RESOLUTION 10-06

TWO-YEAR BUSINESS PLAN

FISCAL YEARS 2010/2011 AND 2011/2012

WHEREAS, pursuant to the Zenovich-Moscone-Chacon Housing and Home Finance Act ("Act"), the California Housing Finance Agency ("Agency") has the authority to engage in activities to reduce the cost of mortgage financing for home purchase and rental housing development, including the issuance of bonds and the insuring of mortgage loans;

WHEREAS, the Agency's statutory objectives include, among others, increasing the range of housing choices for California residents, meeting the housing needs of persons and families of low or moderate income, maximizing the impact of financing activities on employment and local economic activity, and implementing the objectives of the California Statewide Housing Plan;

WHEREAS, the Agency desires to amend Resolution 09-11 adopted on July 9, 2009, which committed the Agency to a Business Plan for the fiscal years 2009/10 through 2010/11;

WHEREAS, the current global credit crisis and the continuing uncertainty in California economy and real estate markets continue to present financial challenges for the Agency;

WHEREAS, the Agency must minimize additional real estate related risk and preserve liquidity for operating expenses and financial obligations;

WHEREAS, the Agency has presented to the Board of Directors a Two-Year Business Plan covering fiscal year 2010/2011 and 2011/2012, with case based scenarios to adjust to the ever changing economic, fiscal and legal environment, which updated Business Plan is designed to assist the Agency to meet its financial obligations, its statutory objectives, support the housing needs of the people of California and to provide the Agency with the necessary road map to reemerge from this crisis as a leading affordable housing lender providing bond financing, mortgage financing, and mortgage insurance activities well into the future.

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

1. The updated 2010/2011 and 2011/2012 Business Plan, as represented by the written presentation attached hereto and made a part hereof, and any additional presentations made at the meeting, is hereby fully endorsed and adopted.

2. In implementing the updated Business Plan, the Agency shall strive to satisfy all the capital adequacy, liquidity reserve, credit and other reserve and any other requirements necessary to maintain the Agency's general obligation credit ratings and the current credit
ratings on its debt obligations, to comply with the requirements of the Agency's providers of
credit enhancement, liquidity, and interest rate swaps and to satisfy any other requirements of
the Agency's bond and insurance programs.

3. Because the updated Business Plan is necessarily based on various economic,
fiscal and legal assumptions, for the Agency to respond to changing circumstances, the
Executive Director shall have the authority to adjust the Agency's day-to-day activities to
reflect actual economic, fiscal and legal circumstances in order to attain goals and objectives
consistent with the intent of the updated Business Plan.

I hereby certify that this is a true and correct copy of Resolution 10-06 adopted at a duly
constituted meeting of the Board of Directors of the Agency held on May 12, 2010, at
Burbank, California.

ATTEST:
Secretary
Fiscal Years 2010/11 and 2011/12
Two-Year Business Plan

Presentation to CalHFA Board of Directors
May 12, 2010

CalHFA
Affordable Housing is our Business

Existing Challenges/Existing Resources

- Current Challenges
  - Single family loan delinquencies, foreclosures, REO inventory and associated losses;
  - Pressures on Agency liquidity including access to short term lines of credit;
  - Credit rating downgrades and pressure for further downgrades.
- Resources/Opportunities
  - Fannie Mae’s Affordable Advantage Program;
  - New Issue Bond Purchase Capital;
    - $700 million in “Hardest Hit Fund”;
    - High affordability and CA tax credit for first-time homebuyer.
- Future Challenge
  - Viable tax-exempt housing bond market.

Overview of Long Range Plans

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
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Challenges to Reviving and Thriving

- Inability to lend at old volume levels with the mortgage revenue bond business model:
  - Lending activity beyond the New Issue Bond Program is dependent on the following factors;
  - Dependent on a tax-exempt housing bond market that results in a cost of funds that allows the Agency to offer competitive rates to borrowers;
  - Dependent on sufficient tax-exempt cash allocation from CDLAC;
  - Dependent on demand for low-income housing tax credits.
- Major effort to explore additional business models:
  - Other partners such as GSIs and Local governments;
  - New Platforms for lending.

Five Major Priorities for the Business Plan Period

- Maintaining Credit Ratings
  - Have already taken some steps
- Loss Mitigation
  - Multifaceted: loan modifications, short sales, foreclosures, REO management
- Renew Lending Activities
  - Single family and Multifamily lending using the NIBP
- Renew and Strengthen Old Partnerships
  - Local governments and non-profits
  - Garnworth Mortgage Insurance
- Explore New Business Models
  - Probably needed for reviving and thriving
  - May need new business partners and/or new roles

Operating Environment
Economic Forecast and other assumptions

- California economy will improve slowly.
- CA unemployment rate will fall below 13% in 1st Qtr 2012.
- Construction building permits exceed 146,000 in 2nd Qtr 2011.

Interest rates forecast:

- 10 year Treasury:
  - 1Q 2011: 4.1%
  - 2Q 2011: 4.3%
  - 3Q 2011: 4.4%
  - 4Q 2011: 4.4%

Conventional Mortgage Rates:

- June 2011: 6.50%
- June 2012: 6.00%

- FHA interest plan costs trend at a spread of 10-year Treasury.
- Increase in bond demand during Spring 2011 after expiration of NIBP.
- FHA fixed rate ARMs Nicole in 2011 produce loan rates with negative roll overs different from conventional mortgage market.

Current interest rate projections will limit bond financed landing in FY 2011/2012.

Agency liquidity projection

- Preserve Agency Liquidity
  - Sufficient cash available to fund operating budget, fund existing loan commitments, fund bond issuance costs, support general obligation debt service payments and repay bank credit line.
  - No HAT funds for downpayment assistance for single family lending or for preservation projects in multifamily lending.
  - Operate the Agency within our means.
  - Optimize opportunities to enhance liquidity position.

- General Info securitization and C&I transaction (see matrix in Report Section).

- Assumptions
  - Limited additional collateral posted to swap counterparties.
  - HAP/BOR foward rate allows reimbursement of swap payments and semi-annual payments of 0.25% Admin Fee.

Top Priorities for the Business Plan Period: Big Picture

Priority 1

Maintain credit ratings
Maintaining credit ratings

On-going Ratings Issues

- Loss Mitigation
  - FHA is a Priority Two of the Agency and is discussed in the next section
  - Hardst Hit Funds, Increased Staffing, More Aggressive resolution of
    incurred defaults, Workouts, Loan modifications, Short sales

- Management of Agency Liquidity
  - No FHA funds for downpayment assistance for single family loans or
    for preservation projects in multifamily lending

- Continued improvement of Agency Capital Structure
  - Reduction of variable rate debt and no new issuance of variable rate
    bonds
  - Aggressively manage counterparty relationships

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Current Delinquency Situation

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<th>FHA</th>
<th>Conventional</th>
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<td>#</td>
<td>Amount</td>
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<tr>
<td>Total Delinquency</td>
<td>5,447</td>
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<td>90 Day+ Delinquent Loans</td>
<td>1,609</td>
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<td>Loans in Foreclosure</td>
<td>556</td>
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<td>REO</td>
<td>208</td>
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<tr>
<td>Total (current &amp; delinquent)</td>
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Loan Modifications

- Applications received by Servicer: 815
- Approved by Underwriting: 313
- Executed: 159

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Conventional: 30 to 90-day delinquency

Conventional: 90-day+ delinquency

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Loss Mitigation

- Hardest Hit Funds ($700Mn)
  - Operational by 03/31/10
  - All CalHFA borrowers with hardship will qualify
- Faster resolution of borrower defaults:
  - Increased staffing levels — workouts, loan modifications, short sales, FHA claims, and MI claims
  - Improved communication with loan servicers
- Loan Modifications:
  - With HFA applications will increase dramatically
  - More aggressive resolution of short sales
  - REO:
    - Increased staffing levels as REO inventory grows
    - Adding one to two new master brokers

New lending in 2010

Single family

- Drivers of lending in 2010:
  - Fannie Mae's Affordable Advantage Program (100% LTV)
  - New Issue Bond Purchase Program
    - Upon successful sale of Mortal Bonds (40% of the financing), the U.S. Treasury will fund up to $1 billion of long-term bonds
    - Expected mortgage rate of 5.09%
  - State income tax credit for first-time homebuyers
  - High affordability

Single family projected production volume

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<td>Uninsured</td>
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<td>Multifamily</td>
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Priorities 4 and 5

- Renew and Strengthen Old Partnerships
- Explore New Business Models

Multi family

- Continue lending on MHSA (Mental Health Services Act) program
  - Anticipated 30 to 50 projects in 2010/2011 fiscal year
- TCAC (Tax Credit Allocation Committee) consulting/underwriting ARRA funds for tax credit projects through 2011
  - Anticipated 30 projects in 2010/2011 fiscal year
- New Issuance Bond Program: act as conduit issuer only
  - NIBP Conduit only provides no real estate, loan or bond deals to CalHFA
  - NIBP loan approval delegated to executive director
  - Anticipated 5 to 15 projects by year end 2010
Re-tooling for multiple lending platforms

- Seek extension of NIBP
- Single family
  - Use the MRB funding source on a limited basis for targeted programs
  - Change charter to become a direct lender
  - Routinely deliver loans into the GSE’s community lending channels
- Multi family
  - Become a Fannie Mae approved seller/servicer

Glossary

ARRA: American Recovery and Reinvestment Act
GSE: government-sponsored enterprise
HHF: Hardest Hit Funds
HMVRB: Home Mortgage Revenue Bonds
LTV: loan to value
MRB: Mortgage Revenue Bonds
NIBP: New Issue Bond Program
REO: real estate owned