MEMORANDUM

To: CalHFA Board Members

Date: January 3, 2006

From: Tom Hughes, General Counsel
CALIFORNIA HOUSING FINANCE AGENCY

Subject: Bay Area Housing Plan - Resolution 06-02

Resolution 06-02 was inadvertently left out of the board package for the January 12, 2006 meeting. Resolution 06-02 authorizes a series of final loan commitments for the Bay Area Housing Plan.

Please review for the upcoming meeting. Thank you for your attention to this matter and our apologies for the delay.
RESOLUTION 06-02

RESOLUTION AUTHORIZING A SERIES OF FINAL LOAN COMMITMENTS AND ONE OR MORE PRELIMINARY LOAN COMMITMENTS

WHEREAS, the California Department of Developmental Services ("DDS") has developed a plan to close the Agnews Developmental Center, and move its developmentally disabled residents into community housing settings located in nine Bay Area counties, and

WHEREAS, the State of California has enacted AB 2100, providing that DDS may approve a plan whereby, among other things, regional centers may provide for the development of community housing for the residents of the Agnews Developmental Center; and

WHEREAS, the Golden Gate Regional Center, the Regional Center of the East Bay, and the San Andreas Regional Center (collectively, the "Regional Centers") and DDS, have developed such a plan, known as the Bay Area Housing Plan ("BAHP"); and

WHEREAS, the BAHP contemplates that the Hallmark Group ("Hallmark") will be the initial developer of the housing provided for in such plan; and

WHEREAS, the California Housing Finance Agency ("Agency") has worked with the State of California, including DDS and the Department of Health Services, the Regional Centers, and Hallmark to develop a financing plan for the BAHP (the Financing Plan”), and

WHEREAS, the Financing Plan contemplates that a series of permanent loan commitments will be made to the initial developer of the housing contemplated by the BAHP, to permit the developer to obtain acquisition and construction financing for each of the individual homes being acquired by that developer; and

WHEREAS, on September 8, 2005, the Board approved a series of final loan commitments for a portion of the Financing Plan up to an aggregate amount of $20,000,000, together with preliminary commitments for later portions of the Financing Plan up to an additional aggregate amount of $80,000,000, subject to certain recommended terms and conditions; and

WHEREAS, the BAHP and the Financing Plan have been reviewed by Agency staff, which has prepared a report presented to the Board on the meeting date recited below (the "Staff Report"), recommending that (i) the original amount of $80,000,000 of preliminary loan commitments approved by the Board on September 8, 2005 be increased to a total of $100,000,000; and (ii) up to $25,000,000 of preliminary loan commitments previously approved be converted to final loan commitments, subject to certain recommended terms and conditions; and
Resolution 06-02
Page 2

WHEREAS, Section 1.150-2 of the Treasury Regulations requires the Agency, as
the issuer of tax-exempt bonds, to declare its reasonable official intent to reimburse prior
expenditures for housing developed under the BAHP with proceeds of a subsequent
borrowing; and

WHEREAS, the Board confirms that the Executive Director is delegated the
authority to declare the official intent of the Agency to reimburse such prior expenditures for
housing developed under the BAHP; and

WHEREAS, based upon the recommendation of staff and due deliberation by the
Board, the Board has determined that (i) the original amount of $80,000,000 of preliminary
loan commitments approved by the Board on September 8, 2005 be increased to a total of
$100,000,000; and (ii) up to $25,000,000 of such preliminary commitments should be
converted to final commitments to implement the second phase of the Financing Plan, subject
to recommended terms and conditions; and

WHEREAS, pursuant to this resolution, there will be a total of $120,000,000 of
BAHP loan commitments either finally and preliminarily approved, consisting of (i)
$45,000,000 of final commitments approved by the Board at both this meeting and the
September 8, 2005 meeting; and (ii) an additional amount of $75,000,000 of preliminary
commitments remaining subject to further Board approval;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the California
Housing Finance Agency as follows:

1. The Executive Director, or in his/her absence, either the Chief Deputy
Director or the Director of Multifamily Programs of the Agency is hereby authorized, (i) to
execute and deliver an additional series of final commitment letters in relation to the BAHP
described above, in a form acceptable to the Agency, and subject to recommended terms and
conditions set forth in the Staff Report, up to an aggregate amount of $25,000,000.00 above
and beyond the $20,000,000 of final commitments approved by the Board on September 8,
2005; and (ii) to execute and deliver preliminary loan commitments up to an aggregate
amount of $75,000,000, subject to further Board approval.

2. The Executive Director may modify the terms and conditions of the final
loan commitments provided for above, provided that major modifications, as defined below,
must be submitted to this Board for approval. "Major modifications" as used herein means
modifications which either (i) increase the total aggregate amount of any final loan
commitments made pursuant to the Resolution by more than 7%; or (ii) modifications which
in the judgment of the Executive Director, or in his/her absence, either the Chief Deputy
Director or the Director of Multifamily Programs of the Agency, adversely change the
financial or public purpose aspects of the final commitment in a substantial way.
I hereby certify that this is a true and correct copy of Resolution 06-02 adopted at a duly constituted meeting of the Board of the Agency held on January 12, 2006, at Millbrae, California.

ATTEST: __________________________

Secretary
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Financing Reports

- Recent Bond Sales and Swaps
  - Multifamily Bonds
  - Single Family Bonds
  - SF Draw Down Bonds
- Summary of 2005 Bond Financings
- Variable Rate Bonds and Swaps
Recent Bond Issues

<table>
<thead>
<tr>
<th>Date of Sale</th>
<th>Bond Series</th>
<th>$ Amount</th>
</tr>
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<tbody>
<tr>
<td>10/27/05</td>
<td>Multifamily Housing Revenue Bonds</td>
<td>$123,185,000</td>
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<tr>
<td></td>
<td>2005 Series CDE</td>
<td></td>
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<tr>
<td>12/07/05</td>
<td>Home Mortgage Revenue Bonds</td>
<td>$200,000,000</td>
</tr>
<tr>
<td></td>
<td>2005 Series GH</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(partnership with CRHMFA Homebuyers Fund)</td>
<td></td>
</tr>
<tr>
<td>12/16/05</td>
<td>Single Family Draw Down Bonds</td>
<td>$224,000,000</td>
</tr>
<tr>
<td></td>
<td>2005 B</td>
<td></td>
</tr>
</tbody>
</table>

Affordable Housing is our Business
New Multifamily Bonds

- $123.2 M MFHRB III, 2005 CDE
- All tax-exempt
- $32 M issued as fixed rate bonds
- $91.2 M issued as variable rate demand obligations
  - $33.8 M swapped to fixed rate
  - Utilized prior anticipatory swaps
- Funding for 10 new projects

Affordable Housing is our Business
New Single Family Bonds

- $200 M HMRB 2005 GH
- Proceeds for purchase of 780 new loans
- All Interest Only Plus (IOP) loans
- $35 M tax-exempt refunding of CRHMFA Homebuyers Fund Authority (formerly Cal Rural Home Mortgage Finance Authority)
  - fund loans within CHF’s jurisdiction
  - VRDO; swapped
- $165 M tax-exempt
  - VRDO; swapped
Single Family Draw Down Bonds

- $224 M draw in December 2005
- $165 M refunded on January 1, 2006
- Proceeds invested in a guaranteed investment contract
- Preserve CDLAC allocation & tax-exempt refunding authority
- Bonds backed by CalHFA G.O.
- Outstanding balance of $868 million.
## 2005 Bond Financings

($ in Millions)

<table>
<thead>
<tr>
<th></th>
<th>Single Family</th>
<th>Multifamily</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$1,566.5</td>
<td>$239.2</td>
<td>$1,805.7</td>
</tr>
</tbody>
</table>

All 2005 bonds were issued as tax-exempt bonds.

Affordable Housing is our Business
CalHFA Bonds
2005 Calendar Year
($ in millions)

Single Family $1,567

Multifamily $239

Affordable Housing is our Business
CalHFA Tax-exempt and Taxable Bonds
Issued in Calendar Year 2005
($ in millions)

Tax-exempt
Bonds for
New Loans
$1,238 (69%)

Tax-exempt
Notes
$568 (31%)

Affordable Housing is our Business
CalHFA Fixed Rate and Variable Rate Bonds
Issued in Calendar Year 2005
($ in millions)

- Fixed Rate
  $96 (5%)

- Variable - Swapped to Fixed
  $966 (54%)

- Variable - Other
  $744 (41%)

Affordable Housing is our Business
Report on Variable Rate Bonds and Swaps
## Variable Rate Debt as of Dec. 31, 2005

($ in Millions)

<table>
<thead>
<tr>
<th></th>
<th>Tied Directly to Variable Rate Assets</th>
<th>Swapped to Fixed Rate</th>
<th>Tied to Variable Rate Loans</th>
<th>Total Variable Rate Debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>HMRB</td>
<td>$4</td>
<td>$3,877</td>
<td>$593</td>
<td>$4,474</td>
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<tr>
<td>MHRB</td>
<td>146</td>
<td>847</td>
<td>241</td>
<td>1,234</td>
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<tr>
<td>HPB</td>
<td>0</td>
<td>35</td>
<td>15</td>
<td>50</td>
</tr>
<tr>
<td>DDB</td>
<td>1,032</td>
<td>0</td>
<td>0</td>
<td>1,032</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>$1,182</strong></td>
<td><strong>$4,759</strong></td>
<td><strong>$849</strong></td>
<td><strong>$6,790</strong></td>
</tr>
</tbody>
</table>

Affordable Housing is our Business
# Types of Variable Rate Debt

($ in Millions)

<table>
<thead>
<tr>
<th></th>
<th>Auction Rate &amp; Similar Securities</th>
<th>Indexed Rate Bonds</th>
<th>Variable Rate Demand Obligations</th>
<th>Total Variable Rate Bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>HMRB</td>
<td>$168</td>
<td>$1,265</td>
<td>$3,041</td>
<td>$4,474</td>
</tr>
<tr>
<td>MHRB</td>
<td>500</td>
<td>0</td>
<td>734</td>
<td>1,234</td>
</tr>
<tr>
<td>HPB</td>
<td>0</td>
<td>0</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>DDB</td>
<td>0</td>
<td>1,032</td>
<td>0</td>
<td>1,032</td>
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<tr>
<td><strong>TOTALS</strong></td>
<td><strong>$668</strong></td>
<td><strong>$2,297</strong></td>
<td><strong>$3,825</strong></td>
<td><strong>$6,790</strong></td>
</tr>
</tbody>
</table>
# Net Variable Rate Debt

($ in Millions)

<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>$ 95</td>
<td>$412</td>
<td>$507</td>
</tr>
<tr>
<td>Long average life</td>
<td>216</td>
<td>126</td>
<td>342</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>$311</strong></td>
<td><strong>$538</strong></td>
<td><strong>$849</strong></td>
</tr>
</tbody>
</table>

*Bonds with an expected average life of 10 years or less.

Affordable Housing is our Business
## Fixed Payer Interest Rate Swaps

($ in Millions)

<table>
<thead>
<tr>
<th></th>
<th>Tax-Exempt</th>
<th>Taxable</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>HMRB</td>
<td>$2,926</td>
<td>$1,010</td>
<td>$3,936</td>
</tr>
<tr>
<td>MHRB</td>
<td>847</td>
<td>0</td>
<td>847</td>
</tr>
<tr>
<td>HPB</td>
<td>35</td>
<td>0</td>
<td>35</td>
</tr>
<tr>
<td>TOTALS</td>
<td>$3,808</td>
<td>$1,010</td>
<td>$4,818</td>
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</table>
HOMEOWNERSHIP PROGRAMS

Jerry Smart
Homeownership Programs Chief

CalHFA
Affordable Housing is our Business
California Housing Finance Agency

CalHFA Homeownership
2005-2006 YTD First Mortgage Production vs Annual Goal Comparison
(in millions)

Goal for FY 2004-2005

Totals for FY 2004-2005

Current FY Goal

FY 2005-06 mid year as of 12/31/05

*Percent of FY goal

Affordable Housing is our Business
CalHFA Homeownership
2005-2006 YTD Production vs Annual Goal Comparison
Down Payment Assistance Programs

Millions

<table>
<thead>
<tr>
<th>Program</th>
<th>FY Goal</th>
<th>Actual as of 12/31/05</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHAP</td>
<td>$13.30</td>
<td>$4.10</td>
</tr>
<tr>
<td>CHDAP</td>
<td>$31.70</td>
<td>$15.80</td>
</tr>
<tr>
<td>ECTP</td>
<td>$15.80</td>
<td>$6.60</td>
</tr>
<tr>
<td>HICAP</td>
<td>$32.40</td>
<td>$15.90</td>
</tr>
<tr>
<td>SFF</td>
<td>$4.70</td>
<td>$1.50</td>
</tr>
<tr>
<td>HIRAP</td>
<td>$2.80</td>
<td>$0.85</td>
</tr>
<tr>
<td>SHBAP</td>
<td>$2.50</td>
<td>$0.50</td>
</tr>
</tbody>
</table>

Affordable Housing is our Business
2,705 first-time homebuyer families served
   ➢ 957 interest only Plus loans (35%)
   ➢ 1,748 30 Year loans (65%)

22% loans on new construction housing
78% loans on resale housing
53% loans in high cost areas
66% loans made to minorities
43% low income families (MRB/CDLAC definition)
78% of all first mortgages loans utilized CalHFA subordinate financing
Homeownership Programs
Mid-Year Report

- $40.0M down payment assistance & closing cost
  - 4,012 subordinate loans and grants
- Provided outreach efforts at 63 conferences, home-buyer fairs, workshops and special speaking events
- Provided 35 lender training seminars
- Approved 231 local assistance programs for AHPP
  - Localities have provided over $16.4 m assistance to 226 CalHFA homebuyers

Affordable Housing is our Business
Continuing and New Initiatives

- Completion of the Homeownership Loan Origination Project
- Introduction of a 40 Year 100% Conventional Loan Product
- Target Lender Outreach to CalHFA Producing Loan Officers
- Provide Support to Implementation of the Residential Development Loan Program (RDLP)
- Significantly Increase Loan Production in the Coming Fiscal Year

Affordable Housing is our Business
Mortgage Insurance

January 12, 2006

Affordable Housing is our Business
California Housing Finance Agency

FY2005-06 New Insurance Written

For 7/1/2005 through 12/27/2005

New Insurance Written
($ in Millions)

GOAL: $460.0  $1.0  $14.0  $4.0  $6.0  Total
$485.0

CalHFA  CalPERS  CalSTRS  Lease Purchase  Community Affordable  Overall

Goal Remaining  Actual

Affordable Housing is our Business
2005-06 Objectives

- $460M goal for CalHFA loans
- Integrated Technology
- Homeownership Business & Product Development
  - HomeOpeners®
  - interest only PLUS®

Affordable Housing is our Business
California Housing Finance Agency

interest only PLUS<sup>SM</sup> Performance

CALHFA PURCHASED LOANS (DOLLARS)
7/1/2005 THROUGH 12/31/2005

Affordable Housing is our Business
MULTIFAMILY PROGRAMS

Beverly Fretz-Brown
Interim Director, Multifamily Programs

Mid – Year Update
Fiscal Year 2005 - 06

CalHFA
Affordable Housing is our Business
Multifamily and Special Lending Programs: Mid-Year Accomplishments

Multifamily Lending

Processed $469 million in CalHFA financing:

$120 million in new commitments
$300 million in loan closings
$ 49 million in application review

Affecting 3,840 households
## MULTIFAMILY PROGRAMS ACTIVITY
as of December 31, 2005
(in millions)

<table>
<thead>
<tr>
<th>MULTIFAMILY PROGRAMS</th>
<th>FY 2005/06 Bus. Plan Goal</th>
<th>FY 2005/06 YTD Committed</th>
<th>FY 2005/06 YTD Closings</th>
<th>Estimated Closings by 6/30/06</th>
<th>Estimated Committed Loans by 6/30/06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Loans</td>
<td>$285.0</td>
<td>$119.9</td>
<td>$299.6</td>
<td>$440.0</td>
<td>$168.0</td>
</tr>
<tr>
<td>Construction Loans</td>
<td>170.0</td>
<td>65.4</td>
<td>114.4</td>
<td>168.0</td>
<td>84.7</td>
</tr>
<tr>
<td>Permanent Loans/Loan to Lender/Acq-Rehab</td>
<td>110.0</td>
<td>50.6</td>
<td>175.2</td>
<td>259.8</td>
<td>79.2</td>
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<tr>
<td>Preservation Opportunity Program (Prop 46)</td>
<td>0.0</td>
<td>1.8</td>
<td>0.0</td>
<td>2.8</td>
<td>2.8</td>
</tr>
<tr>
<td>HAT</td>
<td>5.0</td>
<td>2.1</td>
<td>10.0</td>
<td>9.4</td>
<td>1.3</td>
</tr>
<tr>
<td><strong>Total Multifamily Programs</strong></td>
<td><strong>$285.0</strong></td>
<td><strong>$119.9</strong></td>
<td><strong>$299.6</strong></td>
<td><strong>$440.0</strong></td>
<td><strong>$168.0</strong></td>
</tr>
</tbody>
</table>

| Total Units                           | n/a                       | 757                      | 2,640                   | 3,700                         | 1,148                                |
| Total Projects                        | n/a                       | 12                       | 31                      | 57                            | 16                                   |
Mid-Year Accomplishments

Special Lending Programs

Bay Area Housing Plan – unique partnerships in place for capital and services to replace Agnews Development Center

HELP funds 10 localities, committing $10 million for 1,141 housing units
(cumulatively 18,000 units and 94 localities)

Small loan program revived with two business loans for 22 homeownership and 50 multifamily units
Mid-Year Accomplishments

Special Lending Programs

Habitat for Humanity Loan Purchase Program launched with $5 million allocation

Governor’s Homeless Initiative: partnership between CalHFA, State Mental Health, and Housing and Community Development to fund housing for the homeless
### MULTIFAMILY PROGRAMS ACTIVITY

**as of December 31, 2005**

*(in millions)*

<table>
<thead>
<tr>
<th><strong>Special Lending Programs</strong></th>
<th><strong>FY 2005/06</strong></th>
<th><strong>FY 2005/06</strong></th>
<th><strong>FY 2005/06</strong></th>
<th><strong>Estimated</strong></th>
<th><strong>Estimated</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bus. Plan</td>
<td>YTD</td>
<td>YTD</td>
<td>Closings by</td>
<td>Closings by</td>
</tr>
<tr>
<td></td>
<td>Goal</td>
<td>Committed</td>
<td>Closings</td>
<td>6/30/06</td>
<td>6/30/06</td>
</tr>
<tr>
<td>Bay Area Housing Plan (Agnews)</td>
<td>50.0</td>
<td>20.0</td>
<td>0.0</td>
<td>0.0</td>
<td>65.0</td>
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<tr>
<td>HELP</td>
<td>20.0</td>
<td>10.0</td>
<td>0.0</td>
<td>0.0</td>
<td>20.0</td>
</tr>
<tr>
<td>Small Loan Program</td>
<td>4.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.6</td>
<td>0.6</td>
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<tr>
<td>Community Development Funding Initiative</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Habitat Loan Purchase Program ($10.0)</td>
<td>5.0</td>
<td>0.0</td>
<td>0.0</td>
<td>5.0</td>
<td>5.0</td>
</tr>
<tr>
<td>- Tax Increment Loan Program ($5.0)</td>
<td>10.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Residential Development Lending Program</td>
<td>40.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>15.0</td>
</tr>
<tr>
<td><strong>Special Lending Programs Total</strong></td>
<td><strong>$ 129.0</strong></td>
<td><strong>$ 30.0</strong></td>
<td><strong>$ -</strong></td>
<td><strong>$ 5.6</strong></td>
<td><strong>$ 105.6</strong></td>
</tr>
</tbody>
</table>

| **GRAND TOTAL ALL MULTIFAMILY PROGRAMS** | **$ 414.0** | **$ 149.9** | **$ 299.6** | **$ 445.6** | **$ 273.6** |
Mid-Year Progress

Administrative Advances

Universal application drafted for CalHFA, CA Debt Limit Allocation Committee, CA Tax Credit Committee, and Housing and Community Development

Technology: new database software for multifamily loans and reporting

Architectural Processing Requirements Manual undergoing detailed review and updating
Mid-Year Progress

Lending Programs

Residential Development Loan Program ready to launch in 1st quarter 2006: financing for new homeownership in infill and redevelopment areas

Housing for mentally ill homeless: application to be released in January 2006 for Governor's Homeless Initiative with CalHFA, HCD, and Mental Health funds
Asset Management

CalHFA Mid-Year
Business Plan Update
Fiscal Year 2005-2006
2005-2010 Business Plan Concepts

- Restructuring of Section 8 Portfolio
  - Eminent Domain:
    - Imperial Terrace, 50 u., LA taken for freeway construction
  - Pay offs through OAHP (formerly OHMAR):
    - E. 35th Street, 48 u., Palmdale
    - Rumrill, 61 u., San Pablo
  - In-house refinances of Section 8 projects (new buyers, new loan proceeds):
    - Baywood, 77 u., Oakland
    - Flower Park, 199 u., Santa Ana
    - Morse Court, 35 u., Sunnyvale
    - Redwood Court, 27 u., Redwood City
  - In-place refinances of Section 8 projects (existing borrower) – still being reviewed for feasibility

Affordable Housing is our Business
2005-2010 Business Plan Concepts

- REO Sales Plan
  - Developed and implemented a sales policy for REO properties
  - Re-market properties beginning January 2006
- Capital Improvement Loan Program
  - HAT funds loaned (non-Section 8) - $4M annual allocation:
    - $518,000, Gravenstein, 42 u. family, Santa Rosa
  - HUD Earned Surplus funds loaned (Section 8) - $53M held by agency:
    - $4.5 M, Flower Park, 199 u. family, Santa Ana (also new agency loan, new buyers)
    - $512,000, Golden Acres, 46 u. elderly, San Diego
    - $298,000, Mono Hilltop, 60 u. elderly, Fresno
- Staffing
  - Increased staff by 20%, 5 positions filled.