CalHFA Board of Directors
Homeownership Loan Origination Project

Cal HFA
California Housing Finance Agency

September 18, 2008
Review of Budget Approval

- The current Homeownership loan origination system is obsolete, at capacity and does not support the information analysis needs of management
- Agency has pursued the procurement of a new system
  Used best practices procurement process described in the March 2008 Strategic Initiative Briefing Book
- Homeownership project budget
  $5.73 million one-time cost over 3 fiscal years
  $1.75 million approved as part of 08/09 budget
- Requesting Board approval of resolution 08-34
  Negotiate and enter into an agreement with the selected vendor
  - Fixed price for one-time cost of implementation
Homeownership Project Need

Business Problem

The current system is:

- Fragile – built in a technical environment that is not sustainable
- At Capacity - greatly restricts the ability of the Agency to quickly adapt to constantly changing business needs such as adding loan programs, etc.
- Obsolete – does not incorporate current mortgage banking or information technology best practices such as for expandability and secondary market capability
- Marginally Responsive – information is not readily available to management to enable effective and timely reporting for analysis in making business decisions
Homeownership Project Need

- Objectives of the Homeownership Loan Origination Project are to:
  - Improve business operations and efficiencies
  - Provide flexibility necessary to be responsive to change
  - Integrate all loan processes across business functions
  - Improve information quality and integrity
  - Provide appropriate and timely access to information for all stakeholders
  - Diminish the reliance on paper-driven processes
  - Improve services to our customers

To meet these objectives, the Project used the Agency’s procurement best practices process to identify the best system solution and vendor
Overview of Best Practices Procurement Process

As per the Agency’s best practices procurement process provided to the Board at the March 2008 Board Meeting

Strategic Project Governance Committee, Project Steering Committee and Management
Homeownership Project
Vendor Selection Recommendation

Summary

25 Vendors received the RFP

- Prospective vendors were identified through extensive market research
  - Three (3) software vendors with products targeted to Housing Finance Agencies
  - Sixteen (16) software vendors with products targeted to the mortgage banking industry
  - Six (6) local and international system integrators

Three vendors submitted Final Proposals

- MortgageFlex Systems, Inc. (MortgageFlex)
- Housing & Development Software (HDS)
- HCL America, Inc. (HCL)
Homeownership Project
Vendor Selection Recommendation

Summary

Based on review of its Final Proposal, one vendor (HCL) was considered non-responsive and not considered further.

The Agency considered the two remaining Final Proposals in detail.
Homeownership Project Vendor Selection Recommendation

*MortgageFlex Proposed One-Time Costs are less than HDS*

<table>
<thead>
<tr>
<th>One-Time Costs of Implementation¹</th>
<th>MortgageFlex</th>
<th>HDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel Services Costs</td>
<td>$5,417,950.00</td>
<td>$4,663,187.50</td>
</tr>
<tr>
<td>Other One-Time Cost</td>
<td>$</td>
<td>$1,162,500.00</td>
</tr>
<tr>
<td>Software License Costs (One-Time)</td>
<td>$314,650.00</td>
<td>$886,500.00</td>
</tr>
<tr>
<td>One-Time Costs</td>
<td>$5,732,600.00</td>
<td>$6,712,187.50</td>
</tr>
</tbody>
</table>

¹ - Includes the costs as proposed by the vendor in their Final Proposal and not negotiated
Homeownership Project
Vendor Selection Recommendation

Summary

The HDS proposal was deficient in several areas including a failure to commit to project responsibilities for some CalHFA requirements.

- The Project Steering Committee chose not to perform reference checks, site visits or interviews for HDS.
Homeownership Project
Vendor Selection Recommendation

Summary

Based on review of its Final Proposal, reference checks, client site visits and the vendor interview, it was determined that MortgageFlex:

- Offered the best and most comprehensive solution to meet the needs of the Agency
- Appears capable of successfully completing the Project and supporting the solution on an ongoing basis
- Appears to be a financially stable company with more than 25 years in the mortgage banking industry and a very strong client list
- Offered significant value at a competitive price
CalHFA Board Approval of Homeownership Vendor Selection

- Recommendation: Per Resolution 08-34, approve the Agency to negotiate and enter into a contractual relationship with MortgageFlex to provide products and services that will result in a new Homeownership solution

- Board Decision
  - Approved / Disapproved
Financing Reports

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

<table>
<thead>
<tr>
<th>Date of Issue</th>
<th>Bond Series</th>
<th>$ Amount</th>
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<tbody>
<tr>
<td>8/28/08</td>
<td>Home Mortgage Revenue Bonds 2008 Series L &amp; M</td>
<td>$250,000,000</td>
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</tbody>
</table>
New Single Family Bonds

- $250M HMRB 2008 Series LM
- All tax-exempt, fixed rate, uninsured bonds
- $18.4M economic refunding of prior bonds
- $41.8M replacement refunding
- $189.8M new money
- Proceeds for purchase of approximately 960 new loans
Report on
Variable Rate
Bonds and Swaps
## Variable Rate Debt as of September 1, 2008

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Variable Rate Debt</th>
<th>Swapped or Tied to Variable Rate Loans</th>
<th>Swapped to Fixed Rate</th>
<th>Tied Directly to Variable Rate Assets</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$4,287</td>
<td>$1,071</td>
<td>$673</td>
<td>$3,612</td>
<td>$2</td>
<td>$131</td>
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<tr>
<td></td>
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<td>110</td>
<td>884</td>
<td>129</td>
<td>$4,531</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>0</td>
<td>35</td>
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<tr>
<td></td>
<td>$5,468</td>
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</tbody>
</table>

*(in Millions)*
# 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>$19</td>
<td>$1,097</td>
<td>$3,171</td>
<td>$4,287</td>
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<tr>
<td>MHRB</td>
<td>224</td>
<td>0</td>
<td>847</td>
<td>1,071</td>
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<tr>
<td>HPB</td>
<td>0</td>
<td>0</td>
<td>110</td>
<td>110</td>
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<tr>
<td>DDB</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>TOTALES</strong></td>
<td><strong>$243</strong></td>
<td><strong>$1,097</strong></td>
<td><strong>$4,128</strong></td>
<td><strong>$5,468</strong></td>
</tr>
</tbody>
</table>
## Fixed Payer Interest Rate Swaps

($ in Millions)

<table>
<thead>
<tr>
<th></th>
<th>Tax-Exempt</th>
<th>Taxable</th>
<th>Totals</th>
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</thead>
<tbody>
<tr>
<td>HMRB</td>
<td>$3,058</td>
<td>$557</td>
<td>$3,615</td>
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<tr>
<td>MHRB</td>
<td>885</td>
<td>0</td>
<td>885</td>
</tr>
<tr>
<td>HPB</td>
<td>35</td>
<td>0</td>
<td>35</td>
</tr>
<tr>
<td>TOTALS</td>
<td>$3,978</td>
<td>$557</td>
<td>$4,535</td>
</tr>
</tbody>
</table>
Comparative Costs of Funds for Fixed-Rate Bonds and Synthetic Fixed-Rate Bonds (Variable Rate Bonds Swapped to Fixed) (All Rates as of September 1, 2008)

- **Fixed Rate Housing Bond**: 5.34%
- **BMA-Based Swap**:
  - 4.50%
  - 0.50%
  - 0.48%
  - Combined: 4.12%
- **LIBOR-Based Swap**:
  - 0.50%
  - 0.45%

**Costs**:
- **Cost of Liquidity and Remarketing for VRDOs**
- **Cost of 5-Year Call Option**

**Formulas**:
- **BMA-Based Swap**: BMA Index x 101%
- **LIBOR-Based Swap**: 63% LIBOR + 24 bps