1. REPORT OF SINGLE FAMILY BOND SALE ................................................ 2002
2. UPDATE ON VARIABLE RATE BONDS AND INTEREST RATE SWAPS........2004
3. STATE LEGISLATIVE REPORT .............................................................. 2008
MEMORANDUM

To: Board of Directors

Date: April 27, 2000

From: Ken Carlson, Director of Financing

CALIFORNIA HOUSING FINANCE AGENCY

Subject: REPORT OF BOND SALE AND RELATED INTEREST RATE SWAPS

HOME MORTGAGE REVENUE BONDS 2000 SERIES FGH

On April 6, 2000, we delivered $240 million of single family bonds which included three interest rate swaps totaling $190 million. The interest rates were set on March 15 for the $50 million of fixed-rate bonds and the $190 million of swaps. Of the $190 million of variable rate bonds swapped to fixed rates, $70 million was tax-exempt and the remaining $120 million was taxable. The proceeds of the bonds will be used entirely to purchase approximately 2000 new loans most of which will have rates ranging from 6.75% to 7.75%.

This issue is the fifth in a row with a 50-50 split between tax-exempts and taxables. The fixed-rate tax-exempt bonds were structured as serial bonds and capital appreciation bonds. All of the taxables and $70 million of the tax-exempts were issued in variable rate form and swapped to fixed rates. These swapped bonds were structured as "planned amortization class" bonds, and the swap amortizations match that of the corresponding bonds.

By utilizing interest rate swaps, the Agency was able to achieve a 0.65% savings in our overall cost of funds when compared to issuing all fixed-rate bonds. This reduced cost of funds allows us to continue to offer low rates for new mortgages to low-income first-time homebuyers in spite of the fact that half of this issue is taxable.

This is our third issuance in which Commerzbank (a highly-rated German bank) has partnered with the California State Teachers' Retirement System to provide liquidity in the unlikely event that the variable rate bonds are "put" back to us by investors and new investors cannot be found. All the bonds are insured by FSA and therefore rated triple-A by both Moody’s and Standard & Poor’s.

<table>
<thead>
<tr>
<th>Series</th>
<th>Amounts</th>
<th>Interest Rates</th>
<th>Maturities</th>
<th>Tax Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000 Series F</td>
<td>$49,999,940.40</td>
<td>4.15 - 6.625%</td>
<td>8/1/01 - 8/1/31</td>
<td>AMT</td>
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<td>2000 Series G</td>
<td>$70,000,000</td>
<td>4.80 - 5.27%*</td>
<td>2/1/17 &amp; 8/1/31</td>
<td>AMT</td>
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<tr>
<td>2000 Series H</td>
<td>$120,000,000</td>
<td>7.26%*</td>
<td>2/1/17</td>
<td>Taxable</td>
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<tr>
<td>Total</td>
<td>$239,999,940.40</td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

*swap rates

hmbr/2000/fgh.memo1.doc-bill
Carlson, Director of Financing

From: CALIFORNIA HOUSING FINANCE AGENCY

Subject: Update on Variable Rate Bonds and Interest Rate Swaps

Variable Rate Exposure

As of the end of May, we expect that the total amount of CHFA variable rate debt outstanding will be $1.2 billion, of which approximately $518 million should be considered as "net" variable rate exposure. This net amount is less than 8% of our anticipated $6.73 billion of indebtedness as of June 1, an increase from the 6.5% reported at the previous two Board meetings. The net amount of variable rate bonds is that amount that is not backed by complementary variable rate loans or not swapped to fixed rates.

Our $518 million of net exposure provides the Agency with a useful internal hedge against a low interest rate scenario, where we would otherwise suffer financially from low short-term investment rates and fast loan prepayments. On the other hand, if interest rates rise, high short-term investment rates and slow prepayments will provide a hedge against our higher variable rate bond costs. However, to provide a better hedge against especially high interest rates, we are currently considering the purchase of interest rate caps for our longer-term exposures.

The table below summarizes our anticipated June 1 risk position.

<table>
<thead>
<tr>
<th>NET VARIABLE RATE DEBT</th>
<th>Tax-Exempt</th>
<th>Taxable</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short average life</td>
<td>$276 million</td>
<td>$108 million</td>
<td>$384 million</td>
</tr>
<tr>
<td>Long average life</td>
<td>$14 million</td>
<td>$120 million</td>
<td>$134 million</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>$290 million</strong></td>
<td><strong>$228 million</strong></td>
<td><strong>$518 million</strong></td>
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</table>
Interest Rate Swaps

As described in our separate bond sale report, since the previous Board meeting we have issued another $190 million of variable rate bonds and swapped them to a fixed rate. In addition, on May 3 we expect to be arranging another $200 million of interest rate swaps related to a like amount of bonds that we plan to issue on May 25. As a result, we expect to have a total of nine fixed-payor interest rate swaps, totaling approximately $610 million of "notional amount". These interest rate swaps generate significant debt service savings in comparison to our alternative of issuing fixed-rate bonds. This savings will help us continue to offer exceptionally low interest rates to borrowers who do not exceed the income requirements for our lowest rates.

The table below provides a summary of our swap transactions, including those expected to be arranged early in May.

<table>
<thead>
<tr>
<th>INTEREST RATE SWAPS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Tax-Exempt</td>
</tr>
<tr>
<td>------------</td>
</tr>
<tr>
<td>Short average life</td>
</tr>
<tr>
<td>Long average life</td>
</tr>
<tr>
<td>TOTALS</td>
</tr>
</tbody>
</table>

It should be noted that, for the $200 million of tax-exempt bonds swapped to a fixed rate, CHFA remains exposed to certain tax-related risks. In return for significantly higher savings, CHFA has chosen through these interest rate swaps to retain exposure to the risk of changes in tax laws that would lessen the advantage of tax-exempt bonds in comparison to taxable securities. This is the same risk that investors take every time they purchase our fixed-rate tax-exempt bonds.

Single Family Plans

As mentioned above, we expect to be issuing more single family bonds in May, to include an estimated $200 million of variable rate bonds to be swapped to fixed rates. Another $100 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 unwrapped 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 seasoned, high-rate loan portfolios is the same strategy we have been effectively employing for the last several years. The resulting debt service savings is one of the factors that enable us to continue to offer low mortgage rates to new borrowers in spite of our aggressive use of taxable bonds to increase our lending resources.

A report of this bond transaction will be furnished at the May 11 meeting.
Multifamily Plans

In June we expect to be issuing approximately $120 million of tax-exempt multifamily bonds, most of which will provide funding for new projects already in the CHFA "pipeline" and being approved by the Board. An essential additional approval was received on April 26, when the California Debt Limit Allocation Committee granted just under $100 million of new private activity bond allocation to seven CHFA projects. We also expect to include in this issue approximately $10 million of bonds for loans to 501(c)(3) borrowers as well as $10.6 million of refunding bonds. These refunding bonds would replace high-interest-rate bonds issued in 1985 and finally available for optional redemption.

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 multifamily 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. As stated in a previous report, 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.

In addition, we expect to be taking on a significant amount of added variable rate exposure with the proposed purchase of Fannie Mae's $567 million Section 236 California loan portfolio. As discussed separately, the full range of interim financing techniques is being considered, including a borrowing from the State investment pool and the issuance of commercial paper. In any event, we would initially be taking on additional interest rate risk, all presumably on the taxable side. However, this risk will be relatively short-lived for a number of reasons. First, we hope to be successful in preserving the affordability of some of these projects by refinancing some loans prior to their maturity. Second, once we determine which projects can be "preserved" and refinanced, we can fix or hedge the rate on our financing for the remaining loans. Lastly, because the entire portfolio of Section 236 loans have only 7 to 12 years remaining until maturity, our risk is limited in any case.
MEMORANDUM

TO: Board of Directors

FROM: Di Richardson, Director of State Legislation
California Housing Finance Agency

SUBJECT: State Legislative Report

The Legislature has just returned from its Spring Break, and committee calendar’s are getting fuller and fuller. Although things haven’t hit a frantic pace (yet), hearings have started in earnest, bills have been moving, and the Governor has already signed two of the bills I’ve included on your informational list. Below is a run down of where things currently stand.

**AB 398** Migden: Housing Bond Act of 2000 (Amended: 05/28/99)
Status: Pending before the 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 bonds in an amount up to $750,000,000 pursuant to the State General Obligation Bond Law.

**AB 905** Dutra: Mortgage guaranty insurance (Chaptered: 04/06/2000)
Status: SIGNED BY THE GOVERNOR. Chaptered: 04/06/2000 #10

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.
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, for purposes of existing low-income housing tax credits, provide a $50,000,000 maximum aggregate dollar amount for the 1999 calendar year and each calendar year thereafter.

AB 1720 Soto: Teacher Home Loan Program (Introduced: 01/04/2000)
Status: Referred to Assembly Committees on Housing & Community Development and Education.
NOTE: The author of this bill was recently elected to the Senate, and this bill has been reintroduced in the Senate. As such, this bill is unlikely to move in its present form.

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 a Teacher Home Loan Program, administered by the California Housing Finance Agency, for the purpose of assisting school districts with a shortage of qualified or credentialed teachers in their efforts to recruit and retain qualified teachers by providing home loan assistance to teachers employed by those school districts.

AB 1903 Lowenthal: Taxation: low-income housing (Amended: 03/16/2000)
Status: Pending before the Assembly Revenue and Taxation Committee.

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 and each calendar year thereafter. 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.
**AB 2008** Committee on Housing and Community Development: California Housing Finance Agency (Introduced: 02/18/2000)

Status: Passed Assembly Housing and Community Development Committee 4/26/00.

*NOTE: Certain provisions sponsored by CHFA.*

This bill, which will serve as the committee’s omnibus bill, contains a number of technical clarifications to the statutes governing CHFA. Additional noncontroversial changes sponsored by the California Building Association, California Redevelopment Agency Association, and the Department of Housing and Community Development are also included.

**AB 2048** Torlakson: Job-Center Community Infill Housing Development Incentive Act of 2000 (Introduced: 02/18/2000)

Status: Pending before the Assembly Housing and Community Development Committee.

The Community Redevelopment Law requires redevelopment agencies to increase, improve, and preserve the community’s supply of low- and moderate-income housing that is available at affordable cost and provides that this housing shall be entitled to priority consideration for assistance in housing programs administered by the California Housing Finance Agency, the Department of Housing and Community Development, and other state agencies and departments. This bill would enact the 'Job Center, Community Infill Housing Development Incentive Act of 2000' to promote, encourage, and facilitate adequate housing development to provide affordable housing to California’s growing workforce.

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

Status: Passed Assembly Housing and Community Development Committee 4/26/00.

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 (Amended: 04/12/2000)

Status: Passed the Assembly Housing and Community Development Committee 4/26/00.

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. Existing law also establishes the California Debt Limit Allocation Committee for the purpose of implementing the unified volume limit for the state on
private activity bonds established pursuant to federal law. This bill would further declare that a substantial public benefit is served by providing federal tax credits or reduced interest rate mortgages to assist teachers who are willing to serve in low performing schools to purchase a home. The bill would require the California Debt Limit Allocation Committee to establish the Extra Credit Teacher Home Purchase Program to provide federal mortgage credit certificates and reduced interest rate loans funded by mortgage revenue bonds to eligible teachers, principals, and assistant principals who agree to teach or provide administration in a low performing school.

AB 2070 Shelley: Teachers Homebuyer Assistance Program (Amended: 04/13/2000)
Status: Passed the Assembly Housing and Community Development Committee 4/26/00.

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 the California Housing Finance Agency to provide home loan assistance for teachers employed in low performing challenged schools.

AB 2157 Lowenthal: Housing: loans (Amended: 03/28/2000)
Status: Pending on the Assembly Floor Consent Calendar.
NOTE: Sponsored by CHFA

Existing law authorizes the California Housing Finance Agency to issue revenue bonds and make construction and mortgage loans to meet the multifamily rental housing needs of persons and families of low or moderate income. This bill would clarify that a ‘mortgage loan’ is defined as a long-term loan secured by a mortgage made for permanent financing of a housing development or residential structure, and clarify CHFA’s authority to bridge loans and gap financing.

AB 2340 Ducheny: California Environmental Quality Act: affordable housing (Introduced: 02/24/2000)
Status: Pending referral to committee.

The existing California Environmental Quality Act (CEQA) contains legislative findings and declarations regarding the need to develop and maintain a high-quality environment now and in the future. This bill would additionally provide that it is the policy of the state and the intent of the Legislature that environmental laws recognize the importance of affordable housing in protecting the natural environment.

AB 2343 Ducheny: California Environmental Quality Act: exemption (Introduced: 02/24/2000)
Status: Pending before the Assembly Natural Resources Committee.

The existing California Environmental Quality Act (CEQA) generally requires a lead
agency, as defined, to prepare, or cause to be prepared, and certify the completion of, an environmental impact report on a project that it proposes to carry out or approve that may have a significant effect on the environment, as defined, or to adopt a negative declaration if it finds that the project will not have that effect. This bill would exempt from the act a development project in an urbanized area that, among other things, consists of the construction, conversion, or use of residential housing that contains not more than 200 housing units, is located within a community or neighborhood revitalization area, as defined in the bill, and is subject to an assessment prepared by a California registered environmental assessor.

AB 2359 Keeley: Community Investment Act (Introduced: 02/24/2000)
Status: Pending before Assembly Appropriations Committee

Existing law prescribes the powers and duties of the Treasurer, and contains various provisions relating to housing and community development. This bill would enact the Community Investment Act, which would establish the Community Development Investment Guarantee Corporation.

AB 2532 Soto: Tax credits: second mortgages (Introduced: 02/24/2000)
Status: Introduced. Pending referral to committee.
NOTE: The author of this bill was recently elected to the Senate, and this bill has been reintroduced in the Senate. As such, this bill is unlikely to move in its present form.

Existing law designates the California Tax Credit Allocation Committee as the state's housing credit agency for purposes of allocating federal housing tax credits. This bill would authorize the committee to distribute housing tax credits to lenders that make qualified 2nd mortgage loans to qualified low-income homebuyers.

AB 2747 Alquist: Housing demand areas (Introduced: 02/25/2000)
Status: Pending before the Assembly Housing and Community Development Committee

Existing law prescribes the duties of the Department of Housing and Community Development, the California Housing Finance Agency, and the California Debt Limit Allocation Committee relative to housing development. This bill would impose duties on those agencies relating to increasing funding, as specified, for housing in "housing demand areas," as defined.

SB 510 Alarcon: Housing: bonds (Amended: 07/12/99)
Status: Pending before the Assembly Housing and Community Development 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.

SB 1505 Alarcon: Teachers: recruitment and incentives (Amended: 04/13/2000)
Status: Pending before the Senate Education Committee.

This bill, sponsored by the Administration, contains language for a Teacher Homebuyer Assistance Program, which would be administered by CHFA, to assist low performing school districts recruit and retain qualified teachers.

SB 1572 Alarcon: Housing assistance: termination; notice (Introduced: 02/18/2000)
Status: Passed the Senate. Pending referral in the Assembly.

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 prescribes 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, bringing State law into conformance with current federal regulations.

SB 1621 Alarcon: Planning and zoning: housing (Amended: 03/27/2000)
Status: Passed the Senate. Pending referral in the Assembly.

Existing law authorizes public entities to require in rent control statutes or ordinances that the owner notify the entity of an intention to withdraw the accommodation from rent or lease, as specified, and prescribes related legislative intent. This bill would declare additional legislative intent with respect to providing a statutory form for that notice and with respect to addressing the problem of retaliatory or discriminatory evictions.

SB 2187 Soto: Teacher Home Loan Program (Amended: 04/11/2000)
Status: Pending before the Senate Housing and Community Development Committee

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 families, is eligible to receive a conditional warrant for loan
as a teacher. This bill would establish the Teacher Home Loan Program, administered by the California Housing Finance Agency, 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.

SB 2198 Soto: Tax credits: second mortgages (Amended: 04/06/2000)
Status: Pending before the Senate Housing and Community Development Committee.

Existing law designates the California Tax Credit Allocation Committee as the state’s housing credit agency for purposes of allocating federal housing tax credits. The Bank and Corporation Tax Law authorizes various credits against the taxes imposed by that law. This bill would authorize a homeownership tax credit, as specified, against those taxes for each income year beginning on or after January 1, 2000, for qualified lenders, as defined. The bill would also authorize the committee to allocate housing tax credits to lenders that make qualified 2nd mortgage loans to qualified low-income homebuyers.