### Project Summary

**Project Profile:**
- **Project:** The Crossings
- **Location:** Carmel Valley Road, San Diego
- **County:** San Diego
- **Borrower:** CIC Crossings, L.P.
- **GP:** SDS Crossings, LLC
- **LP:** James J. Schmid
- **Program:** Tax-Exempt
- **CalHFA #:** 04-006-C/S

**Project Description:**
- **Units**
- **Handicap Units:** 4
- **Building Type:** Wood frame & stucco
- **Stories:** 2
- **Gross Sq Ft:** 108,810
- **Land Sq Ft:** 265,280
- **Loan/Cost:** 78%
- **Construction:** 27%
- **Total Acre:** 228
- **Covered Parking:** 90

### Financing Summary:

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
<th>Per Unit</th>
<th>Rate</th>
<th>Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>CalHFA First Mortgage</td>
<td>$4,860,000</td>
<td>$45,000</td>
<td>5.70%</td>
<td>30</td>
</tr>
<tr>
<td>HCD - MHP</td>
<td>$6,573,514</td>
<td>$60,866</td>
<td>3.00%</td>
<td>55</td>
</tr>
<tr>
<td>Borrower Contribution</td>
<td>$-</td>
<td>$-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred Developer Equity</td>
<td>$342,112</td>
<td>$3,168</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax Credit Equity</td>
<td>$6,728,000</td>
<td>$62,296</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CalHFA Construction Loan</strong></td>
<td>$14,160,000</td>
<td>$131,111</td>
<td>3.00%</td>
<td>18 months</td>
</tr>
<tr>
<td><strong>Tax-exempt Portion</strong></td>
<td>$14,160,000</td>
<td>$131,111</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Taxable Portion</strong></td>
<td>$0</td>
<td>$0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Unit Mix:

<table>
<thead>
<tr>
<th>Type</th>
<th>25% AMI</th>
<th>30% AMI</th>
<th>35% AMI</th>
<th>50% AMI</th>
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</thead>
<tbody>
<tr>
<td>number</td>
<td>rent</td>
<td>number</td>
<td>rent</td>
<td>number</td>
</tr>
<tr>
<td>1 bedroom</td>
<td>2</td>
<td>365</td>
<td>2</td>
<td>402</td>
</tr>
<tr>
<td>2 bedroom</td>
<td>6</td>
<td>349</td>
<td>6</td>
<td>503</td>
</tr>
<tr>
<td>3 bedroom</td>
<td>4</td>
<td>383</td>
<td>4</td>
<td>555</td>
</tr>
<tr>
<td>4 bedroom</td>
<td>12</td>
<td>12</td>
<td>36</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type</th>
<th>55% AMI</th>
<th>0% AMI</th>
<th>0% AMI</th>
<th>Manager</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>number</td>
<td>rent</td>
<td>number</td>
<td>rent</td>
<td>number</td>
<td>rent</td>
</tr>
<tr>
<td>1 bedroom</td>
<td>6</td>
<td>677</td>
<td></td>
<td>18</td>
<td></td>
</tr>
<tr>
<td>2 bedroom</td>
<td>18</td>
<td>812</td>
<td></td>
<td>54</td>
<td></td>
</tr>
<tr>
<td>3 bedroom</td>
<td>11</td>
<td>897</td>
<td></td>
<td>38</td>
<td></td>
</tr>
<tr>
<td>4 bedroom</td>
<td>35</td>
<td></td>
<td></td>
<td>1</td>
<td>108</td>
</tr>
</tbody>
</table>

### Fees, Escrows, and Reserves:

<table>
<thead>
<tr>
<th>Permanent</th>
<th>Basis of Requirements</th>
<th>Amount</th>
<th>Security</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fees</td>
<td>CalHFA Permanent Loan</td>
<td>0.50% CalHFA permanent loan amount</td>
<td>$24,300</td>
</tr>
<tr>
<td>Escrows</td>
<td>Construction Defect</td>
<td>2.50% of Hard Costs</td>
<td>$282,246</td>
</tr>
<tr>
<td>Reserves</td>
<td>Operating Expense Reserve</td>
<td>23.48% of Gross Income</td>
<td>$203,914</td>
</tr>
<tr>
<td></td>
<td>Initial Replacement Reserve Deposit</td>
<td>6.00% of hard costs</td>
<td>$62,939</td>
</tr>
<tr>
<td></td>
<td>Annual Replacement Reserve Deposit</td>
<td>$350 per unit</td>
<td>$55,160</td>
</tr>
<tr>
<td>Construction Fees</td>
<td>CalHFA Construction Loan</td>
<td>1.00% of loan amount</td>
<td>$141,600</td>
</tr>
<tr>
<td></td>
<td>Inspection fee</td>
<td>$1,500 x months of construction</td>
<td>$27,000</td>
</tr>
<tr>
<td></td>
<td>Completion guarantee LOC</td>
<td>1.00% of letter of credit</td>
<td>$11,983</td>
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<tr>
<td>Guarantees</td>
<td>Completion Guaranty—Borrower</td>
<td>10% of construction contract</td>
<td>$1,198,342</td>
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<tr>
<td></td>
<td>Performance Bond—Contractor</td>
<td>100% of construction contract</td>
<td>$11,983,419</td>
</tr>
<tr>
<td></td>
<td>Payment Bond—Contractor</td>
<td>100% of construction contract</td>
<td>$11,983,419</td>
</tr>
</tbody>
</table>
- Torrey Highlands is a 76 unit multifamily affordable housing development offering two and three bedroom units at 50% and 60% of AMI. One unit is vacant and there is a two to three year waiting list.
- Windward Village is a 92 unit affordable housing multifamily development by the Subject’s sponsor. This project opened June 2003 and was fully leased in less than two months. It is 100% occupied with a 600 household waiting list.
- Villa Glen is a 26 unit multifamily LIHTC development offering one, two and three bedroom units at 50% and 60% of AMI. The property is 100% occupied with a waiting list of 100 households.
- Villa Andalucia is a 32 unit LIHTC multifamily development offering one, two, three bedrooms at 50% and 60% of AMI. It is 100% occupied with a 100 household waiting list.

**PROJECT FEASIBILITY**

**Rent Differentials (Market versus Restricted)**

<table>
<thead>
<tr>
<th>Unit Type</th>
<th>Subject Rents</th>
<th>Market Rate</th>
<th>$ Difference</th>
<th>% of Market</th>
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<tbody>
<tr>
<td>One Bedroom</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25%</td>
<td>$292</td>
<td>$1,262</td>
<td>$970</td>
<td>23%</td>
</tr>
<tr>
<td>30%</td>
<td>$356</td>
<td>$1,262</td>
<td>$906</td>
<td>28%</td>
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<tr>
<td>35%</td>
<td>$420</td>
<td>$1,262</td>
<td>$842</td>
<td>33%</td>
</tr>
<tr>
<td>50%</td>
<td>$613</td>
<td>$1,262</td>
<td>$649</td>
<td>49%</td>
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<tr>
<td>55%</td>
<td>$677</td>
<td>$1,262</td>
<td>$585</td>
<td>54%</td>
</tr>
<tr>
<td>Two Bedroom</td>
<td></td>
<td>$1,586</td>
<td></td>
<td></td>
</tr>
<tr>
<td>25%</td>
<td>$349</td>
<td></td>
<td>$1,237</td>
<td></td>
</tr>
<tr>
<td>30%</td>
<td>$426</td>
<td></td>
<td>$1,160</td>
<td></td>
</tr>
<tr>
<td>35%</td>
<td>$503</td>
<td></td>
<td>$1,080</td>
<td></td>
</tr>
<tr>
<td>50%</td>
<td>$735</td>
<td></td>
<td>$851</td>
<td></td>
</tr>
<tr>
<td>55%</td>
<td>$812</td>
<td></td>
<td>$774</td>
<td></td>
</tr>
<tr>
<td>Three Bedroom</td>
<td></td>
<td>$2,080</td>
<td>$1,697</td>
<td></td>
</tr>
<tr>
<td>25%</td>
<td>$383</td>
<td></td>
<td>$1,611</td>
<td></td>
</tr>
<tr>
<td>30%</td>
<td>$469</td>
<td></td>
<td>$1,525</td>
<td></td>
</tr>
<tr>
<td>35%</td>
<td>$555</td>
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<td>$1,269</td>
<td></td>
</tr>
<tr>
<td>50%</td>
<td>$811</td>
<td></td>
<td>$1,183</td>
<td></td>
</tr>
<tr>
<td>55%</td>
<td>$897</td>
<td></td>
<td>$1,183</td>
<td></td>
</tr>
</tbody>
</table>
Board Educational Seminar

Funding Topics for

California Housing Finance Agency
Affordable Housing is our business

In conjunction with the regularly scheduled meeting on September 8th.

- September: 7th, 9th

- August: 23rd, 24th, 26th

Board Educational Seminar

Potential Dates for California Housing Finance Agency
Affordable Housing is our business
CalHFA

Variable Rate Bonds and Swaps

- Multifamily Bonds
- City of LA Partnership
- SCERA Partnership
- Recent Bond Sales and Swaps

Financing Reports

California Housing Finance Agency
Affordable Housing is our Business

- Not swapped
- Sold to San Francisco FHLB
- Indexed-rate
- 26% taxable
- VRDO; swapped
- SCHFA
- Second collaboration with SCHFA
- 74% tax-exempt (SCHFA)
- Proceeds for purchase of 710 new loans
- $135 M HMRB 2004 CH

SCHFA Single Family Partnership

California Housing Finance Agency
Affordable Housing is our Business

- Not swapped
- Sold to San Francisco FHLB
- Indexed-rate
- 25% taxable
- VRDO, swapped
- Fund loans within the city of Los Angeles
- 75% tax-exempt (City of LA)
- Proceeds for purchase of 210 new loans
- $40 M HMRB 2004 1U

CITY OF LA SINGLE FAMILY PARTNERSHIP

California Housing Finance Agency
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- Funding for 13 new projects
- Utilized $50 M of prior anti-anticipatory swaps
- $70 M swapped to fixed rate
- Variable rate auction bonds
- All tax-exempt
- $123 M MFHRB III, 2004 AB

New Multifamily Bonds
Affordable Housing is our Business

and Swaps

Variable Rate Bonds

Report on

California Housing Finance Agency
<table>
<thead>
<tr>
<th>Category</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>$5,937</td>
<td>$1,263</td>
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<tr>
<td>$4,132</td>
<td>$442</td>
</tr>
<tr>
<td>$718</td>
<td>$21</td>
</tr>
<tr>
<td>$4,956</td>
<td>$1,021</td>
</tr>
<tr>
<td>$3,414</td>
<td>$521</td>
</tr>
</tbody>
</table>

**Totals**

- MultiFamily: $21
- Single Family: $521
- Total: $718

($ in Millions)

Variable Rate Debt as of June 30, 2004

California Housing Finance Agency
<table>
<thead>
<tr>
<th></th>
<th>Rate Bonds</th>
<th>Obligations</th>
<th>Bonds</th>
<th>Securities</th>
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</thead>
<tbody>
<tr>
<td>Rate</td>
<td>Variable</td>
<td>Demand</td>
<td>Rate</td>
<td>Similar</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>Indexed</td>
<td>Rate &amp;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Auction</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

|                   |            |              |       |             |
|                   | $5,937     | $2,945       | $2,436| $556       |
|                   | 981        | 607          | 21    | 353        |
|                   | $4,956     | $2,338       | $2,415| $203       |

($ in Millions)

**Types of Variable Rate Debt**
<table>
<thead>
<tr>
<th></th>
<th>Long Average Life</th>
<th>Short Average Life</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax-Exempt Totals</td>
<td>$297</td>
<td>$966</td>
<td>$1,263</td>
</tr>
<tr>
<td>Taxable</td>
<td>$77</td>
<td>$810</td>
<td>$276</td>
</tr>
<tr>
<td>Totals</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

($ in Millions)

Net Variable Rate Debt
<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multi_family</td>
<td>$775</td>
<td>$0</td>
<td>$775</td>
</tr>
<tr>
<td>Single_family</td>
<td>$3,426</td>
<td>$1,291</td>
<td>$2,135</td>
</tr>
<tr>
<td>Taxable Totals</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed Payor Interest Rate Swaps</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Affordable Housing is our Business

Interest Rate Swap Diagram

California Housing Finance Agency
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Higher Rates

Ability to hedge future issues against

Loan origination

Reduced cost of carrying debt before

Reduced issuance costs

Reduced cost of funds

Benefits of Swap Strategy

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(A-II Rates as of June 18, 2004)

Fixed-Rate Bonds (Variable Rate Bonds Swapped to Fixed)

Comparative Costs of Funds for Fixed-Rate Bonds and Synthetic

California Housing Finance Agency
Risks of Swap Strategy

- Liquidity Risk
- Amortization Risk
- Tax Law Change Risk
- Basis Risk
- Counterparty Risk
- Termination Risk
Affordable Housing is our Business

<table>
<thead>
<tr>
<th></th>
<th>12/31/2010</th>
<th>12/31/2011</th>
<th>12/31/2012</th>
<th>TOTALS</th>
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<td></td>
<td>$1,910</td>
<td>2,910</td>
<td>79,410</td>
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<tr>
<td>24</td>
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<td>0</td>
<td>24</td>
<td>65% of LIBOR + 21bps</td>
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<tr>
<td>41</td>
<td>0</td>
<td>0</td>
<td>41</td>
<td>64% of LIBOR</td>
</tr>
<tr>
<td>82</td>
<td>72</td>
<td>0</td>
<td>82</td>
<td>6 m.o. LIBOR</td>
</tr>
<tr>
<td>318</td>
<td>0</td>
<td>318</td>
<td>318</td>
<td>65% of LIBOR</td>
</tr>
<tr>
<td>629</td>
<td>0</td>
<td>629</td>
<td>629</td>
<td>Stepped % of LIBOR</td>
</tr>
<tr>
<td>649</td>
<td>0</td>
<td>649</td>
<td>649</td>
<td>Enhanced LIBOR</td>
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<tr>
<td>415</td>
<td>15</td>
<td>0</td>
<td>415</td>
<td>1 m.o. LIBOR</td>
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<tr>
<td>512</td>
<td>0</td>
<td>512</td>
<td>512</td>
<td>BMA - 15 bps</td>
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<tr>
<td>794</td>
<td>794</td>
<td>0</td>
<td>794</td>
<td>3 m.o. LIBOR + spread</td>
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<tr>
<td>1,337</td>
<td>0</td>
<td>1,337</td>
<td>1,337</td>
<td>60% of LIBOR + 26bps</td>
</tr>
</tbody>
</table>

($ in Millions)

SWAP CONTRACTS
BASIS FOR VARIABLE RATE PAYMENTS RECEIVED FROM
California Housing Finance Agency
Presented by Kenneth A. Burbstrom, Principal

July 8, 2004

California Housing Finance Agency Board

Presented to

Mortgage Insurance Industry Update
• California Housing Finance Agency
• MI Industry Today
• MI History
• Mortgage Guaranty Insurance (MII)

Presentation Summary
Products and services must be priced equal to the value assuming a reasonable profit

 Rebate for placing the business

 MLI carrier prohibited from paying the lender a commission, policyholder dividend or

 - Real Estate Settlement Procedures Act (RESPA)
 - Truth-in-Lending Requirements
 - Premium Rates
 - Reserves
 - Capital

 Statutory/Federal Agency Insurance Requirements

 Private MLI industry is heavily regulated:

 Private MLI industry is heavily regulated:

 claim benefit...but the borrower pays the premium

 Unique coverage is that the lender selects MLI carrier and receives the

 (payment (loan < 80% x property value)

 MLI required if the borrower does not have sufficient funds for a 20% down-

 Covers lender for financial loss if borrower defaults on mortgage

 Basics of Mortgage Guaranty Insurance (MLI)
The Major Risk Factors of Mortgage Insurance

- Others
  - Documentation (Full, Alternative, None)
- Interest Rate
- Borrower occupancy
- Type of mortgage instrument (Fixed or Adjustable)
- Purpose of loan (Purchase, Refinance)
- Property appreciation potential
  - Some rates now vary by FICO score (A, A-, A-, A-, A-)
- Borrower credit history
  - CAHILI standard coverage is 50%
  - 95% LTV & above is 35% for private MIt's
- Coverage required by the investor
  - Rates and risk vary with LTV
  - Size of the down-payment
  - Loan-to-Value
Mortgage Insurance History
- Thinly capitalized
- Over 50 MI companies in New York alone
- Largely unregulated
- Considered relatively risk-free business
- Rising real estate market made sale of foreclosed properties profitable
- Large expansion of mortgage insurers in 1920s
- Guaranteed title and payments
- Allowed to buy & resell mortgages in 1911
- Founded in the late 1800s
- Developed from title insurance companies

Development of the MI Industry
- Sound appraisal, investment and accounting procedures
- Stringent capital and reserve requirements
- Prohibit conflicts of interest
- Alger Report Recommendations

Study became blue-print for the re-emergence of the industry
NY governor commissioned examination of problems - Alger Report
Entire industry folded
Great Depression of the 1930s

Development of the MLI Industry
Establish direct link between primary mortgage market and capital markets -
Enhance availability and uniformity of credit -
Fannie Mae created in 1932 and Freddie Mac chartered in 1970 -
Secondary mortgage market facilitates growth for industry -

Emerging dominance of capital markets and rapid expansion of mortgage insurance market in 1970s and 1980s -

Continuing reserve & strong capital requirements -

Mono-line company structure -
Strong collateral of interest provisions -
Regulatory structure established -

MIGC founded in 1957 -

Private industry re-emerges -
Seasoned management teams

Use of reinsurance

Well-capitalized companies

Despite record losses, the industry emerged financially strong

At least two ML companies did not survive! (VEREX & TICOR)

Heavy ML losses protected capital markets from extensive losses

Economic deterioration – particularly in energy sector

Adjustable Rate Mortgages (ARMs) developed

Double digit interest rates

1980s Challenges the industry
Mortgage Insurance Market

MI Industry Today
Flow New Insurance Written Market Share 2003
- International Diversification
- Sarbanes-Oxley & Basel II
- Rating Agency's increasing capital standards
- Corporate Strategy & Oversight

- Secondary Market Coverage Programs
- Bank Captive Reinsurance
- Traditional Flow business (loan-by-loan) vs. "bulk" Transactions (portfolio)
- Business Acquisition:
  - GSE's Homeownership Initiatives
  - Educated Consumers
  - Alternative Credit Documentation
  - Alternative Products
  - Emerging Market Products
  - Products & Programs:

Industry Under Pressure
Millions of Dollars of MI Premium Ceded to Bank Reinsurers (Excluding PMI, Inc. 1998-2003)
California Housing Finance Agency
Mission Statement:

California Housing Finance Agency

...Issue mortgage insurance to hard-to-qualify borrowers or those with little
or no down-payment funds.

...Secondary mortgage market.

...Work with participating lenders, government agencies, and the
companies will not.

...Develop innovative lending programs that promote affordable home
ownership throughout California. To insure loans that the private

Mortgage Insurance Market
<table>
<thead>
<tr>
<th>Percent</th>
<th>1%</th>
<th>2%</th>
<th>3%</th>
<th>4%</th>
<th>5%</th>
<th>6%</th>
<th>7%</th>
<th>8%</th>
<th>9%</th>
<th>10%</th>
<th>11%</th>
<th>12%</th>
<th>13%</th>
<th>14%</th>
<th>15%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 2%</td>
<td>7%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
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<td>1%</td>
<td>1%</td>
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<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>2%</td>
<td>5%</td>
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<td>1%</td>
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<td>1%</td>
<td>1%</td>
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<td>1%</td>
<td>1%</td>
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</tr>
<tr>
<td>3%</td>
<td>5%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
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<td>1%</td>
<td>1%</td>
<td>1%</td>
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</tr>
<tr>
<td>4%</td>
<td>5%</td>
<td>1%</td>
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### Portfolio Statistics - First Mortgages

Data as of 6/25/04

Mortgage Insurance Fund - 1988 & Forward Statistics

California Housing Finance Agency

CalHFA Portfolio
Economic Factors:

- Employment
- Incomes
- Home Prices

10-Loans (i.e., simultaneous seconds)

Lenders structuring mortgages to avoid mortgage insurance such as 80-10-

Enterprises such as Fannie Mae and Freddie Mac

Investors using other credit enhancements with Government Sponsored

Investors holding mortgages in portfolio and self-insuring

Other government sponsored programs including FHA and VA

Private mortgage insurers

Competition/Barriers to FHA Mortgage Insurance
California Economy - Metro Areas
State of California Unemployment Rate

California Economy - Unemployment
California Economy
- Technology
- Loan Servicing
- Borrower Education
- Underwriting

Continue investing in market-place knowledge/resources:

- Risk sharing structures: Lenders & Investors
- Savings Organizations / Pension Funds
- Employees / Unions / Industries

Protect the borrower's willingness and ability to pay:
- Work with participating lenders, government agencies, and the secondary mortgage market in developing products and services that assist and

- Forebearance programs
- Down-payment assistance programs
- 97%, 100%, 103% LTV's

Concentrate on borrowers with documented/supported credit histories with

Successful II:
- California Housing Finance Agency
Questions