

CREDIT OPINION

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Update

Contacts

Josephine Castro 415-274-1753
Analyst MIS
josephine.castro@moodys.com

Michael J. Loughlin 212-553-4066
VP-Senior Analyst
michael.loughlin@moodys.com

California Housing Finance Agency

Moody's reviews the long-term JDA-ratings on CA HFA Home Mrtg. Rev. Bonds

Moody's Investors Service has taken the following rating actions on the bonds listed below (collectively, the Bonds):

Exhibit 1

Rating Actions Taken

California Housing Finance Agency Home Mortgage Revenue Bonds Series:	Rating Action	Prior Rating
2000 N	Upgraded to Aa2	Aa3
2002 J	Affirmed Aa1	Aa1
2003 M	Affirmed Aa1	Aa1
2004 E	Affirmed Aa1	Aa1
2005 A	Upgraded to Aa2	Aa3
2005 B	Upgraded to Aa2	Aa3
2005 F	Upgraded to Aa2	Aa3
2006 C	Upgraded to Aa2	Aa3
2006 F	Upgraded to Aa2	Aa3
2007 H	Upgraded to Aa2	Aa3
2007 K	Upgraded to Aa2	Aa3
2008 D	Affirmed Aa1	Aa1

The short-term VMIG 1 ratings assigned to the Bonds remain unchanged.

Summary Rating Rationale

Moody's has reviewed the long-term joint default analysis (JDA) ratings of the Bonds as a result of Moody's February 11, 2016 upgrade to A2 from A3 of the long-term underlying rating of the California Housing Finance Agency's (CalHFA) Home Mortgage Revenue Bonds. For more information on that rating action please see the rating report linked here: https://www.moodys.com/research/Moodys-upgrades-to-A2-from-A3-California-Housing-Finance-Agency--PR_903103334

The Bonds are supported by letters of credit (LOCs) provided by Bank of America, N.A., the Royal Bank of Canada, the Bank of Tokyo-Mitsubishi UFJ, Ltd., and Sumitomo Mitsui Banking Corporation (the Banks).

THIS REPORT WAS REPUBLISHED ON 1 MARCH 2016 WITH A CORRECTED EXHIBIT 2 TRANSACTION SUPPORT SUMMARY TABLE. THE SUPPORT EXPIRATION DATES WERE CORRECTED TO 7/20/2018 FROM 7/20/2017 AS PREVIOUSLY LISTED.

The long-term ratings of the Bonds continue to be based on JDA reflecting Moody's approach to rating jointly supported transactions. The JDA ratings are based upon (a) the long-term counterparty risk assessment (CR Assessment) of each of the Banks as provider of the letters of credit, (b) the underlying rating of the Bonds, and (c) the structure and legal protections of the transaction which provide for timely debt service payments to investors.

Exhibit 2

Transaction Support Summary

	Series 2000 N, 2005 B, 2006 C	Series 2002 J, 2003 M, 2004 E, 2008 D	Series 2005 A, 2006 F, 2007 H, 2007 K	Series 2005 F
Support Provider	Bank of America, N.A.	Royal Bank of Canada	Bank of Tokyo-Mitsubishi UFJ, Ltd	Sumitomo Mitsui Banking Corporation
Support Type	Direct Pay Letter of Credit	Direct Pay Letter of Credit	Direct Pay Letter of Credit	Direct Pay Letter of Credit
Support Provider CR Assessment				
Long Term	A1(cr)	Aa2(cr)	A1(cr)	A1(cr)
Short Term	P-1(cr)	P-1(cr)	P-1(cr)	P-1(cr)
Obligor Long-Term Rating	A2	A2	A2	A2
Support Expiration Date	7/20/2018	7/20/2018	7/20/2018	7/20/2018

Factors that Could Lead to an Upgrade

- » Upgrade by Moody's of the long-term CR Assessment of the respective letter of credit bank.
- » Upgrade by Moody's of the long-term underlying rating of the Bonds.
- » A short-term rating upgrade is not applicable.

Factors that Could Lead to a Downgrade

- » Downgrade by Moody's of the long-term or short-term CR Assessment of the respective letter of credit bank.
- » Downgrade by Moody's of the long-term underlying rating of the Bonds.
- » Reassessment by Moody's of the default dependence between the respective letter of credit bank and CalHFA.

Detailed Rating Considerations

Moody's current long-term and short-term CR Assessments of Bank of America, N.A., the Bank of Tokyo-Mitsubishi UFJ, Ltd., and Sumitomo Mitsui Banking Corporation are A1(cr) and P-1(cr), respectively.

Moody's current long-term and short-term CR Assessments of the Royal Bank of Canada are Aa2(cr) and P-1(cr), respectively.

Moody's currently maintains an underlying rating of A2 on the Bonds.

Since a default in payment of principal and/or interest would occur only if the CalHFA and the Bank were to default in payment, Moody's has assigned the long-term rating based on the joint probability of default by both parties. In determining the joint probability of default, Moody's considers the level of default dependence between the Banks and CalHFA. In this case, Moody's has determined that there is a low level of default dependence between the Bank and CalHFA. Based on such determination, the joint probability of default results in credit risk consistent with a JDA rating of:

- » Aa2 for the Series 2000 N, 2005 A, 2005 B, 2005 F, 2006 C, 2006 F, 2007 H and 2007 K Bonds
- » Aa1 for the Series 2002 J, 2003 M, 2004 E, and 2008 D Bonds

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

Methodology

The principal methodology used in this rating was Rating Transactions Based on the Credit Substitution Approach: Letter of Credit backed, Insured and Guaranteed Debts published in December 2015. Please see the Rating Methodologies page on www.moody.com for a copy of this methodology.

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