CALIFORNIA HOUSING FINANCE AGENCY

2012-2013 Annual Report

CalHFA℠

Gearing Up

CalHFA℠
California Housing Finance Agency

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Additional Information is provided in the "Audited Financial Statements" and "Statistical Supplement" to the California Housing Finance Agency's 2012-2013 Annual Report
(Available on CD by request)

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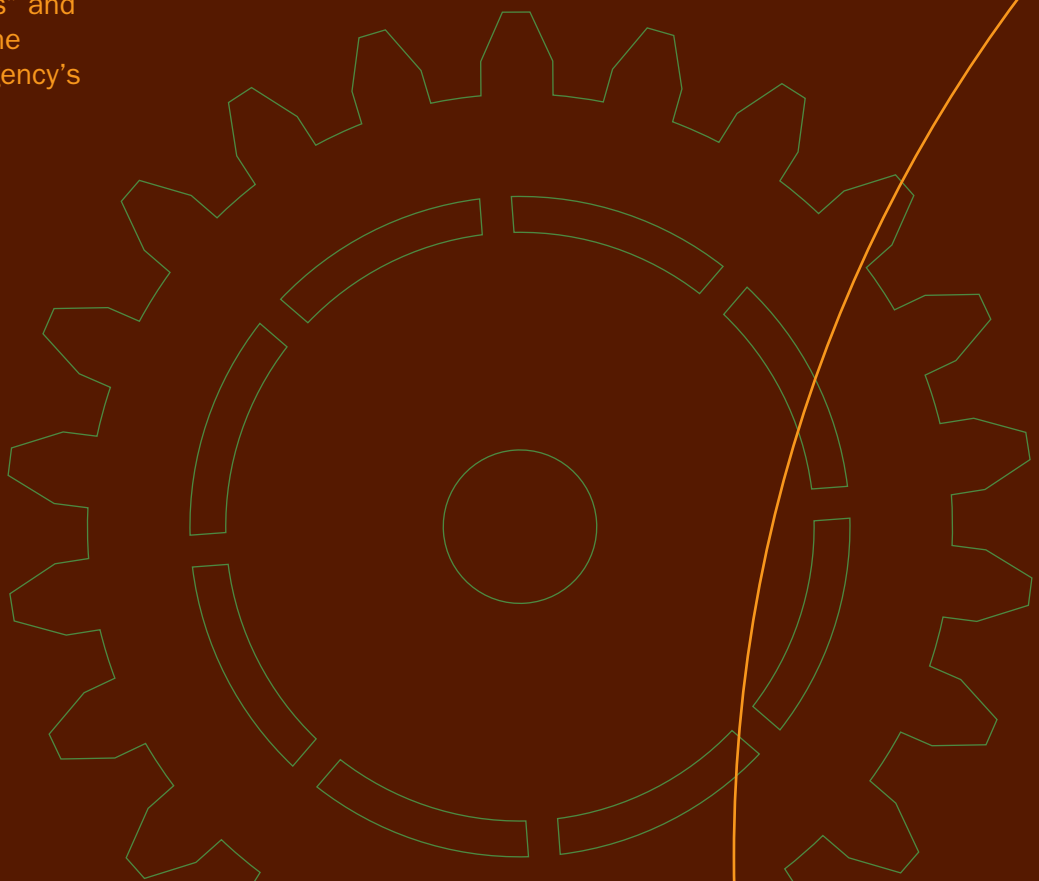

Gearing Up

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OUR MISSION IS TO CREATE AND FINANCE PROGRESSIVE HOUSING SOLUTIONS SO MORE CALIFORNIANS HAVE A PLACE TO CALL HOME.

CalHFA℠

Members of the Board

(*Left page - pictured left to right, top to bottom*)

Peter N. Carey, *CalHFA Acting Board Chair, President/CEO, Self-Help Enterprises*
Claudia Cappio*, *Executive Director, California Housing Finance Agency, State of California*
Ken Alex*, *Director, Office of Planning & Research, State of California*
Randall Deems, *Acting Director, Dept. of Housing & Community Development, State of California*
Michael A. Gunning, *Vice President, Personal Insurance Federation of California*
Ana J. Matosantos*, *Director, Department of Finance, State of California*
Jack Shine, *Chairman, American Beauty Development Co.*
Ruben Smith**, *Partner, AlvaradoSmith, A Professional Corporation*
Jonathan C. Hunter, *Managing Director, Region II, Corporation for Supportive Housing*
Brian P. Kelly, *Acting Secretary, Business, Transportation & Housing Agency, State of California*
Tia Boatman-Patterson, *General Counsel, Sacramento Housing & Redevelopment Agency*
Matthew Jacobs**, *Co-Managing Partner, Bulldog Partners, LLC*
Janet Falk
Bill Lockyer, *State Treasurer, Office of the State Treasurer, State of California* (*not pictured*)

** Non-voting **Audit Committee Members*

Chair and Executive Director's Message

The California Housing Financing Agency is gearing up today to build a better tomorrow, so more low and moderate income Californians have a place to call home.

CalHFA, much like many Californians, battled a difficult economy and a hard-hit housing market in recent years, where double-digit jobless rates and a dramatic drop in home prices dominated the headlines.

Economic conditions have greatly improved in recent months, however, and CalHFA's latest efforts make the housing agency even better positioned for success.

CalHFA has attracted new lenders, curbed bond debt, introduced programs and maintained its credit rating. In addition, we are working more closely with our sister agencies in the state to ensure better-coordinated efforts to meet the housing needs of all Californians. Those actions will allow the Agency to help more Californians get much-needed affordable housing.

In short, CalHFA is gearing up and rolling again, and just like many forward-looking companies, new products and services are the key to success.

During the 2012-2013 fiscal year, CalHFA prepared the recently introduced CalPLUS, a fixed-rate mortgage program with special opportunities for first-time homebuyers to receive thousands of dollars in down payment assistance. We know that down payments continue to be an obstacle for low and moderate income California families to achieve homeownership.

The Agency has also restarted the Extra Credit Teacher Program (ECTP), which offers up to a $15,000 deferred payment, subordinate loan for eligible teachers, administrators, classified employees and staff members working in high-priority schools, county schools or continuation schools throughout the state.

It's these out-of-the-box efforts that will get more families into homes, critical for the economy, the housing market and our state's future.

The Multifamily division's gears have been whirling also, as they introduced two new programs for preservation and conduit lending, and continued their excellent work on the Mental Health Services Act.

Of course, the Agency will also continue to help financially strapped homeowners through Keep Your Home California—a free, federally funded mortgage assistance program that has helped more than 30,000 homeowners since starting in February 2011. The $2 billion program assists homeowners who have suffered a financial hardship, such as a job loss, cut in pay, a divorce or extraordinary medical bills.

More than 150 mortgage servicers—from big banks such as Bank of America and Wells Fargo to smaller credit unions—are enrolled in the program. It's a dramatic increase from the dozen servicers who were partners when the program started.

Regardless of the economy, CalHFA—from its board members to its 274-person staff—will continue to focus on helping Californians with their housing needs, whether it's buying or keeping a home, maintaining existing housing, or serving special populations.

We're ready to shift into high gear to accomplish our mission to create and finance progressive housing solutions so more Californians have a place to call home. This is more than our commitment or mission; it's our promise.

Peter N. Carey
Acting Board Chair

Claudia Cappio
Executive Director

Multifamily Programs

The Multifamily Programs division provides acquisition/rehabilitation and permanent financing to preserve, improve, maintain, and increase the affordability of rental housing for very low and low income families in California. In addition to lending, Multifamily Programs administer funds from other governmental and third party sources and works closely with these agencies to monitor and regulate these affordable units.

Accomplishments

- Provided $70 million in preservation loans, funding seven projects for a total of 689 units. In addition to the preservation loans, provided conduit issuances for two additional projects, representing $5 million and 40 units.
- Along with Asset Management, created and launched the Prepayment Loan Program and Prepayment Policy.
- Created and launched the Preservation Loan Program and the Conduit Issuer Program.
- Continued work on the Mental Health Services Act, now totaling 120 projects with 1,684 units.

ASSET MANAGEMENT

The Asset Management division plays a major role in preserving and maintaining affordable housing for CalHFA. The division manages the multifamily housing portfolio throughout the life of the loans, protecting CalHFA's real assets from loss and ensuring regulatory compliance. The division also works with building owners and managers to ensure properties are well-operated, fiscally sound, clean and safe for tenants.

Accomplishments

- Transitioned 37 Mental Health Services Act (MHSA) projects to Asset Management. The 37 projects have a combined 1,609 housing units, including 515 MHSA units.
- Partnered with the California Department of Housing and Community Development (HCD) to develop a common Audited Financial Statements Handbook.

- Worked with CalHFA's Finance, Multifamily and Legal divisions to implement a new prepayment policy for multifamily deals within the CalHFA portfolio.
- As part of a joint effort with HCD, the Department of Health Care Services and the California Tax Credit Allocation Committee secured nearly $12 million to develop and implement a five-year demonstration program to help transition non-elderly disabled persons from skilled-nursing facilities to apartments.

Single Family Programs

SINGLE FAMILY LENDING

The Single Family Lending division works to help first-time homebuyers and others purchase homes in California. Traditionally, this has been accomplished through the financing of first mortgages, but the division's focus has shifted to down payment assistance, including the recently introduced CalPLUS program. The division also works with lending partners, municipalities and others in the private and public sectors to facilitate homeownership.

Accomplishments

LENDING PROGRAMS

- Funded 6,311 loans totaling $37.7 million for the California Homebuyer's Downpayment Assistance Program (CHDAP), marking the largest-ever number of loans and assistance in the program's history.
- Issued 344 Mortgage Credit Certificate loans in the first full year of the program. The number of loans increased to more than 50 loans per month during the final months of the fiscal year.

SPECIAL PROGRAMS SERVICING/ADMINISTRATION

- Concluded the School Facility Fee Down Payment Assistance Program, with the program funding 14,370 grants for a total of $61 million, supporting $6.2 billion in first mortgage activity since 2000.
- Processed 2,938 subordinations, reconveyances, short sales and payoff requests, exceeding the goal by 50 percent.
- Monitored 68 existing loans from the Housing Enabled by Local Partnerships (HELP) and Residential Development Loan Program (RDLP).
- Restructured 14 HELP and RDLP loans worth $21.3 million.

SINGLE FAMILY LENDING

LENDER SERVICES AND OUTREACH

- Processed 62 new lender applications and activated 34 new lenders.
- Provided 29 webinars and 52 in-person lender training workshops.
- Represented Single Family Lending at 25 industry conferences.

SINGLE FAMILY LOAN SERVICING

The Loan Servicing division provides service to the Agency's portfolio of single family loans. The division receives and processes payments, manages loans to minimize delinquencies and communicate with existing CalHFA borrowers.

Accomplishments

- Continued servicing more than 7,200 first mortgage loans.
- Implemented new system changes to include reducing interest rates, principal forgiveness and principal forbearance. These changes allowed homeowners to receive more than $13.6 million in much-needed assistance from Keep Your Home California, a CalHFA-managed federal program.
- Established agreements to meet the new modification program.
- Implemented Homeowner Bill of Rights and FHA rules and regulations into collections, loss mitigation and foreclosure.
- Lowered delinquency rate to 10.7%.
- Completed 291 short sales on first mortgages and 226 short sales on subordinate loans.
- Completed 217 loan modifications, including 169 homeowners who received assistance from Keep Your Home California.

PORTFOLIO MANAGEMENT

The Portfolio Management division works with all loan servicers and oversees servicing performance and loss mitigation efforts. Additionally, the division oversees the maintenance, preparation for market and sale of REO properties. The division reaches out to mortgage servicers to provide loan modifications to financially challenged families to make them aware of their loss mitigation options.

Accomplishments

- Processed 427 new REOs for fiscal year 2012-13, a 60 percent decline from the prior year.
- Sold 843 REOs, a 73 percent decline from last year as inventory continued to shrink.
- Reduced REO inventory to 102, a 73 percent decrease from the prior year.

Support Services

INFORMATION TECHNOLOGY

The Information Technology division is responsible for providing secure, responsive and innovative technical infrastructure, systems and services that enable the Agency to achieve its strategic objectives and fulfill its mission.

Accomplishments

- Completed deployment of Windows 7 and Office 2010 throughout the Agency.
- Updated and configured the Agency's video conferencing equipment, making face-to-face meetings easier and saving significant travel costs.
- Through video conferencing, held first virtual subcommittee meeting of the CalHFA Board.
- Started training on the Agency Enterprise Content Management system, which enables sharing and management of data via a secure electronic system.

ADMINISTRATION

The Administration division is responsible for the administrative function of the Agency, including developing and maintaining the operating budget, establishing policies, maintaining facilities and procuring equipment, furniture and supplies.

Accomplishments

- Established scanning operations for loan files and promissory notes.
- Relocated Single Family Lending and Portfolio Management staff from West Sacramento to Sacramento with no interruption to services.
- Began implementation of Governor's Reorganization Plan.

FINANCING

The Financing division manages the capital used to finance CalHFA's affordable housing programs. It also handles the Agency's outstanding debt obligations and non-mortgage investments. The division frequently evaluates various alternatives for generating low-cost capital, including balancing risk versus benefit. CalHFA's tax-exempt issuance authority allows it to serve the affordable housing needs of Californians in a way that the general market does not.

Accomplishments

- Reduced the amount of variable rate debt outstanding by $1.35 billion.
- Reduced the notional amount of interest rate swaps outstanding by $368 million.
- Worked with Moody's and Standard & Poor's to maintain the Agency's credit ratings.
- Closed a $69.95 million bond transaction under the New Issue Bond Program to fund multifamily preservation projects and $4.55 million of multifamily conduit financing.
- Refunded $133.8 million of Residential Mortgage Revenue Bonds.
- Redeemed all bonds under the Multifamily Housing Revenue Bonds II indenture.
- Closed the New Issue Bond Program. Escrow proceeds were used for:
  - Residential Mortgage Revenue Bond Escrow–Single Family
    - Original allocation of $1.02 billion
    - $680 million used to issue long-term bonds
    - Redeemed $336 million in unused proceeds
  - Affordable Multifamily Housing Revenue Bond Escrow
    - Original allocation of $380.53 million
    - $379.75 million used to issue long-term bonds
    - Redeemed $780,000 in unused proceeds

- Worked with Multifamily Programs and Asset Management to receive $82 million of prepayments on multifamily loans.
- Established the Enterprise Risk Management team.
- Completed the extension of the Temporary Credit and Liquidity Program to December 23, 2015.

FISCAL SERVICES

The Fiscal Services division safeguards CalHFA's cash and investments. The division reports financial information to the executive team that is critical to the management of the Agency's programs in accordance with federal and state requirements. The division works closely with an independent accounting firm during the Agency's yearly financial audit.

Accomplishments

- Purchased or funded loans totaling $162.1 million, including:
  - $37.7 million for 6,311 CHDAP loans
  - $54.5 million for 50 MHSA loans
  - $69.9 million for seven New Issue Bond Program loans
- Coordinated bond debt service and redemption payments totaling nearly $2 billion.
- Coordinated swap payments of $84 million.
- Processed more than 25,000 invoices for payment and posted over 11,000 checks and wire remittances.
- Upgraded technology to better serve the agency and its partners.
- Awarded the State Controller's Office Certificate for Achieving Excellence in Financial Reporting for fiscal year 2011-12.

LEGISLATION

The Legislative division works with various federal and state legislative, housing, business and other interest groups to identify and maximize opportunities to meet the housing and mortgage lending needs of low and moderate income families in California, and further the long-term business objectives of the Agency.

Accomplishments

- Worked to secure funding for an additional round of federal foreclosure counseling dollars.
- Continued working with the California Legislature and Congress on issues affecting affordable housing, foreclosure prevention and mortgage lending throughout the state.
- Implemented a number of changes to improve the efficiency and effectiveness of the Keep Your Home California foreclosure prevention programs.

OFFICE OF GENERAL COUNSEL

The Office of General Counsel manages the legal affairs of CalHFA by providing counsel on day-to-day operations and strategic initiatives. The office also supports CalHFA's lending and insurance programs.

Accomplishments

- Assisted the financing staff with several bond transactions for multifamily projects and restructuring CalHFA's debt.
- Assisted Single Family and Multifamily programs with first mortgage loan products, loss mitigation, MHSA loans and HUD Risk Share.
- Helped Asset Management with its successful application to become a HUD multifamily loan administrator.
- Reviewed and advised the Legislative Director on hundreds of bills introduced at the Capitol, and was critical in the drafting of legislation to enable the Agency to continue to offer down payment assistance loans along with FHA first loans and develop an energy-efficient grant program.
- Conducted training of Agency divisions on ethics, privacy, the Public Records Act and information security practices.

- Drafted and revised Agency services agreements and participated in the termination or restructuring of other significant agency contracts.
- Managed numerous lawsuits and bankruptcy issues connected with the Agency's single family portfolio from the downturn in the economy.

MARKETING

The Marketing division uses advertising, promotion and public relations to increase awareness of and accessibility to the Agency's products among lenders, real estate agents, builders, developers, localities and first-time homebuyers.

Accomplishments

- Secured newspaper and media stories reaching about 2.5 million.
- CalHFA Leads Program Call Center responded to 1,839 incoming calls.
- CalHFA website had more than 3.2 million page views.
- Completed more than 500 marketing and communication project requests.
- Integrated with the Department of Housing and Community Development's Communications division in first phase of inter-departmental collaboration.

Keep Your Home California

Keep Your Home California is a free, mortgage-assistance program established under the U.S. Treasury Department's Hardest Hit Fund. As part of the federally funded program, California was allocated almost $2 billion to help eligible homeowners avoid preventable foreclosures.

So far, the program has helped over 30,000 struggling homeowners, with each facing a serious financial hardship such as a job loss, cut in pay, divorce, extraordinary medical bills or other economic issues.

Accomplishments

- Developed an English and Spanish language advertising campaign featuring actor and TV host Mario Lopez, reaching more than 54 million people.
- Partnered with the California Employment Development Department to include informational flyers on the Unemployment Mortgage Assistance program to hundreds of thousands of Californians collecting jobless benefits.
- Earned media attention in TV, print and radio reaching nearly 12 million people with Keep Your Home California messaging.
- Redesigned the Keep Your Home California website to be more user friendly; as a result, the site welcomed 633,723 visitors during the past year—an increase of nearly 54%.
- Increased the number of mortgage servicers by 57, to a total of more than 150.
- Maintained a strong outreach effort through traditional marketing, event participation and social media; participated in nearly 200 events during the past fiscal year.

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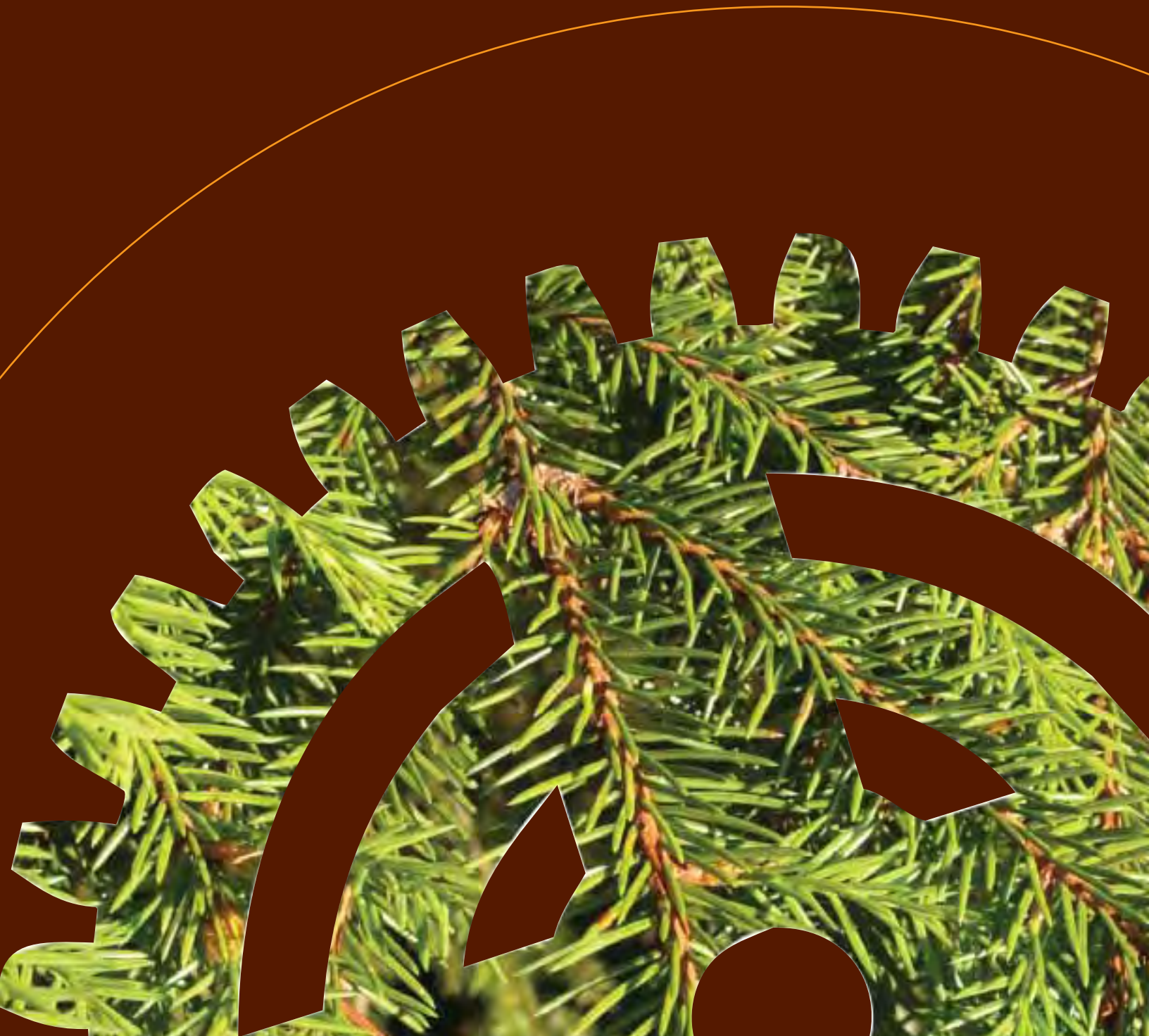

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