MEMORANDUM

To: Board of Directors                      Date: January 13, 2004

From: Tom Hughes, General Counsel

CALIFORNIA HOUSING FINANCE AGENCY

Subject: Board Luncheon

On January 22, 2004, the law firm of Orrick, Herrington & Sutcliffe is sponsoring a luncheon honoring former Board members Clark Wallace, Carrie Hawkins and Robert Klein. The luncheon will be held at Kuleto’s Trattoria in Burlingame. Because certain aspects of this event are subject to both the Political Reform Act and the Bagley-Keene Open Meeting Law, I would like to make sure that Board members who attend are aware of the requirements of those laws.

The value of the luncheon is a gift to the recipient under the Political Reform Act. Gifts in excess of $50.00 received from certain sources need to be reported on the annual Statement of Economic Interest (Form 700) filed by each Board member. Gifts from a single source that cumulatively do not exceed $50.00 in value do not need to be reported. The value of all gifts to a Board member from any covered non-lobbyist donor is also subject to a 12 month cap of $340.00. I have been informed that the value of the luncheon is $36.00. Since the value is under $50.00, the luncheon does not need to be reported on the 2004 Form 700 (unless the recipient has received other gifts from this source that when cumulated, would cause the $50.00 limit to be exceeded, in which event all such gifts should be reported), but will count towards the 12 month cumulative cap. Board members should maintain records of all gifts to determine their compliance with these rules.

In addition, meetings or events attended by a majority of the Board members are subject to open meeting law rules, unless there is a specific exception. The Bagley-Keene Act does exempt “purely social or ceremonial occasions” attended by a majority of the Board, so long as the members “do not discuss among themselves business of a specific nature” relating to CalHFA. The law is intended to prevent Board members from forming a consensus on an issue at any place other than a public meeting. Thus, Board members should take care to not discuss CalHFA business matters at the luncheon.
Financing Agenda Items

Item 5  Single Family Bond Authorization
Resolution 04-03

Item 6  Multifamily Bond Authorization
Resolution 04-04

Item 7  Authorization for Application to C
Resolution 04-05

Affordable Housing
Single Family Bond Authorization
Resolution 04-03

Volume Limits

- $ Amount Being Retired

- $ Amount of New CDLAC Allocations

- $ 900 MM of Taxable Bonds

Affordable Housing
Single Family Bonds Financing Plans in 2004

- Continued Use of Aa2/AA- HMRB Indentures
- Cooperation with Local Agency MRB Issuances
- Various Issues of Draw Down Bonds/Notes
- Long-Term Credit Facility for Downpayment Assistance
- Continued Borrowing from State Investment for Warehousing

Affordable Housing
Multifamily Bond Authorization
Resolution 04-04

Volume Limits

• $ Amount Being Retired

• $ Amount of New Allocation

• $ 800 MM for 501(c)(3) and Taxable

• $ 300 MM for Loan Acquisitions

• $ 300 MM for Long-term Credit Facilities

Affordable Housing
Multifamily Bonds
Financing Plans in 2004
Draw Down Bonds in February
Continued Use of MFHRB III Indenture
To Pooled Issues of Insured Auction Bonds
One for Each CDLAC Round

Long-Term Credit Facility for Loans to Local Agencies

Affordable Housing is our Business
Authorization to Apply to the California Debt Limit Allocation Committee
Resolution 04-05

Single Family Bonds $600 Million
Multifamily Bonds $400 Million

Affordable Housing
Homeownership Program
CalHFA Mid-Year Business Plan Update
Fiscal Year 2003-04
CalHFA Homeownership
2003-2004 YTD First Mortgage Production Annual Goal Comparison

- Goal for 2003: $1.125
- Totals for 2003: $1.131
- Current: $1.175
- YTD Total Percent Goal: 64%

*Percent of YTD goal

1st Mortgages

- 6,936 loans (101%)
- 4,091 loans (64%)
CalHFA Borrower's Ethn
Mid-Year 2003-2004

29% Caucasian
6% African-American
4% Asian
1% Unknown
3% Other
CalHFA Borrower’s Income Distribution
FY 2003-2004

21% or more
120% - 120%
100% - 100%
Less than 80%

0% 20% 40% 60% 80%

*Based on MRB greater of area or statewide median income
Accomplishments

- Developed partnership with the Southern California Housing Finance Authority (SCHFA) to assist affordable housing in Los Angeles and Orange Counties.

- Sustained minority lending for first-time homebuyers in excess of volume.

- Provided outreach efforts at over 30 conferences, fairs, Prop.46 workshops, and special events.

- Increased AHPP participating local entities to 205.
Homeownership
Mid-Year Plans

- Continue rollout (p. 46)
- Homeownership Mapping Process
- Development of On-line Lender Training
- Partnerships with Local Agencies (SCHFA and others)
- Continuing with Outreach and Training

CalHFA
Affordable Housing is our Business
Mortgage Insurance Services

Nancy Abreu
Director of Mortgage Insurance Services
Accomplishments
2003 - 2004

Partnership with GEMICO

GEMICO's technology

Maintained legislative authority to adapt to changing market dynamics

Expanded outreach activities

$200 million Proposition 46 funds:
- Developed New High Cost Area Program
- Ready to Introduce Emerging Market Programs
- Continuing development of programs and partnerships

Updated Master Policy and Endorsements Issued
Updated Product Description Published

CalHFA
Affordable Housing is our Business
2003 Mortgage Insurance
By Product
(In Millions)
MULTIFAMILY PROGRAMS

CalHFA Mid-Year Business Plan Update

Fiscal Year 2003-04
Multifamily Programs
Mid-Year Accomplishments

- Issued loan commitments for 16 projects totaling $114 million equaling 56% of annual program goal
- Completed first round of HELP commitments for $108 million
  - Program totals equal $110 million, representing 109 lending municipalities for an estimated 17,000 units
- Closed 21 multifamily loans totaling $121 million
  - 8 loans for $61 million
- Implemented the Construction Loan Program
  - Eight loans in process for $76.6 million
Multifamily Programs
Mid Year Accomplishments (continued)

- Increased the emphasis on Special Need / Supportive Housing
  - Current loan pipeline of $30 million, up from $8 million

- Implemented the Earthquake Insurance Waiver
  - 17 projects under design review
Multifamily Programs
Mid – Year Initiatives

- Portfolio refinancing program for non-profit owners
  - Expiring and early exit tax credit projects
  - Federally assisted developments
  - New loan products including variable rate debt

- Supportive and special needs housing
  - Better coordination with MHP funding and program creation
  - Increased emphasis on construction lending and project vouchers

- Homeownership development lending
  - Low cost construction loans to increase affordability
  - Mezzanine financing by the Agency
  - Linkage to the Agency’s homeownership programs
Asset Management

CalHFA Mid-Year
Business Plan Update
Fiscal Year 2003-2004
2004-2009 Business Plan Concepts

- Technology Improvements
  - Purchased new software system for Asset Management Division
  - Goal is to improve oversight abilities and ability to interact with management agents via internet
    - Audits
    - Monthly financial statements

- Section 8 restructuring of mismatches will require a focus between now and end of 2005 when moratorium of renewals occur
2004-2009 Business Plan Concepts

- Preparing in-house report assessing the status and risks of our Section 8 portfolio which are over 20 years old
  - Began pilot program to provide financial assistance for Section 8 owners with inadequate reserves in need of rehabilitation and project improvements.

- REO Status – Continued high interest by investors wishing to purchase the properties
  - Perform hold/sell analysis and revisit CalHFA position to hold properties in-house
Active Portfolio in 2003
- 14 TPAs (Transfers for Physical Ass качеств
- 7 loan modifications (bond refunding)
- 2 loan modifications (physical need)
- 1 work out in progress (County of Long Island)
- 1 80/20 transferred (Deed in Lieu of foreclosure)
Administration

CalHFA Mid-Year Business Plan Update Fiscal Year 2003-2004
Administration
Mid Year Update

Space

- Meridian Plaza occupied October 18, 2000

- Senator space undergoing tenant improvements in order to reunite work units

- Both sites will accommodate current over capacity and anticipated growth

- Spring 2004 — Begin planning for consolidating the whole Agency in one location
Administration
Mid Year Update

- **Staffing**
  - 18 new employees hired since July
  - Slowed by state hiring conditions

- **Budget**
  - Agency right on target at mid-year
  - Unforeseen factors beyond our control (i.e., increased expenses) could change budget picture prior to 7/1/04
  - No direct impact from State Budget