considerations

Loan Portfolio

The HMRB bonds are limited obligations of the Agency secured by the mortgages and other assets pledged under the bond indenture. Serious delinquencies (loans 90+ days delinquent plus loans in foreclosure) continued to show significant improvement, declining from 4.09% at 12/31/14 to 2.47% at 12/31/15, pointing to reduced levels of losses from missed payments and foreclosures. Improvements in the California housing market are reflected in smaller losses to CalHFA on sales of REOs.

Delinquency levels are slightly elevated compared to California state-wide benchmarks. Mortgage Banker's Association Q3'15 seriously delinquency levels for FHA fixed-rate mortgages in California was 2.39%.

Mortgage insurance continues to mitigate losses. At 6/30/15, 31% of HMRB loans have FHA/VA insurance, which significantly reduces any exposure to the program. An additional 30% of the loans benefit from private mortgage insurance that continues to be reinsured by Genworth Mortgage Insurance Corporation (GMICO). However, the GMICO policies expire on the 10th anniversary of each covered vintage, and CalHFA has opted not to renew for the 2003, 2004 and 2005 vintages. The portfolio also contains 27% of uninsured loans with loan-to-values (LTVs) below 80% and 12% uninsured loans with LTVs above 80%.

Financial Position and Performance

Increases in overcollateralization and stable profitability are important factors in the rating affirmation. Although HMRB's fund balance has declined since 6/30/09, reflecting losses absorbed from mortgage loan delinquencies and foreclosures, the program has demonstrated strengthening overcollateralization through the period of deleveraging. The adjusted asset to debt ratio (PADR), a key metric in our comparative assessment of single family programs, increased from 1.12 at 6/30/14 to 1.156 at 6/30/15 (audited).

Profitability as shown in the financial statements remains elevated because the Agency accounts for payments on the interest swaps hedging HMRB debt from its Operating Account, and then reimburses the Operating Account from HMRB. Adjusted to cover the swap payments, HMRB's adjusted profitability (net revenues as a % of total revenue) as of 6/30/15 was 9.23%, an increase from 3.95% at 6/30/14.

LIQUIDITY

Cash flow projections demonstrate that the program exhibits sufficient liquidity to meet all debt service obligations.

Legal Framework, Covenants, and Debt Structure

Stress from Variable Rate Debt is Significant but Reduced

DEBT STRUCTURE

The total outstanding debt for HMRB as of June 30, 2015 is $1,866,915,000 of which $926,310,000 is fixed rate, and $940,605,000 is variable rate.

DEBT-RELATED DERIVATIVES

HMRB's high level of variable rate debt is a source of potential stress primarily from interest rate risk. 50% of HMRB bonds (as of 6/30/15) were variable rate (including 27% VRDBs and 23% with no tender option). All of the VRDBs ($511 million as of 6/30/15) are currently supported by direct-pay letters of credit, effective July,2015.

Approximately 87% of the variable rate bonds are hedged with interest rate swaps, exposing the unhedged 13% portion to increased costs if interest rates begin to rise. Swap payments are a general obligation of CalHFA and are made from the Agency's general fund, subject to the practice of reimbursing the payments from HMRB. The Agency pledge insulates HMRB from collateral posting and counterparty exposure.

We incorporate these risks into our analysis by reviewing cash flow projections that include combinations of low rate and rising-interest rate scenarios as well as high and low prepayment speeds and bank bond scenarios according to Moody's methodology. Loan losses were $120 million (6.5% of principal), although we expect our modeled losses to be lower going forward due to improving loan performance. The cash flows were able to sustain all stress scenarios including high interest rates, loan losses and bank bond repayment with no shortfalls.

PENSIONS AND OPEB

Pensions and OPEB are not a major factor in the methodology.

Management and Governance

We believe CalHFA's management is strong and well positioned to sustain the Agency's financial position and program initiatives. Since 2008, CalHFA's management has taken effective steps to improve the Agency's finances and demonstrated management focus on reducing financial stress. The Agency substantially enhanced its single family asset management function and reduced timelines for moving defaulted loans through the pipeline.

The Agency also improved the Agency's balance sheet to address the combined effect of the mortgage decline and the financial crisis. Actions included mortgage loan sales, bond purchases at a discount, refinancing of multifamily projects to reduce risk to the Agency, negotiation of more favorable terms for swap collateral posting, refunding to reduce variable rate debt, and exercise of par swap termination options to reduce exposure. The Agency has also reopened its mortgage origination business through loan sales in the secondary market and an increased focus on multifamily loans.

Legal Security

The bonds are special limited obligations of the Agency, payable solely from the revenues, reserves, assets and properties pledged under the Indenture, including the single family mortgage loans financed under the Indenture and certain reserve accounts. All of the mortgage loans and other assets are pledged to secure all of the bonds, equally and ratably. The bonds are not backed by the State of California.

Use of Proceeds

Not applicable.

Obligor Profile

HMRB was CalHFA's single family mortgage finance program from 1982 to 2008 and remains CalHFA's largest obligation by volume (bonds outstanding: $1.678 billion HMRB, $2.623 billion for CalHFA total as of 11/1/15). HMRB's performance represents a key driver of CalHFA's overall performance. Bond proceeds were used to finance single family mortgages for low and moderate income households in the State of California. All of the bonds under the Indenture are secured equally and ratably by all of the mortgage loans.

HMRB is not a general obligation of CalHFA; however, CalHFA is responsible for payments on interest rate hedges, with reimbursement by HMRB.

Methodology

The principal methodology used in this rating was U.S. Housing Finance Agency Single Family Programs published in February 2013. Please see the Ratings Methodologies page on www.moodys.com for a copy of this methodology.

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