1. UPDATE ON VARIABLE RATE BONDS................................................................. 1002
2. STATE LEGISLATIVE REPORT................................................................. 1004
MEMORANDUM

To: Board of Directors
Date: February 24, 2000

From: Ken Carlson, Director of Financing

Subject: Update on Variable Rate Bonds

The net amount of CHFA variable rate bonds is $411.6 million, only 6.75% of CHFA’s entire estimated February 1, 2000 indebtedness of $6.1 billion. This is the same figure as was reported at the January Board meeting, taking into account the January issuance and the February 1 retirement of certain variable rate bonds. By "net amounts" we mean variable rate bonds that are not backed by complementary variable rate loans or not swapped to fixed rates.

The table below summarizes our risk position as of February 1.

<table>
<thead>
<tr>
<th></th>
<th>Tax-Exempt</th>
<th>Taxable</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short average life</td>
<td>$170.0 million</td>
<td>$108.2 million</td>
<td>$278.2 million</td>
</tr>
<tr>
<td>Long average life</td>
<td>$13.6 million</td>
<td>$119.8 million</td>
<td>$133.4 million</td>
</tr>
<tr>
<td>TOTALS</td>
<td>$183.6 million</td>
<td>$228.0 million</td>
<td>$411.6 million</td>
</tr>
</tbody>
</table>

* Excluding $73.9 million of variable rate bonds backed by variable rate loans and $212.5 million already swapped to fixed rates.

Single Family Plans

In mid-March we expect to be selling our second large single family bond issue of the year, and it may include as much as $160 or $170 million of variable rate bonds to be swapped to fixed rates. The structure is expected to be similar to that of the January deal, with taxable and tax-exempt variable rate bonds with matching interest rate swaps. These interest rate swaps generate significant debt service savings in comparison to our alternative of issuing fured-rate bonds. This savings will help us continue to offer exceptionally low interest rates to borrowers who meet the income requirements for our lowest rates.
In May we expect to be selling yet another large single family bond issue, to include variable rate bonds a portion of which would be swapped to fixed rates as discussed above. Another $110 - $120 million of tax-exempt variable rate bonds would also be issued to refund certain 1990 bonds that can be optionally redeemed on August 1. These unswapped bonds would then be backed by relatively high-rate 10-year-old loans that should pay off fairly quickly. Taking variable rate risk against these high-rate loan portfolios is the same strategy we have been effectively employing for the last several years. The resulting debt service savings enables us to continue to offer low mortgage rates to new borrowers.

**Multifamily Plans**

In June we expect to be issuing as much as $130 million of multifamily bonds, most of which will provide funding for new projects already in the CHFA "pipeline" and being approved by the Board. For those projects requiring private activity bond allocation, CHFA is making application to the California Debt Limit Allocation Committee, which is expected to take action late in April.

Given the low loan rates we have continued to offer in spite of the general rise in interest rates, we are considering a number of alternative strategies for structuring bond debt to finance these project loans. These strategies include the sale of variable rate bonds in conjunction with interest rate caps or swaps as well as the alternative of selling fixed rate bonds swapped to floating rates. We are unique among California housing bond issuers in having the financial strength and staff resources to consider employing these types of strategies for the benefit of fixed-rate borrowers.
MEMORANDUM

To: Board of Directors
    California Housing Finance Agency
    Date: 2/24/00

From: DI Richardson, Director of State Legislation

Subject: STATE LEGISLATIVE REPORT

It’s the second year of the 1999-2000 Legislative Session, and things are really starting to move. This Friday (2/25) is the deadline for introducing new bills, and there is a flurry of activity. I thought I would be able to report that things were still fairly slow, the Legislature being a bit preoccupied with the March election, but that isn’t necessarily the case. There are not a lot of hearings to speak of, but the Legislature hasn’t been idle, and neither has the Governor. I’m happy to report that he has recently signed a bill you may be interested in: AB 1626 (Torlakson – Chapter 3, Statutes of 2000) which increases the low income housing tax credit from $35 million to $50 million annually. In addition, the Legislative Analyst’s Office published their analysis of the Governor’s proposed Budget last week, and Budget Committees are gearing up for a busy season.

I. CHFA Sponsored Legislation

AB 2008 (Committee on Housing and Community Development) California Housing Finance Agency (Introduced: 02/18/2000)
Status: Pending Committee assignment.

Part of the Assembly Housing Omnibus bill, contains a number of technical, noncontroversial changes to the statutes governing CHFA.

AB 2157 (Lowenthal) Housing: loans (Introduced: 02/23/2000)
Status: Pending Committee assignment.

Contains a number of technical, noncontroversial changes clarifying the types of financing CHFA can participate in, particularly preservation of at risk units.
SB 1505 (Alarcon) Teachers: recruitment and incentives (Introduced: 02/15/2000)
Status: Pending Committee assignment

This bill contains a number of incentives designed to assist with recruiting and retaining qualified teachers in low performing schools, as defined, including a downpayment assistance provision, which would be administered by CHFA.

II. Housing Bonds

AB 398 (Migden) Housing Bond Act of 2000 (Amended: 05/28/99)
Status: Senate Housing and Community Development Committee

Under existing law, there are programs providing assistance for the rehabilitation of existing housing, the development of, and assistance for, low-income rental housing, the construction or rehabilitation of farmworker housing, and assistance for first-time homebuyers. This bill would enact the Housing Bond Act of 2000 which, if adopted, would authorize, for purposes of financing those existing housing programs and for additional specified housing purposes, the issuance of General Obligation bonds in an amount up to $750,000.

SB 510 (Alarcon) Housing: bonds (Amended: 07/12/99)
Status: Assembly Housing Committee.

Under existing law, there are programs providing assistance to housing for the construction and rehabilitation of housing for first-time homebuyers, self-help housing, senior and disabled housing, rental housing, the family housing demonstration program, farmworker housing, and other housing programs. This bill would enact the Housing Bond Acts of 2000, 2002, 2004, and 2006 which, if adopted by the voters, would authorize, for purposes of financing those existing housing programs, the issuance, pursuant to the State General Obligation Bond Law, of bonds in the aggregate amount of $980,000,000.

III. Miscellaneous

AB 905 (Dutra) Mortgage guaranty insurance (Amended: 01/13/2000)
Status: Senate Insurance Committee

The Mortgage Guaranty Insurance Act provides for the regulation of mortgage guaranty insurance, as defined. Under these provisions, mortgage guaranty insurance may be written only to insure loans secured by first or junior liens on authorized real estate securities in an amount not to exceed 97 percent of the fair market value of the securities. This bill would increase the allowable total
indebtedness on which this insurance may be written in this circumstance to 100% of the fair market value of the real estate securities.

**AB 1720** (Soto) Teacher Home Loan Program (Introduced: 01/04/2000)
Status: Assembly Committee on Housing and Community Development.

Existing law establishes an assumption program of loans for education under which an applicant enrolled in a participating institution of postsecondary education, or an applicant who agrees to participate in a teacher trainee or teacher internship program, and who further agrees to obtain a teaching credential in subject areas that are designated as current or projected shortage areas or to provide classroom instruction in schools that serve large populations of pupils from low-income families, is eligible to receive a conditional warrant for loan assumption, to be redeemed pursuant to a prescribed procedure upon becoming employed as a teacher. This bill would establish the Teacher Home Loan Program, administered CHFA, for the purpose of assisting school districts in recruiting and retaining qualified teachers by providing home loan assistance to teachers employed by those school districts.

**AB 1903** (Lowenthal) Taxation: low-income housing (Introduced: 02/11/2000)
Status: Pending Committee assignment.

Existing insurance tax law and the Personal Income Tax Law and the Bank and Corporation Tax Law authorize, for so long as corresponding provisions of federal law are in effect, a credit against the taxes imposed by those state laws for certain amounts with respect to the provision of specified low-income housing. Those laws generally provide, subject to the addition of certain other amounts, that the maximum aggregate dollar amount of the credits allowed in each calendar year may not exceed $35,000,000, but increase this limit to $50,000,000 for the 1998 and 1999 calendar years only. This bill would provide that the state low-income housing tax credits may be transferred, sold, or assigned separately from specified federal low-income tax credits. This bill contains other related provisions.

**AB 2054** (Torlakson) Inter-Regional Partnership State Pilot Project to Improve the Balance of Jobs and Housing (Introduced: 02/22/2000)
Status: Pending Committee Assignment.

Existing law requires the Department of Housing and Community Development to prepare a guidebook for use by governmental agencies in planning and developing a housing supply to meet the need created by employment growth. This bill would create the Inter-Regional Partnership (IRP) State Pilot Project to Improve the Balance of Jobs and Housing, which would be monitored by the Office of Planning and Research, to test and evaluate policies and incentives, as
specified, to mitigate current and future imbalances of jobs and housing in specified counties. The bill would make these provisions inoperative on July 31, 2004, and would repeal them as of January 1, 2005.

AB 2060 (Steinberg) Federal tax credits: housing: teachers (Introduced: 02/22/2000)
Status: Pending Committee assignment.

Existing law sets forth various findings and declarations of the Legislature in respect to the substantial public benefit served by assistance for housing for lower income families and individuals. This bill would further declare that a substantial public benefit is served by providing federal tax credits to assist teachers who are willing to serve in low performing schools to purchase a home.

AB 2070 (Shelley) Teachers Homebuyer Assistance Program (Introduced: 2/22/2000)
Status: Pending Committee assignment.

Existing law creates the California Housing Finance Agency with specified powers and duties relating to meeting the housing needs of persons and families of low or moderate income. Existing law also contains provisions for assisting members of the State Teachers' Retirement System to obtain home loans. This bill would enact the Teachers Homebuyer Assistance Program, which would be administered by CHFA to provide home loan assistance for teachers employed in low performing challenged schools. The bill would also enact provisions known as the Reinvesting in our Communities Through Housing Development Homebuyer Assistance Program, to provide homebuyer downpayment assistance, according to specified priorities.

SB 1572 (Alarcon) Housing assistance: termination: notice (Introduced: 02/18/2000)
Status: Pending Committee assignment.

Existing law, known as Section 8 of the United States Housing Act of 1937, and other provisions of federal law, provide for housing assistance payments pursuant to contract to aid low-income families, and authorize loans, insurance, and interest reduction payments to assist in the provision of housing. Section 8 requires the owner of an assisted dwelling unit to notify the tenant not less than 90 days prior to the termination of the assistance contract. Existing law also generally prescribe the notice to be given by a landlord or tenant to terminate a tenancy. Existing law requires, until January 1, 2002, at least 9 months advance notice, as specified, to tenants, to the city or county and public housing authority, and to the Department of Housing and Community Development when the above-described forms of federal financial assistance are to be terminated or prepaid with respect
to a multifamily rental housing development. This bill, instead of the 9-month notice period, would require specified notices at least 12 months and at least 6 months in advance of the termination to be sent to the tenant and affected public entities, as defined, and would extend the operation of those provisions indefinitely, and would make related changes