California Housing Finance Agency

Credit Profile

AFFIRMED

California Hsg Fin Agy Issuer Credit Rating: AA-

$50,000 mil. California Hsg Fin Agy hsg prog bnds ser 2004 A due 08/01/2036 AA-/A-1+

$70,660 mil. California Hsg Fin Agy multi fam hsg rev bnds ser 1997 A due 02/01/2017 2027 2028 2038 AAA/AA-(SPUR)

$31,960 mil. California Hsg Fin Agy multi fam hsg rev bnds III (AMBAC) AAA/AA-(SPUR)

$26,410 mil. California Hsg Fin Agy multi fam hsg rev bnds III ser 2001A and B due 02/01/2033 AA-/A-1+

$91,225 mil. California Hsg Fin Agy multi fam hsg rev bnds III ser 2003D due 08/01/2038 AA-/A-1+

$44,540 mil. California Hsg Fin Agy multifam hsg rev bnds AA-

$152,415 mil. California Hsg Fin Agy multifam hsg rev bnds III (FSA) AAA/AA-(SPUR)

$64,015 mil. California Hsg Fin Agy multifam hsg rev bnds III (Select Auction Var Rate Secs (Amt)) ser 2003A due 06/04/2003 02/01/2038 AAA/AA-(SPUR)

$15,595 mil. California Hsg Fin Agy multifam hsg rev bnds III (Variable Rate) ser 2001H due 02/01/2033 AA-/A-1+

$84,065 mil. California Hsg Fin Agy multifam hsg rev bnds III ser 2002 D&E due 08/01/2037 AA-/A-1+

$59,725 mil. California Hsg Fin Agy multifam hsg rev bnds III due 08/01/2038 AAA/AA-(SPUR)

$97,295 mil. California Hsg Fin Agy multifam hsg rev bnds III due 08/01/2038 AAA/AA-(SPUR)


$93,015 mil. California Hsg Fin Agy multifam hsg rev bnds III ser 2001F&G due 02/01/2025 2032 08/01/2036 AA-/A-1+


$100,200 mil. California Hsg Fin Agy multifam hsg rev bnds III ser 2000A&B due 07/12/2000 02/01/2031 08/01/2037 AA-/A-1+

$23,590 mil. California Hsg Fin Agy multifam hsg rev bnds III ser 2001C due 02/22/2001 02/01/2041 AA-/A-1+

$84,805 mil. California Hsg Fin Agy multifam hsg rev bnds III ser 2001D,E due 06/08/2001 02/01/2036 AA-/A-1+

$22,000 mil. California Hsg Fin Agy multifam hsg rev bnds III (Class III) ser 1999A-2 D-2 AA-

$3,410 mil. California Hsg Fin Agy multifam hsg rev bnds III due 08/01/2011 AAA/AA-(SPUR)
$9.734 mil. California Hsg Fin Agy sin fam mtg bds II class III ser 1997 C-1 dtd 04/03/1997 due 08/01/2011 AAA/AA-(SPUR)

OUTLOOK: STABLE

Rationale

The affirmed ‘AA-‘ issuer credit rating (ICR) on the California Housing Finance Agency (CalHFA) reflects:
- High asset quality and a stabilizing loan portfolio;
- Stable financial performance and reserves;
- Prudent debt management policies;
- Very positive relationship with state government;
- Strong management; and
- A diverse and broad-based California economy.

CalHFA has continued to increase its equity, and its loan portfolio grew for the first time in fiscal 2005 after two consecutive years of declines. The increase in loans was a result of a gradual slowdown in prepayments on single-family loans. The agency’s positive relationship with state government is demonstrated through the state’s contract with CalHFA for the administration of several housing programs. Most recently the state partnered with the agency to administer several programs funded by Proposition 46, the Housing and Emergency Shelter Trust Fund Act of 2002. These programs will provide an additional source of capital to the agency for several programs including a key down payment assistance program.

Offsetting these positive trends, the agency’s net income declined to $20 million in fiscal 2005, its lowest level since 1992. This low level of income, combined with a stable asset base, reduced the agency’s return on assets to less than half of the previous year. Compared with agencies with the same rating, CalHFA has similar profitability ratios but weaker leverage ratios. The agency has been able to navigate through difficult economic and interest rate environments, and must operate within the high-cost California real estate market and competitive mortgage industry. The agency’s ability to do so illustrates the effectiveness of management in achieving its mission, which is a component of the rating.

Outlook

The stable outlook reflects CalHFA’s continued strong financial performance and future plans for growth in addressing the housing needs of the state. The high quality of CalHFA’s assets, which is reflected in low delinquency figures, combined with the strong performance of the agency’s interest-rate management techniques on debt and a recovering loan portfolio, indicate the agency’s ability to perform under difficult circumstances. The outlook further reflects the agency’s strong relationship with state government, which supports a continuation of the stability that the agency has exhibited from a management and strategic standpoint.

Asset Quality

CalHFA’s assets consist mostly of mortgage loans and investments. Most mortgages are single-family with FHA insurance. Non-performing assets fell to 1.36% in 2005 from a manageable 2.46% of loans in 2004.
CalHFA regularly evaluates real estate risk and reserves for potential loan losses. The agency’s loan loss reserve is about 1.07% of total loans, most allocated to second mortgages and the multifamily portfolio.

The agency has made an effort to remain competitive in the California lending market through offering new loan products. As a result, the loan portfolio continues to evolve, potentially exposing the agency to greater risk. The growth in equity offsets any additional loss exposure with additional assets if they are needed. Due to high housing prices in California, new single-family loan originations have trended toward those with insurance from the California Housing Loan Insurance Fund and away from the FHA. Furthermore, about 75% of the Home Mortgage Revenue Bond (HMRB) program’s new production includes second mortgages for down payment assistance, and in 2005, the agency began to finance interest-only loans. These trends and products will result in greater reserve requirements, but equity growth has outpaced the additional reserve requirements of the current loan portfolio composition. These developments do not pose any significant risk at this time as the agency intends to monitor its portfolio with the desire to maintain adequate reserves.

Reversing a trend from 2002 through 2004, CalHFA’s single-family loans have stabilized after a strong surge of prepayments eroded its mortgage base. For CalHFA’s major single-family indenture, the HMRB program, prepayments peaked in 2003 at $2 billion. In 2004, the level dropped to $1.45 billion, or $120 million per month. For 2005, monthly prepayments averaged under $100 million and in December 2005 amounted to only $65 million. The mortgage balance has held relatively steady, starting at $4.8 billion in January 2003, dropping to $4.2 billion in January 2004, and currently holding at $3.9 billion.

While 40% of the agency’s assets are single-family loans, multifamily loans represent 14% of the asset base, most financed through the agency’s Multifamily III indenture. The agency maintains reserves to cover numerous risks related to rental housing developments such as occupancy, construction, or subsidy of the properties. Standard & Poor’s Ratings Services evaluates the loan loss reserve for all loans as part of the capital adequacy process.

CalHFA holds investments for bond resolutions in guaranteed investment contracts (GICs) with highly rated providers. The agency also invests slightly less than $1 billion in the surplus money investment fund (SMIF), a short-term investment vehicle managed by the state treasurer that serves as a hedge against interest rate risk for some of the agency’s unhedged variable-rate debt. This amount decreased by $833 million in 2005 from 2004 as a result of bond redemptions and refundings.
Earnings Quality And Financial Strength

Despite declines in net income and return on average assets, CalHFA’s profitability ratios remain consistent with other HFAs rated ‘AA-‘. Net income declined for the second consecutive year in fiscal 2005 to $20 million, the lowest level since 1992. Return on assets also declined for the fourth consecutive year to 0.21%. This was the result of lower returns from single-family loans, caused by a smaller loan portfolio and lower weighted average loan rate.

Equity rose in 2005, as it has on a dollar basis every year since at least 1990, and as it has on a percentage basis every year since 2002. The increase in equity was just 4.8%, the smallest since 1990 as a result of the low net income. The agency did have its second consecutive year in which total assets declined, something it hasn’t experienced since before 1992. The growth in equity was the result of net income of $20 million and the transfer from the state of California of nearly $50 million related to the Housing and Emergency Shelter Trust Fund Act of 2002. CalHFA is a contract administrator for the act, which finances one of the agency’s down payment assistance programs. The agency expects to realize additional transfers-in from the emergency shelter act. This rise in equity resulted in the agency’s equity-to-asset ratio increasing to 12.61% in 2005 from 11.66% in 2004 and 10.36% in 2003. Prior to the last two fiscal years, equity ratios rose slowly if at all.

If the slowdown in prepayments continues, CalHFA’s equity position could stabilize, leaving the agency at levels below other ‘AA-‘ HFAs. This is not a concern because adjustments to CalHFA’s equity for capital adequacy indicate that the agency is well positioned for potential risks. The agency’s unrestricted equity after adjusting for risks is in excess of 4% of debt outstanding, with liquid assets above 2% of loans.
Chart 1
California Housing Finance Agency
Net Income

($millions)


Debt
CalHFA’s debt decreased to $7.5 million in 2005, its lowest level since 2000. About 98% of debt issued in 2005 was variable rate. Agency-wide, 87% of CalHFA’s debt is variable rate and 63% of all debt is variable rate swapped to fixed rate. About 12% of the agency’s debt is variable rate not swapped to fixed rate nor hedged through a variable rate asset.

The heavy use of interest rate swaps exposes the agency to a number of risks, including basis risk, which has been prevalent in many of the agency’s older swaps. In 2004, the agency entered into 13 basis swaps on an aggregate notional amount of $691 million to address the basis risk on the older swaps, mitigating the disadvantageous floating rate receipt caused by a compression of taxable and tax-exempt interest rates in a low interest rate environment. This is an example of the strong hands-on style that CalHFA utilizes in managing its extensive swap strategy.

Following a review of CalHFA’s 130 swaps, Standard & Poor’s has assigned a debt derivative profile (DDP) of ‘2’ on a five-point scale, where ‘1’ represents the lowest risk.

The overall score of ‘2’ reflects:

- Highly rated swap counterparties that are all required to post collateral before a credit event occurs;
- Low basis risk and minimal termination risk; and
- Excellent management oversight.

The agency has high diversification of counterparties, with 11 entities, none of which accounts for more than 24% of the aggregate swapped notional amount. All counterparties are rated at least ‘AA-', well above the ‘BBB’ requirement for swap dependent issuers, and 63% of the notional amount is swapped through ‘AAA’ rated counterparties.
There is negligible involuntary termination risk under the swaps due to a very broad ratings trigger spread.

CalHFA has $1.5 billion in GO debt, about the same as in 2004. Almost all of this debt is associated with the agency’s Multifamily III indenture. The GO debt represents 20% of CalHFA’s total debt, an increase from 17% in 2004 and 10% in 2000. This figure will likely increase as the Multifamily III program grows. While this represents significant growth in the percentage of GO debt, these bonds are backed by multifamily loans that have paid debt service when due. Standard & Poor’s has analyzed the quality of the loans backing the bonds and cash flow projections, and is comfortable that the adjustments made to the loan value under a capital adequacy review appropriately accounts for the risk to the agency to pay debt service on the bonds from its fund balance. This risk is minimal.

CalHFA operates in the multifamily area as a direct lender. CalHFA has made $1.8 billion in multifamily loans, financing 443 projects with a total of 35,081 units. In fiscal 2005 the agency funded 31 projects that, if completed, will generate nearly 2,400 units. The agency was effective in reaching households at the lower end of the income spectrum, as two-thirds of the units have rents restricted to 50% of area median income or less.

Management
CalHFA operates under a five-year business plan that it updates annually. The 2005-2006 plan anticipates $10.9 billion of activity during the relevant five years. Single-family activity will account for $6.2 billion, multifamily activity will represent $2.3 billion, and mortgage insurance is proposed to total $2.4 billion. The agency’s senior management team is highly skilled and very effective in evaluating and designing new and unique products, as well as managing complex financing structures. Furthermore, in order to provide the resources to remain competitive in California’s high cost market, CalHFA has issued more variable-rate debt than any other HFA in the country, both in terms of volume and percentage.

Operating under a mandate to provide affordable housing in many very expensive housing markets, the agency must employ a team of program managers with a high level of expertise. Over the past few years, the effectiveness of management and staff has helped steer the agency through difficult economic times and an extremely competitive lending market in California. As of the date of this report, the agency is in the process of filling several key management positions that have become vacant through retirement or departure for the private sector. The agency recruits nationally to locate the most highly qualified individuals to replace key members of the top management team but faces a compensation gap from the private sector that affects the ability of the agency to fill positions and retain staff. An aging workforce within the agency, particularly as it leads to retirement of senior staff in the future, might exacerbate this personnel situation.

Economy
California has a large and diverse economy with a growing population. The state has recently experienced employment performance similar to the nation, although state personal income growth has lagged. The state’s economic growth, increasing population, lagging personal income, and high housing costs all contribute to the demand for the products that CalHFA offers.

California’s huge economy remains very broad-based. The state estimates that its population reached 36.6 million in 2004 (the U.S. Census Bureau has estimated slightly lower figures), and continues to grow faster than the nation’s population. State population grew 9.5% from 1999-2004. According to 2004 state figures, manufacturing accounts for just 11.3% of state nonagricultural employment. Trade, transportation, and utilities
accounted for a combined 18.9% of employment, followed by government (16.4%), professional services (14.4%), and education and health services (10.7%).

The federal government estimates that California’s per capita income was 106% of the nation in 2004, down slightly from 109% in 2000, while median household effective buying income was 113% of the nation in 2003.

State total personal income growth has shown more volatility, however, partly as the result of a downturn in capital gains and stock option income—partially attributed to weakness in Silicon Valley. After growing 10.5% in 2000, state personal income increased an estimated 2.8% in 2001, 1.3% in 2002, 3.1% in 2003, and 6.1% in 2004.

California’s economy shows particular strength in the southern part of the state, which had suffered the worst in the last recession, and Southern California defense industries may receive a boost from a new defense buildup. Conversely, the northern Silicon Valley economy softened considerably during the most recent recession, although residential real estate prices remain relatively strong despite the lag in personal income growth and rising commercial vacancies. Recent reports indicate that high technology is seeing a turnaround, which would aid northern California’s economy. While a pickup in Asian trade will benefit the state, high home prices could also create impediments. In January 2005, the median single-family home price in the state was $485,700, up 20.1% from a year earlier.

The fiscal 2006 budget projects calendar 2005 personal income growth of 5.7%, with 5.8% growth for 2006. This compares reasonably with most private forecasters, although it remains somewhat higher.

Table 1

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<tbody>
<tr>
<td><strong>Profitability (%)</strong></td>
<td></td>
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<tr>
<td>Return on average assets</td>
<td>0.95</td>
<td>0.90</td>
<td>0.78</td>
<td>0.65</td>
<td>0.21</td>
<td>0.70</td>
</tr>
<tr>
<td>Return on assets before loan loss provision and extraordinary item</td>
<td>1.01</td>
<td>0.94</td>
<td>0.84</td>
<td>0.68</td>
<td>0.29</td>
<td>0.75</td>
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<tr>
<td>Net interest margin</td>
<td>1.49</td>
<td>1.44</td>
<td>1.34</td>
<td>1.31</td>
<td>0.98</td>
<td>1.31</td>
</tr>
<tr>
<td><strong>Asset Quality (%)</strong></td>
<td></td>
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<tr>
<td>Non-performing assets/total loans and real estate owned</td>
<td>2.67</td>
<td>2.28</td>
<td>2.58</td>
<td>2.46</td>
<td>1.36</td>
<td>2.27</td>
</tr>
<tr>
<td>Loan loss reserves/total loans</td>
<td>0.57</td>
<td>0.66</td>
<td>0.84</td>
<td>0.97</td>
<td>1.07</td>
<td>0.82</td>
</tr>
<tr>
<td>Loan loss reserves/non-performing assets</td>
<td>21.16</td>
<td>28.96</td>
<td>32.69</td>
<td>39.29</td>
<td>78.80</td>
<td>40.16</td>
</tr>
<tr>
<td><strong>Leverage (%)</strong></td>
<td></td>
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<tr>
<td>Total equity/total assets</td>
<td>9.29</td>
<td>9.76</td>
<td>10.36</td>
<td>11.66</td>
<td>12.61</td>
<td>10.74</td>
</tr>
<tr>
<td>Total equity and reserves/total loans</td>
<td>13.12</td>
<td>14.55</td>
<td>17.68</td>
<td>21.66</td>
<td>22.39</td>
<td>17.88</td>
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<tr>
<td><strong>Liquidity (%)</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Total loans/total assets</td>
<td>74.00</td>
<td>70.29</td>
<td>61.55</td>
<td>56.34</td>
<td>59.16</td>
<td>64.27</td>
</tr>
</tbody>
</table>
### Table 2
**Five-Year Average Financial Ratios (2000-2004)**

<table>
<thead>
<tr>
<th></th>
<th>CalHFA</th>
<th>All 'AA-'HFAs</th>
<th>All 'A+'HFAs</th>
<th>All 'AA'-HFAs</th>
<th>All HFAs</th>
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<tbody>
<tr>
<td><strong>Profitability (%)</strong></td>
<td></td>
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</tr>
<tr>
<td>Return on average assets</td>
<td>0.87</td>
<td>0.71</td>
<td>0.53</td>
<td>1.08</td>
<td>0.85</td>
</tr>
<tr>
<td>Return on assets before loan loss provision and extraordinary item</td>
<td>0.91</td>
<td>0.81</td>
<td>0.58</td>
<td>1.18</td>
<td>0.94</td>
</tr>
<tr>
<td>Net interest margin</td>
<td>1.42</td>
<td>1.31</td>
<td>0.78</td>
<td>1.70</td>
<td>1.37</td>
</tr>
</tbody>
</table>

|                     |        |               |              |               |         |
| **Asset Quality (%)** |        |               |              |               |         |
| Non-performing assets/total loans and real estate owned | 2.44   | 1.89          | 2.90         | 2.36          | 2.13    |
| Loan loss reserves/total loans | 0.70   | 1.18          | 0.94         | 2.43          | 1.53    |
| Loan loss reserves/non-performing assets | 28.56  | 82.04         | 23.97        | 103.10        | 193.52  |

|                     |        |               |              |               |         |
| **Leverage (%)**     |        |               |              |               |         |
| Total equity/total assets | 10.10  | 13.78         | 9.21         | 19.01         | 14.84   |
| Total equity and reserves/total loans | 16.02  | 23.39         | 14.56        | 30.21         | 23.87   |

|                     |        |               |              |               |         |
| **Liquidity (%)**    |        |               |              |               |         |
| Total loans/total assets | 67.40  | 64.84         | 68.85        | 69.70         | 67.75   |

### Table 3
**California Housing Finance Agency Trend Analysis (2001-2005)**

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets ($000s)</td>
<td>9,044,585</td>
<td>9,585,353</td>
<td>9,763,598</td>
<td>9,691,738</td>
<td>9,388,557</td>
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<tr>
<td>% change</td>
<td>15.52</td>
<td>5.98</td>
<td>1.86</td>
<td>(0.74)</td>
<td>(3.13)</td>
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</tbody>
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<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total debt ($000s)</td>
<td>7,688,313</td>
<td>8,148,211</td>
<td>8,136,810</td>
<td>7,873,007</td>
<td>7,500,766</td>
</tr>
<tr>
<td>% change</td>
<td>16.54</td>
<td>5.98</td>
<td>(0.14)</td>
<td>(3.24)</td>
<td>(4.73)</td>
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<thead>
<tr>
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<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total equity ($000s)</td>
<td>840,501</td>
<td>935,914</td>
<td>1,011,635</td>
<td>1,129,611</td>
<td>1,183,777</td>
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<tr>
<td>% change</td>
<td>13.61</td>
<td>11.35</td>
<td>8.09</td>
<td>11.66</td>
<td>4.80</td>
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<tr>
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<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
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<tbody>
<tr>
<td>Revenues ($000s)</td>
<td>645,735</td>
<td>652,010</td>
<td>618,492</td>
<td>557,569</td>
<td>509,336</td>
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<tr>
<td>% change</td>
<td>11.99</td>
<td>0.97</td>
<td>(5.14)</td>
<td>(9.85)</td>
<td>(8.65)</td>
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<th>2003</th>
<th>2004</th>
<th>2005</th>
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<tbody>
<tr>
<td>Net income ($000s)</td>
<td>80,535</td>
<td>83,403</td>
<td>75,721</td>
<td>63,002</td>
<td>20,477</td>
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<tr>
<td>% change</td>
<td>2.11</td>
<td>3.56</td>
<td>(9.21)</td>
<td>(16.80)</td>
<td>(67.50)</td>
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<th>2002</th>
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<th>2004</th>
<th>2005</th>
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<tbody>
<tr>
<td>Total loans ($000s)</td>
<td>6,693,108</td>
<td>6,737,368</td>
<td>6,009,317</td>
<td>5,459,868</td>
<td>5,553,940</td>
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<tr>
<td>% change</td>
<td>14.28</td>
<td>0.66</td>
<td>(10.81)</td>
<td>(9.14)</td>
<td>1.72</td>
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<th>2005</th>
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<tbody>
<tr>
<td>Non-performing assets ($000s)</td>
<td>179,099</td>
<td>154,082</td>
<td>154,750</td>
<td>134,605</td>
<td>75,749</td>
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<tr>
<td>% change</td>
<td>36.74</td>
<td>(13.97)</td>
<td>0.43</td>
<td>(13.02)</td>
<td>(43.72)</td>
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<th>2004</th>
<th>2005</th>
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<tbody>
<tr>
<td>Loan loss reserves ($000s)</td>
<td>37,905</td>
<td>44,469</td>
<td>50,583</td>
<td>52,886</td>
<td>59,688</td>
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<tr>
<td>% change</td>
<td>2001</td>
<td>2002</td>
<td>2003</td>
<td>2004</td>
<td>2005</td>
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<td></td>
<td>39.00</td>
<td>17.32</td>
<td>13.75</td>
<td>4.55</td>
<td>12.86</td>
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</table>
Fiscal Year 2006-07 to 2010-11
Five Year Business Plan
Concept Proposal
Overview of Housing Assistance Trust Funds for Program Initiatives
Production Goals for Homeownership
Production Goals for Mortgage Insurance
Production Goals for Multifamily Rental
Production Goals for Other Lending Programs
Sale of Asset Management/REO Properties
Other Considerations
### California Housing Finance Agency

#### CALHFA BUSINESS PLAN 2006/2007

**SPECIAL PROGRAMS LOAN INITIATIVES**

**PRODUCTION LEVELS**

<table>
<thead>
<tr>
<th></th>
<th>PROGRAM BUDGET</th>
<th>HAT BUDGET</th>
<th>HAT EXPECTED UTILIZATION</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Single Family Programs:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Down Payment Assistance</td>
<td>$35,000,000</td>
<td>$35,000,000</td>
<td>$35,000,000</td>
</tr>
<tr>
<td>SHBAP</td>
<td>2,500,000</td>
<td>2,500,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td><strong>Multifamily Programs:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AHP Substitute</td>
<td>10,000,000</td>
<td>10,000,000</td>
<td>6,000,000</td>
</tr>
<tr>
<td>Habitat for Humanity</td>
<td>5,000,000</td>
<td>5,000,000</td>
<td>5,000,000</td>
</tr>
<tr>
<td>Locality Programs (HELP / RDLP) *</td>
<td>30,000,000</td>
<td>15,000,000</td>
<td>15,000,000</td>
</tr>
<tr>
<td>Small Business Development</td>
<td>1,000,000</td>
<td>1,000,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Homeless / Special Needs **</td>
<td>(10,000,000)</td>
<td>(10,000,000)</td>
<td>(4,000,000)</td>
</tr>
<tr>
<td><strong>Asset Management:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Portfolio Assistance</td>
<td>4,000,000</td>
<td>4,000,000</td>
<td>2,000,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$87,500,000</td>
<td>$72,500,000</td>
<td>$65,000,000</td>
</tr>
</tbody>
</table>

* To be funded from two sources in 2006/2007; $15 million from HAT for the HELP Program and $15 million from Proposition 46 (RDLP)

** Carry forward amount from 2005/2006 Business Plan – Financial Institutions (CDFI)

**Affordable Housing is our Business**
Homeownership Production Goals/Initiatives

➤ $1.5 billion level of 1st Mortgage Production
➤ Continue implementation of interest only PLUS™ to all CalHFA Lenders
➤ Implement 40-year fixed rate product
➤ Evaluate new loan products to meet market changes and customer demand (Fannie Mae/HFA Branded Product)
➤ Implement Marketing and IT enhancements to stimulate production
Mortgage Insurance Production Goals/Initiatives

- Consolidate Mortgage Insurance capacity to focus on CalHFA conventional loans
- Business plan targets are $840 million for new insurance
- Continue expansion of HomeOpeners® mortgage protection programs with CalHFA Conventional Loans

Affordable Housing is our Business
Multifamily Production Goals/Initiatives

➢ Production Goals:
  ▪ Construction $170m
  ▪ Permanent $70m
  ▪ BAHP $75m*
  ▪ Preservation $5m

➢ Discussion of New Lending Terms
  – 30 year loan / 15 year payoff
  – Architectural Review

➢ New “AHP Substitute” Program

➢ Homeless Phase I / Homeless Phase II

*Total BAHP spending will reach $120m by end of FY 06/07

Affordable Housing is our Business
Special Lending Production Lending Goals/Initiatives

- Continuation of the HELP Program @ $15 million
- Continued implementation of New Loan Purchasing Program in conjunction with Habitat for Humanity and intermediary lenders
- Implement New Residential Development Loan Program (Prop 46 Funds) through partnerships with Localities for creation of homeownership stock.
Assets Management Goals/Initiatives

➢ Workouts to preserve affordability for tenants and rehabilitate physical structures
➢ Status Report on sale of REO properties
Other Considerations

- New Building Initiative
- Major IT Initiatives
  - Enhanced Debt Management System
- Product Profitability/Public Benefit Models (including operating overhead)
- Investment Management Strategies
- Recruitment – Revised production goals
Financing Reports

- Recent Bond Sales and Swaps
  - Single Family Bonds
- Variable Rate Bonds and Swaps
# Recent Bond Issues

<table>
<thead>
<tr>
<th>Date of Sale</th>
<th>Bond Series</th>
<th>$ Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/20/06</td>
<td>Home Mortgage Revenue Bonds 2006 Series A</td>
<td>$35,000,000</td>
</tr>
<tr>
<td></td>
<td>(partnership with SCHFA)</td>
<td></td>
</tr>
</tbody>
</table>

Affordable Housing is our Business
New Single Family Bonds

- $35 M HMRB 2006 A
- Proceeds for purchase of 130 new loans
- All Interest Only Plus (IOP) loans
- $35 M tax-exempt refunding of SCHFA
  - fund loans within SCHFA's jurisdiction
  - VRDO; swapped
Report on Variable Rate Bonds and Swaps
## Variable Rate Debt as of Feb. 2, 2006

($ in Millions)

<table>
<thead>
<tr>
<th>Tied Directly to Variable Rate Assets</th>
<th>Swapped to Fixed Rate</th>
<th>Not Swapped or Tied to Variable Rate Loans</th>
<th>Total Variable Rate Debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>HMRB</td>
<td>$3</td>
<td>$3,727</td>
<td>$516</td>
</tr>
<tr>
<td>MHRB</td>
<td>207</td>
<td>842</td>
<td>148</td>
</tr>
<tr>
<td>HPB</td>
<td>0</td>
<td>35</td>
<td>15</td>
</tr>
<tr>
<td>DDB</td>
<td>919</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td>$1,129</td>
<td>$4,604</td>
<td>$679</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>$165</td>
<td>$1,133</td>
<td>$2,948</td>
<td>$4,246</td>
</tr>
<tr>
<td>MHRB</td>
<td>484</td>
<td>0</td>
<td>713</td>
<td>1,197</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>919</td>
<td>0</td>
<td>919</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td>$649</td>
<td>$2,052</td>
<td>$3,711</td>
<td>$6,412</td>
</tr>
</tbody>
</table>

*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>$2,896</td>
<td>$927</td>
<td>$3,823</td>
</tr>
<tr>
<td>MHRB</td>
<td>842</td>
<td>0</td>
<td>842</td>
</tr>
<tr>
<td>HPB</td>
<td>35</td>
<td>0</td>
<td>35</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>$3,773</strong></td>
<td><strong>$927</strong></td>
<td><strong>$4,700</strong></td>
</tr>
</tbody>
</table>
### BAHP Purchase Agreement Log

<table>
<thead>
<tr>
<th>Property Address</th>
<th>RC Area</th>
<th>House Type</th>
<th>Contract?</th>
<th>Reason Contract Not Executed?</th>
</tr>
</thead>
<tbody>
<tr>
<td>2856 San Juan Blvd., Belmont, CA</td>
<td>GGRS</td>
<td>SRH-3</td>
<td>No</td>
<td>9</td>
</tr>
<tr>
<td>38142 Martha Ave., Fremont, CA</td>
<td>RCEB</td>
<td>962</td>
<td>No</td>
<td>9</td>
</tr>
<tr>
<td>4737 Darlene Ct., Fremont, CA</td>
<td>RCEB</td>
<td>962</td>
<td>No</td>
<td>9</td>
</tr>
<tr>
<td>38800 Blacow Rd, Union City, CA</td>
<td>RCEB</td>
<td>SRH-3</td>
<td>No</td>
<td>9</td>
</tr>
<tr>
<td>4876 Alex Drive, San Jose</td>
<td>SARC</td>
<td>SRH-4</td>
<td>No</td>
<td>9</td>
</tr>
<tr>
<td>500 S. Sunset Ave, San Jose</td>
<td>SARC</td>
<td>SRH-3</td>
<td>No</td>
<td>9</td>
</tr>
<tr>
<td>2951 Driftwood, San Jose</td>
<td>SARC</td>
<td>FTH</td>
<td>No</td>
<td>9</td>
</tr>
<tr>
<td>790 Cornell Dr, San Jose</td>
<td>SARC</td>
<td>FTH</td>
<td>No</td>
<td>9</td>
</tr>
<tr>
<td>1466 Pompey Dr, San Jose</td>
<td>SARC</td>
<td>FTH</td>
<td>No</td>
<td>9</td>
</tr>
<tr>
<td>1332 Isengard Ct. San Jose 95123</td>
<td>SARC</td>
<td>962</td>
<td>No</td>
<td>8 (c)</td>
</tr>
<tr>
<td>413 Chesterson, Belmont</td>
<td>WBHC</td>
<td>SRH-3</td>
<td>Yes</td>
<td>n/a</td>
</tr>
<tr>
<td>4296 Stanley Ave, Fremont 94538</td>
<td>RCEB</td>
<td>SRH-4</td>
<td>Pending</td>
<td>5</td>
</tr>
<tr>
<td>38715 Blacow Rd, Fremont 94536</td>
<td>RCEB</td>
<td>SRH-4</td>
<td>Pending</td>
<td>8 (c)</td>
</tr>
<tr>
<td>4756 Jeranium Place, Oakland 94619</td>
<td>RCEB</td>
<td>SRH-4</td>
<td>Pending</td>
<td>8 (a)</td>
</tr>
<tr>
<td>36418 Laredo, Fremont CA, 94536</td>
<td>RCEB</td>
<td>SRH-4</td>
<td>Pending (counter)</td>
<td>1</td>
</tr>
<tr>
<td>14853 Conway Avenue, San Jose, CA</td>
<td>SARC</td>
<td>962</td>
<td>Yes</td>
<td>n/a</td>
</tr>
<tr>
<td>1636 Edsel Drive, Milpitas 95035</td>
<td>SARC</td>
<td>962</td>
<td>Pending</td>
<td>n/a</td>
</tr>
<tr>
<td>10919 Lochard Street, Oakland</td>
<td>RCEB</td>
<td>SRH-4</td>
<td>Pending (counter)</td>
<td>1</td>
</tr>
<tr>
<td>939 Rock Ave, Fremont 94536</td>
<td>RCEB</td>
<td>SRH-4</td>
<td>Pending (counter)</td>
<td>1 &amp; 5</td>
</tr>
</tbody>
</table>

**Footnotes:**

1. Escrow Period was rejected by Seller
2. Steering Committee Rejected Expedited Request
3. Seller Rejected Offer - no specification
4. Seller Rejected Purchase Price
5. Outside Offer Came in First
6. Property would not meet BAHP needs after performing basic due diligence
7. Steering Committee Rejected Initial Proposal
8. Key Issues with Site Selection Criteria for the Property
   (a) Heavy Slope to Property
   (b) Neighborhood Characteristics
   (c) Square Footage Constraints
9. Inability to make offer due to financing delays
10. Other
Bay Area Housing Plan
CalHFA Term Sheet

Loan Purchase

As part of Loan Purchase Agreement with a syndicate of lenders of which Bank of America is the administrator ("B of A"), CalHFA makes conditional commitment to B of A to purchase 71 permanent mortgages upon satisfaction of certain conditions. The amount of the mortgage loan for each site will be equal to the total amount of B of A’s credit facility loan that is attributable that site, including all increases in cost and the debt service reserve, provided that the lease payments are re-sized to properly cover the required debt service which is to be paid from lease payments. CalHFA also agrees with B of A that CalHFA will “purchase” each individual loan from B of A within 180 days of stabilization.

TEFRA

CalHFA will take official action prior to acquisition of the property and will conduct TEFRA hearing prior to bond issuance. Tax-exempt bond financing will be dependent on the NPO and the Service Provider lessee having a 501(c) (3) and receipt of a cost certification and Form 8038 status acceptable to CalHFA’s bond counsel at stabilization.

Bonds

CalHFA will issue either tax-exempt or taxable bonds pursuant to its own timeline for permanent loans to be purchased from B of A as Administrative Agent for a syndicate of Lenders (B of A). Expected minimum total bond sale amount is $20 million per issuance. Bonds will have final maturity and amortize over 15 years.

Bonds will be issued as fixed rate obligations and the mortgage rate will be established so that the mortgage yield will be equal to 150 basis points above the bond yield.

Borrower

A single asset entity formed by each NPO to hold its BAHP properties. The entity shall either be a 501 (c) (3) corporation of an LLC with a 501(c) (3) corporation as its sole member.

Permanent Loans

CalHFA will purchase individual loans from B of A, which loans will have 15 year maturities. The loan amount will be 100% of permitted acquisition and development costs for the property exclusive of CalHFA loan fee. Loans will be made from taxable funds, unless tax-exempt requirements of CalHFA have been met. Borrower will have the right of prepayment after the 10th year. The mortgage rate will be established by CalHFA approximately 15 days prior to bond sale. Loan purchase will occur approximately 30 days after bond sale. Loans will be recourse loans.

March 9, 2006
Direct Payment

The residential portion of the Lease Payments is to be made from the Regional Centers directly to CalHFA.

Security

Lease Loan will be secured by lease payments on property.

Mortgages First mortgage lien with cross default provisions on all properties owned by each NPO.

Lease Assurance CalHFA will require the lease be re-sized to cover increased debt service due to increased loan costs. There will be a Lease Assurance Agreement from the Regional Centers in favor of CalHFA.

Other Agreements

CalHFA will enter into an MOU with DDS, MOU with Regional Centers, and Security Agreements with the NPOs and with the Regional Centers. Various other agreements with DDS, the Regional Centers, the NPOs and with B of A as required as part of the construction and or permanent financing.

Debt Service Reserve

Debt Service Reserve equal to one year’s principal and interest payments on the first mortgage loan held by the Bond Trustee on pooled basis. Principal and interest released to NPO (or Regional Center at the NPO’s direction) at loan pay-off. All earnings paid to NPO net of any IRS liabilities and CalHFA service fees (or Regional Center at the NPO’s direction) at maturity or from time to time by CalHFA after IRS yield calculations have been performed on the loans. Funds to be held in “Surplus Money Investment Fund” accounts with the Treasurer’s Office or other permitted investment instruments at CalHFA’s discretion. The reserves can be used as outlined in the Regulatory Agreement and or lease agreement. CalHFA will charge a service fee of 1.00%.

Cash Collateral

Five percent of loan amount in cash to be funded from borrower cash collateral held by B of A and a portion transferred by B of A as B of A loan is sold to CalHFA, with a minimum amount of $5,000,000 transferred by the time of the last loan sale of the maturity of the B of A Credit Facility, which ever is first. The principal and interest will be released to the Regional Centers when the aggregate loan amount on all loans has been reduced to 100% of the appraised, as completed, value at the time of the time of release.

Funds will be held by CalHFA in “Surplus Money Investment Fund” accounts at the treasurer’s office or other permitted investment instruments at CalHFA’s discretion. CalHFA will charge a service fee of 1.00%. The funds can be used as per the Security Agreement.

March 9, 2006
Replacement Reserve

A minimum of $2,400 per property per year to be held by the NPO, and monitored by the Regional Center, based on a reserve analysis completed at stabilization as defined in the Lender Loan Agreement. The minimum reserves may be increased (a) 10% every 5 years by CalHFA, or (b) more frequently with the approval of the Regional Centers. CalHFA reserves the right to impound the Replacement Reserve in the event that reserves are not maintained properly or in the event of a default. CalHFA will require a Deposit Account Control Agreement for the reserve funds.

Impounds

CalHFA will not collect impounds but will retain the right to collect impounds in the event that either taxes are not paid in a timely manner and or insurance coverage lapses. Taxes will be collected and paid by the NPOs. Insurance will be collected and paid by the Service Providers with CalHFA as an additional insured. CalHFA will require a tax service contract.

Commitment Fee

Regional Centers will pay CalHFA a commitment fee equal to 1% of the loan amount 24 hours in advance of the Board meeting at which the final commitment is reviewed. $225,000 was paid at Board on the first $45,000,000 final commitment; the balance of $225,000 is due at the construction loan facility closing. Commitment fees are not permitted costs and can not be financed.

Third Party Fees

CalHFA will be responsible for bond issuance costs. Borrower will be responsible for payment of all CalHFA legal expenses and tax service contract costs, which costs can be financed in the loans. CalHFA and B of A will engage the same inspector who will be paid from construction loan draws.

This term sheet does not constitute a commitment to make or purchase loans on the terms set forth herein or on any other terms or an agreement by CalHFA to negotiate the terms of an agreement to make or purchase loans. This term sheet is non-binding and merely sets forth certain of the terms and conditions on the basis of which CalHFA is considering entering into the transaction described herein. CalHFA shall not be obligated to close the transactions described herein until CalHFA has received all necessary and appropriate internal approvals and the transaction is evidenced by definitive agreements acceptable to CalHFA setting forth all of the terms and conditions of the transaction.

March 9, 2006
BAY AREA HOUSING PLAN
PERMANENT LOAN – CLOSING CHECKLIST

BAHP Residence # ________ CALHFA #: ________

CALHFA Loan: $__________ Debt Service Interest Rate _____%

Loan Int. Rate: _______ % Tax-Exempt _______ Taxable _______


BANK OF AMERICA (“BANK”) AND CALHFA DOCUMENTATION

_____ General & Interoffice Correspondence File
_____ CALHFA Fees Collected _____ Fee Report _____ All fees collected _____

CREDIT FACILITIES CLOSING

1. _____ Final Commitment (if applicable)
2. _____ Board Resolution #__________
3. _____ Payment of CalHFA Legal Fees
4. _____ Payment of CalHFA Commitment Fees
5. _____ Permanent Financing Agreement (3 NPO’s)
   BAHC (NPO) ________ WBHC (NPO) ______
   HCED (NPO) __________
6. _____ CalHFA Lease Assurance Agreement (Regional Centers)
7. _____ Loan Purchase Agreement (Administrative Agent for Lenders)
8. _____ DDS Memorandum of Understanding (DDS)
9. _____ Regional Center Memorandum of Understanding (Regional Centers)
10. _____ CHHS Consent letter (CHHS and DDS)
11. _____ Non-Profit Organization Security Agreement (NPO’s)
    BAHC (NPO) ________ WBHC (NPO) ______
    HCED (NPO) __________
12. _____ NPOs 501 (c) (3) approval of 3 NPO’s
    BAHC (NPO) ________ WBHC (NPO) ______
    HCED (NPO) __________
13. _____ Regional Centers 501 (c) (3) approval
    RCEB ________ Golden Gate ________ San Andreas ______
14. _____ SARC Security Agreement
15. _____ Design Guidelines and Master Scope of Work (1st acquisition) (Master Developer)
16. _____ DDS 504 Letter (DDS)
17. _____ Work Order with Inspector (Administrative Agent for Lenders & Inspector)
18. _____ Legal Opinions
    Master Developer ________ BAHP Regional Centers ________
    BAHC (NPO) _____________ WBHC (NPO) ______
    HCED (NPO) _____________
    DDS ___________________
19. ____ Article 34 Opinion (included in NPO opinion letters)
20. ____ Single Asset Entity (either LLC with 501(c)(3) member, or new 501(c)(3) corporation)
   BAHC (NPO) ___________ WBHC (NPO) _______
   HCED (NPO) ___________
21. ____ Agreement Modification to increase maximum loan purchase amount in LLA.
   Agreement Modification ___________ Commitment Fee ______
   Legal Fees _______

**BOND FINANCING ITEMS:**
21. ____ Declaration of Intent Date_________
22. ____ Letter to Borrower re Intent
23. ____ Acquisition Date_________
24. ____ Good Cost Date_________
25. ____ TEFRA Hearing ___________ Approval date ___________
26. ____ Mortgage Loan Rates
   Assumed Mortgage Loan Rate (Acquisition) ___________
   Debt Service Reserve Interest Rate (Stabilization) _______
   Permanent Mortgage Loan Rate (Bond Sale) ___________

**BANK ACQUISITION CLOSING (4.2):**
27. ____ Pro-Forma Title Policy (including endorsements: 100, 103.1, 103.7, 110.1
   110.9, 111.5, 116) including underlying documents
28. ____ Final Proposal from Master Developer
29. ____ Maximum Principal Amount of Loan from Developer
   M.D. Budget ___________
   Description of Improvements to be Constructed ___________
30. ____ Receipt of complete approval package from bank
   ______ Environmental Questionnaire _______ Zoned for intended use
   ______ Due Diligence Reports _______ Bank Budget _______
   ______ Initial Inspection Report _______ Seller Disclosures _______
   ______ As Is Appraisal _______ Lead-Based Paint _______
   ______ Asbestos Containing Materials _______ Other _______
   (Due Diligence Reports include Master Developers property report__, roof
   report__, structural report__, mechanical report__, dryrot and termite report and
   sewer camera scope reports__ for rehabs only)
31. ____ NPO Board Resolution electing either: Tax exempt bond _________ Taxable
   bond _______
32. ____ Service Provider 501(c)(3) Documents if tax-exempt bond elected
33. ____ Service Provider bylaws and articles of organization
34. ____ Regional Center Approved Final Proposal
35. ____ Lease Executed and initial estimate of final payments
36. ____ Bank’s Acceptance of above Due Diligence items and Bank Approved Budget
37. ____ Senior Staff Resolution or Executive Director/Designee (accepting the Property)
38. ____ CalHFA Notice of Conditional Property Acceptance to Bank and Hallmark with
   estimated taxable perm loan rate to Bank ________ %
ITEMS EXPECTED AT FIRST BANK FIRST DRAW:

40. ___ Bank and CalHFA approval of Plans and Specs or Scope of Work
41. ___ Revised Construction Loan Budget from Bank
42. ___ 2nd construction inspection report
43. ___ Certification that all applicable permits will be obtained
44. ___ CalHFA acceptance of Plans and Specs or Scope of work to Bank and Hallmark

STABILIZATION ITEMS:

45. ___ Service Provider License Applications
46. ___ Appraisal As-Completed
47. ___ Bank loan modification documents recorded if loan amount increased
48. ___ Construction Close Out Report
   Permit Sign-offs___________Recorded Notice of Completion_______
   Certificate of Occupancy___Construction completed to plans_______
   No reported new problems__________Reserves adequate___________
   Fire Marshall sign off __________Accepted by Agency___________

49. ___ Lease and Lease Updates/Amendments/modification of Lease amount/Rent commences
50. ___ Regional Center’s Certificate of Acceptance and execution of Schedule 3 by RC’s and
   Service Provider
51. ___ Final Costs for the Loan itemized by uses (from Bank)
52. ___ Proposed Loan amount at loan purchase (from Bank)
53. ___ Developer’s Certificate that construction was in accordance with Plans/Scope of
   Work and Certification that all of the Costs are Permitted Costs and for the appropriate
   property.
54. ___ NPO’s Certificate of Acceptance
55. ___ Certificate of Environmental Consultant re: Completion of Environmental Remediation
   (if applicable)
56. ___ Operation and Maintenance Plan for lead based paint or asbestos (if applicable)
57. ___ If tax-exempt, Service Provider 501 (c) (3) documents approved by Bond Counsel
58. ___ CalHFA provides notice of stabilization to Bank and Hallmark including interest rate for
   Debt Service Reserve.

LOAN PURCHASE CLOSING REQUIREMENTS:

59. ___ Assignment of Loans and Loan Documents (Bank)
60. ___ UCC-Financing Statement
61. ___ Allonge (Bank)
62. ___ Assignment of Deed of Trust (Bank)
63. ___ Original Purchased Loan Documents (Bank)
   ____________Promissory Note (or Replacement Note)
Deed of Trust (Amended Deed of Trust if loan amount changed)
Assignment of Plans and Construction Documents
Environmental Indemnity Agreement
64. ___ Loan Assumption Agreement (Master Developer & NPO, consent by RC's)
65. ___ Long Form (and Short Form) Modification Agreement (Master Dev & NPO, consent of RCs, if applicable)
66. ___ Loan Assumption Agreement (Master Dev & NPO, consent of RCs)
67. ___ Regulatory Agreement (NPO & Service Provider, consent of RCs)
68. ___ Estoppel Certificate (Service Provider)
69. ___ Subordination Agreement (Lease Agreement) (Service Provider)
70. ___ Subordination Agreement (BAHP Restrictions) (Regional Centers)
71. ___ Release Agreement (Master Developer)
72. ___ Opinion of Counsel (NPO) & Certificate of Good Standing/FTB Exempt Letter of Good Standing
73. ___ Opinion of Counsel re 501(c)(3) status (Service Provider), if applicable, & Certificate of Good Standing/FTB Exempt Letter of Good Standing
74. ___ Request for Funds, Date sent to Accounting: __________
75. ___ Escrow Instructions with a copy of all documents sent to escrow
76. ___ Wiring instructions from the Title Company
77. ___ Transfer of Collateral (SARC Pledged Funds)
78. ___ Transfer of Debt Service Reserve
79. ___ CalHFA Title Policy with endorsements
80. ___ Evidence of Insurance pre Regulatory Agreement and Lease
81. ___ Certified Final Itemized Cost Breakdown by Use of Funds from Bank of America
82. ___ Settlement statement
83. ___ Escrow Instructions with a copy of all documents sent to escrow
84. ___ Wiring instructions from the Title Company
85. ___ Tax Service Contract “B” form
86. ___ Deposit Account Control Agreement (NPO and their bank, for replacement reserve)

Financial Reporting Requirements:

87. Federal Tax I.D. number (W-9) for NPO’s
   RC of the East Bay __________Golden Gate RC ______
   San Andreas RC __________
88. ___ Federal Tax I.D. number (W-9) for NPO’s
   BAH (NPO) _________WBHC (NPO) ______
   HCED (NPO) _________
89. ___ Form 8038 Questionnaire (for tax-exempt deals only) (forms to be developed for this deal)
90. ___ Project Good Cost/Bad Cost Certification (for tax-exempt deals only) (forms to be developed for this deal)

For CalHFA Use Only – Entity Documents Required at Closing

SINGLE ASSET ENTITY – DOCS IF LLC:
91. Articles and Bylaws
92. Secretary of State Certificate of Good Standing/FTB Exempt letter of Good Standing
93. Authorizing Resolution

NON-PROFIT ORGANIZATIONS:
94. Articles and Bylaws
95. Secretary of State Certificate of Good Standing/FTB Exempt letter of Good Standing
96. Authorizing Resolution
97. 501(c)3 tax-exempt letter
98. 501(c)3 IRS application
99. 501(c)3 IRS approval letter
100. Opinion of Counsel

SERVICE PROVIDERS:
101. Articles and Bylaws
102. Secretary of State Certificate of Good Standing/FTB Exempt letter of Good standing
103. 501(c)3 tax-exempt letter – if using tax-exempt bonds
104. 501(c)3 IRS application – if using tax-exempt bonds
105. 501(c)3 IRS approval letter - if using tax-exempt bonds
106. Opinion of Counsel

For CALHFA Use Only
___ CASH $________________ for: Debt Service Reserves
CASH $________________ for: Cash Collateral

$________________ for: Cash Collateral
107. ___Cash
108. ___Cash $________________ for: Debt Service Reserve
# PROJECT SUMMARY

**Project:** Seven Directions  
**Location:** 2946 International Blvd.  
**City:** Oakland  
**County:** Alameda  
**Zip Code:** 94601

**Developer:** EBALDC  
**Partner:** NAHC  
**Investor:** Yet to be determined

<table>
<thead>
<tr>
<th>Project Type</th>
<th>New Construction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Occupancy</td>
<td>Family</td>
</tr>
<tr>
<td>Total Units</td>
<td>36</td>
</tr>
<tr>
<td>Style Units</td>
<td>Flats</td>
</tr>
<tr>
<td>Elevators</td>
<td>Yes</td>
</tr>
<tr>
<td>Total Parking</td>
<td>31</td>
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<tr>
<td>Covered</td>
<td>31</td>
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</tbody>
</table>

**No. of Buildings:** 1  
**No. of Stories:** 5  
**Residential Space:** 44,411 sq. ft.  
**Parking Garage:** 14,560 sq. ft.  
**Commercial Space:** 20,531 sq. ft.  
**Gross Area:** 79,502 sq. ft.  
**Land Area:** 26,136 sq. ft.  
**Units per acre:** 60

<table>
<thead>
<tr>
<th>CalHFA Construction Financing</th>
<th>Amount</th>
<th>Rate</th>
<th>Term (Mths)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CalHFA Construction Financing</td>
<td>$6,750,000</td>
<td>6.00%</td>
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**Permanent Sources of Funds**

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<thead>
<tr>
<th>Source</th>
<th>Amount</th>
<th>Rate</th>
<th>Years</th>
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<tbody>
<tr>
<td>CalHFA First Mortgage</td>
<td>$1,600,000</td>
<td>5.25%</td>
<td>10</td>
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<tr>
<td>CalHFA Bridge Loan</td>
<td>$0</td>
<td>0.00%</td>
<td>0</td>
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<tr>
<td>CalHFA Second Mortgage</td>
<td>$0</td>
<td>0.00%</td>
<td>0</td>
</tr>
<tr>
<td>HCD/MHP</td>
<td>$2,606,331</td>
<td>3.00%</td>
<td>55</td>
</tr>
<tr>
<td>HCD/MHP/NSSS</td>
<td>$250,399</td>
<td>3.00%</td>
<td>55</td>
</tr>
<tr>
<td>Oakland RDA</td>
<td>$3,289,000</td>
<td>3.00%</td>
<td>55</td>
</tr>
<tr>
<td>FHLB/AHP</td>
<td>$227,368</td>
<td>0.00%</td>
<td>55</td>
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<tr>
<td>City of Oakland</td>
<td>$93,972</td>
<td>0.00%</td>
<td>55</td>
</tr>
<tr>
<td>Financial</td>
<td>$1,216,600</td>
<td>3.00%</td>
<td>55</td>
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<tr>
<td>Source 8</td>
<td>$0</td>
<td>0.00%</td>
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<tr>
<td>Source 9</td>
<td>$0</td>
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<td>Source 10</td>
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<tr>
<td>Source 11</td>
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<tr>
<td>Source 12</td>
<td>$0</td>
<td>0.00%</td>
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<tr>
<td>Income from Operations</td>
<td>$0</td>
<td>0.00%</td>
<td>0</td>
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<tr>
<td>Developer Contribution</td>
<td>$0</td>
<td>0.00%</td>
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<tr>
<td>Deferred Dev. Fee</td>
<td>$147,333</td>
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<tr>
<td>Tax Credit Equity</td>
<td>$5,631,035</td>
<td>0.00%</td>
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</table>

<table>
<thead>
<tr>
<th>Construction Valuation</th>
<th>Appraisal</th>
<th>Value Upon Completion</th>
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<tbody>
<tr>
<td>Investment Value</td>
<td>$12,930,000</td>
<td>Appraisal Date: 02/22/06</td>
</tr>
<tr>
<td>Loan / Cost</td>
<td>61%</td>
<td>Cap Rate: 5.50%</td>
</tr>
<tr>
<td>Loan / Value</td>
<td>68%</td>
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</table>

**CalHFA Fees and Reserve Requirements**

<table>
<thead>
<tr>
<th>Fee Type</th>
<th>Amount</th>
<th>Required Reserves</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>CalHFA Loan Fees</td>
<td></td>
<td>Other Reserve</td>
<td>$0</td>
</tr>
<tr>
<td>CalHFA Construction Loan Fee</td>
<td>$65,625</td>
<td></td>
<td></td>
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<tr>
<td>CalHFA Permanent Loan Fees</td>
<td>$8,000</td>
<td>Replacement Resv. Initial Deposit</td>
<td>$0</td>
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<tr>
<td>Other Fee</td>
<td>$0</td>
<td>Repl. Reserve - Per Unit/ Per Yr</td>
<td>$600</td>
</tr>
<tr>
<td>Construction Loan - Guarantees and Fees</td>
<td></td>
<td>CalHFA Operating Expense Reserve</td>
<td>$46,706</td>
</tr>
<tr>
<td>Completion Guarantee Fee</td>
<td>$0</td>
<td>Rent Up Reserve</td>
<td>$0</td>
</tr>
<tr>
<td>Contractors Payment Bond</td>
<td>$9,454,038</td>
<td>Section 8 Transitional Reserve</td>
<td>$61,800</td>
</tr>
<tr>
<td>Contractors Performance Bond</td>
<td>$9,454,038</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Date: 3/8/06  
Senior Staff Date: 2/14/06