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RESOLUTION 09-14

RESOLUTION APPROVING PARTICIPATION IN  
US TREASURY DEPARTMENT HFA INITIATIVE

WHEREAS, as a result of recent disruptions in the bond, capital and real estate markets, the California Housing Finance Agency (the "Agency") has experienced pressure on its balance sheet and on its long-term unsecured credit rating, and experienced significant capital and liquidity constraints; and

WHEREAS, disruptions in the housing bond markets have prevented the Agency from being able to raise capital to new single family and multifamily finance loans at competitive rates of interest, and

WHEREAS, such marketplace disruptions have also had adverse effects on the Agency's existing variable rate bond portfolio, in particular as expiring standby bond purchase agreement liquidity facilities have become very difficult to replace, and such expirations cause Agency bonds to become "bank bonds", with adverse financial consequences to the Agency; and

WHEREAS, variable rate demand obligations of the Agency can be "put" by investors to remarketing agents, and if such bonds can not be remarketed successfully, also become "bank bonds" with adverse financial consequences; and

WHEREAS, on October 19, 2009, the United States Department of Treasury, in conjunction with the Federal Housing Finance Agency, and the two government sponsored enterprises, Fannie Mae and Freddie Mac (collectively, the "GSEs"), announced an initiative to aid state and local housing finance agencies (the "HFA Initiative"); and

WHEREAS, the HFA Initiative is composed of two program, the Temporary Credit and Liquidity Program ("TCLP"), and the New Issue Bond Program ("NIBP"); and

WHEREAS, the TCLP would permit the Agency to replace existing standby bond purchase liquidity agreements supporting certain variable rate debt obligations with both liquidity and credit support facilities with the GSEs, supported by the US Treasury, and

WHEREAS, the new GSE facilities available under TCLP would permit the Agency to replace current liquidity facilities , thereby providing significant temporary liquidity and credit support to the Agency's variable rate debt; and

WHEREAS, by providing enhanced credit ratings to Agency bonds supported by TCLP, the new liquidity facilities would also reduce the risk of Agency bonds being put by investors to remarketing agents and potentially becoming "bank bonds"; and

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WHEREAS, the NIBP provides for the GSE's to facilitate the purchase of certain new Agency bonds by the United States Treasury at favorable rates, which would permit the Agency to begin lending again; and

WHEREAS, the NIBP would permit the Agency to refinance some of its current variable rate debt into fixed rate debt; and

WHEREAS, the TCLP and the NIBP programs are expected to provide substantial balance sheet relief to the Agency over the next three years, allowing the Agency to transition to new private sources of capital when such become available at rates that will support future lending, and

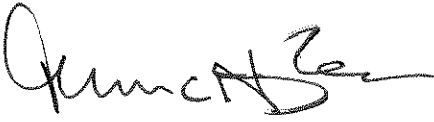
WHEREAS, while the Board recognizes that the HFA Initiative will not address loan losses suffered by the Agency as a result of the downturn in the California real estate market, the HFA Initiative will address certain critical capital issues faced by the Agency;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors as follows:

1. The Executive Director and other authorized officers of the Agency may enter into such agreements and take such other actions as may be necessary or proper to permit the Agency to participate in the HFA Initiative sponsored by the United States Department of Treasury, the Federal Housing Finance Agency, Fannie Mae, and Freddie Mac.

2. The Executive Director and other authorized officers of the Agency may authorize and make such amendments and changes to forms of bond indentures previously approved by the Board of Directors, as the Executive Director may deem necessary to insure that such indentures are compatible with and suited for participation in the HFA Initiative program.

I hereby certify that this is a true and correct copy of Resolution 09-14 adopted at a duly constituted meeting of the Board of Directors of the Agency held on November 19, 2009, at Millbrae, California.

ATTEST:   
Secretary  
Thomas C. Hughes