STATE OF CALIFORNIA
CALIFORNIA HOUSING FINANCE AGENCY
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BOARD OF DIRECTORS
PUBLIC MEETING
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Burbank Airport Marriott Hotel & Convention Center
2500 Hollywood Way
Burbank, California

Wednesday, September 15, 2010
10:09 a.m. to 1:01 p.m.

Minutes approved by the Board of Directors at its meeting held:
Nov. 17, 2010
Attest: [Signature]

Reported By: YVONNE K. FENNER, CSR #10909, RPR

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APPEARANCES

Board of Directors Present:

PETER N. CAREY
Acting Board Chair
President/CEO
Self-Help Enterprises

KATIE CARROLL
for BILL LOCKYER
State Treasurer
State of California

MICHAEL A. GUNNING
Vice President
Personal Insurance Federation of California

PAUL C. HUDSON
Chairman/CEO
Broadway Federal Bank

JONATHAN HUNTER
Managing Director, Region 2
Corporation for Supportive Housing

LYNN L. JACOBS
Director
Department of Housing and Community Development
State of California

BARBARA MACRI-ORTIZ
Attorney at Law
Law Office of Barbara Macri-Ortiz

HEATHER PETERS
for DALE L. BONNER, Secretary
Department of Business, Transportation and Housing Agency
State of California

JACK SHINE, Chairperson
Chairman
American Beauty Development Co.

L. STEVEN SPEARS
Executive Director
California Housing Finance Agency
State of California
Board of Directors Present, continued:

BROOKS TAYLOR
for CATHERINE COX, Acting Director
Office of Planning & Research
State of California

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CalHFA Staff Present:

GARY M. BRAUNSTEIN
Special Advisor to Executive Director
and
Acting Director of Homeownership

BRUCE D. GILBERTSON
Director of Financing

THOMAS C. HUGHES
General Counsel

JOJO OJIMA
Office of the General Counsel

DIANE RICHARDSON
Director of Legislation

--00o--

Public Testimony:

SARAH DUSSEAUT
Director of Policy
Los Angeles City Councilmember Eric Garcetti

TODD EMERSON
CEO/President
Springboard

FATHER THOMAS FRANK
One LA-Industrial Areas Foundations

STEPHANIE HAFFNER
Supervising Attorney
Neighborhood Legal Services of Los Angeles County

DEAN LUNDOHL
COPA-Industrial Areas Foundation

YVONNE MARIAJIMENEZ
Deputy Director, Attorney at Law
Neighborhood Legal Services of Los Angeles County
Public Testimony, continued:

YVETTE D. ROLAND
Attorney at Law
Black Lawyers Association of California
Black Women Lawyers Association of Los Angeles

MARCOS SANCHEZ
Field Representative
Assemblymember Felipe Fuentes

NICKI UNG
Assemblymember Mike Eng

REBECCA WAYNE
District Director
Assemblymember Ted W. Lieu

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BE IT REMEMBERED that on Wednesday, September 15, 2010, commencing at the hour of 10:09 a.m., at the Burbank Airport Marriott Hotel and Convention Center, 2500 Hollywood Way, Burbank, California, before me, YVONNE K. FENNER, CSR #10909, RPR, the following proceedings were held:

ACTING CHAIRPERSON CAREY: Thank you. It seems like we're getting more popular every month here.

I want to welcome everybody to the September 15th meeting of the California Housing Finance Agency Board of Directors.

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Item 1. Roll Call

ACTING CHAIRPERSON CAREY: Our first item of business is the roll call.

MS. OJIMA: Thank you.

Ms. Peters for Mr. Bonner.

MS. PETERS: Here.

MS. OJIMA: Mr. Gunning.

MR. GUNNING: Here.

MS. OJIMA: Mr. Hudson.

MR. HUDSON: Here.

MS. OJIMA: Mr. Hunter.

MR. HUNTER: Here.
Item 2. Approval of the minutes of the July 13, 2010 Board of Directors meeting

ACTING CHAIRPERSON CAREY: Next item of business is approval of the minutes of the July 13th
meeting.

MS. PETERS: So moved.

MS. JACOBS: Second.

ACTING CHAIRPERSON CAREY: We have a motion and a second. Any further discussion?

Roll call.

MS. OJIMA: Thank you.

Ms. Peters.

MS. PETERS: Yes.

MS. OJIMA: Mr. Gunning.

MR. GUNNING: Yes.

MS. OJIMA: Mr. Hudson.

MR. HUDSON: Yes.

MS. OJIMA: Mr. Hunter.

MR. HUNTER: Yes.

MS. OJIMA: Ms. Jacobs.

MS. JACOBS: Yes.

MS. OJIMA: Ms. Carroll.

MS. CARROLL: Yes.

MS. OJIMA: Ms. Macri-Ortiz.

MS. MACRI-ORTIZ: Yes.

MS. OJIMA: Mr. Shine.

MR. SHINE: Yes.

MS. OJIMA: Mr. Carey.

ACTING CHAIRPERSON CAREY: Yes.
MS. OJIMA: The minutes have been approved.

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Item 3. Chairman/Executive Director comments

ACTING CHAIRPERSON CAREY: Okay. With that, I would simply like to thank the Board members that are here and point out that we now have our calendar for 2011 with the meeting dates set.

I'd also mention it looks like the Audit Committee will be meeting at least the next two meetings, in November and January, prior to the Board meeting.

With that, Steve, I'll turn it over to you.

MR. SPEARS: Thank you, Mr. Chairman.

A couple of housekeeping items: One is you have the business plan as a handout before you. I'd point out that this was the plan adopted at the May Board meeting. We didn't make the July Board meeting to hand it out, so you will see some things that are probably slightly out of date at this point. And we're going to give you an update on this business plan in -- at the January Board meeting.

The next thing is a bit of good news, actually a lot of good news, and that is that CalHFA is now back in the homeownership lending business. We started taking reservations last week on an FHA program, and
we're going to talk a little bit more about that, but I
just wanted to say that it is nice to be back. Lots
of -- it's a very big morale booster for -- for staff,
and we are now receiving reservations. So -- so there
is that.

Now, the other thing is that -- not to neglect
our multifamily division. They are doing a lot of
conduit financing with the New Issue Bond program for
U.S. Treasury money that -- that we got. We have a
pipeline of some $250 million of conduit, and we have
more calls every day, I'm told by Mr. Deaner, and so
that's -- that's good news too.

And then the other thing I wanted to mention is
the asset management division, as you know, has 580
properties, roughly, that they look after. And staff
conducted a very, very interesting survey. We put the
results before you as a handout. And we heard from 250
property managers, and what we wanted to know is what
kind of services that you're offering to your residents.
And it was a really wonderful variety of things, classes
and activities and -- and things that are offered at the
site.

So there's -- there's a summary of all these
things in this -- in this handout, and I just think it's
a wonderful thing that is going on there at those
properties. And what we're going to try to do is
capitalize on this. We're going to let all the property
owners know what's going on at other properties and
hopefully generate some more interest in this sort of
thing for all of our property owners and managers.

Finally, I just wanted to tell the Board that
there are a couple other things you're going to hear
about today. The Bureau of State Audits is conducting
an examination of CalHFA. In -- the Joint Legislative
Audit Committee in early August asked the Bureau of
State Audits to conduct this. They have a list of eight
questions that they're going to take a look at. I
believe that in August I sent all of you a copy of that
analysis, so if you have any questions about that, let
me know.

But when you hear from the Audit Committee, we
did discuss that this morning, and we'll have a chance
to talk about that a little bit later on. But so far
we've had terrific conversations with them. The
planning is going well. They're going to start their
work next week, so I just thought I'd bring that up at
this point.

And the final thing is that at the November
Board meeting I'm going to propose to the Board a
reorganization. I've been contemplating this for a very
long time. I've talked to the Chairman about it, and
I've talked to various staff about it and others and --
and with regard to the financial and administrative
management of CalHFA, it is -- our org chart looks
like -- more like a state department and not so much as
a financial institution, and I think that we need to
take a look at that. So that's what I'm going to be
looking at and proposing to you at the November Board
meeting, and I just thought I'd give you a heads-up on
that. And if you have any ideas along those lines, I'd
welcome input, so just thought I'd wind up with -- with
that.

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Item 4. Discussion, recommendation and possible action
regarding the amendment of multifamily
financing Resolution 10-02 to include an
additional form of multifamily bond indenture

ACTING CHAIRPERSON CAREY: Okay. Next item on
the agenda is possible amendment to the multifamily
financing Resolution 10-02.

Bruce.

MR. GILBERTSON: Yes, thank you, Mr. Chairman,
Members of the Board. Good morning.

You have in front of you as agenda item No. 4
Resolution No. 10-08. This is simply a resolution that
would amend a January resolution of the Board, No. 10-02. That resolution authorized the Agency to sell and issue bonds related to the multifamily lending program.

As Steve mentioned earlier, we do have quite a pipeline of conduit financing. We're using our New Issue Bond program proceeds for the multifamily program. This resolution today would allow us to issue those bonds under a new form of indenture. We have an exhaustive list in the existing 10-02 resolution. This would simply add one that would allow us to issue the bonds and use those proceeds to purchase a Ginnie Mae mortgage-backed security that is guaranteeing the rental housing development project.

At this point, a $230-million pipeline. I think there's four projects that are potentially going to be an FHA-insured loan securitized into a Ginnie Mae that would be the collateral ultimately in this conduit financing.

With that, if there's any questions, I'd be happy to answer any questions of the Board.

ACTING CHAIRPERSON CAREY: Ms. Jacobs.

MS. JACOBS: What, if any, increased risk is there to CalHFA by doing this, including interest-rate risk?
MR. GILBERTSON: Zero. Zero risk on the conduit program. So the bondholder in these instances gets their payment directly from the guarantee from Ginnie Mae. It's underwritten by HUD. The Agency has no risk in any way, shape or form.

Reputational risk, I suppose, but if we have the federal government backstopping the security under a Ginnie Mae security, there would be no interest-rate risk or any other financial risk imposed on the Agency.

Remember in I think it was January of 2009 the Board authorized three forms of indenture to do conduit financing at the time. One was for Freddie Mac execution. Another was for a Fannie Mae execution. And the third was a private placement type transaction where the bonds would effectively be placed to the lender who was financing the loan for the -- the borrower.

MS. JACOBS: Okay. And what's the difference between the interest rate on the bonds and the interest rate that the affordable housing project is paying?

MR. GILBERTSON: In this particular case, the interest rate on the bonds is set by Treasury -- and we have a later agenda item to talk about some of the updates to the New Issue Bond program that HFAs were the beneficiaries of last year -- but it's a formula base, ten-year Treasury rate at the time you release the
moneys from the escrow account that was established last December plus a spread of 60 basis points.

We then add on additional spread for the Agency as an issuer fee. The developer in those instances pays all additional costs: The direct costs to issue the debt, counsel fees, that type of thing.

MS. JACOBS: Okay. Thank you.

ACTING CHAIRPERSON CAREY: Ms. Macri-Ortiz.

MS. MACRI-ORTIZ: Yeah. These are going to be fixed rate?

MR. GILBERTSON: These are fixed rate.

MS. MACRI-ORTIZ: And it's basically the same, we're just using FHA where we hadn't before, is that --

MR. GILBERTSON: FHA effectively is guaranteeing the mortgage obligation of the borrower.

MS. MACRI-ORTIZ: Is it something new that FHA is doing or we're just --

MR. GILBERTSON: No, this has been -- this is a standard form of a conduit financing for multifamily rental developments.

MS. MACRI-ORTIZ: So FHA has been in the business, but we just hadn't dealt with them before; is that it?

MR. GILBERTSON: Yeah. I mean, the big shift for the Agency, remember over the last couple years,
related to the multifamily program is that we're not
doing financing where we serve the role as the lender
where we were taking real estate risk and other
financial risk. This is -- this is a situation where
there is a lender in place. The lender has insured the
loan with FHA. That loan has been put into a security,
and the security then becomes the collateral to the
bondholder, who in this case is the federal government,
under the New Issue Bond program.

MS. MACRI-ORTIZ: Okay. Thank you.

ACTING CHAIRPERSON CAREY: Other questions?

Do we have a motion?

MS. PETERS: I move to adopt the resolution on

MR. GUNNING: Second.

ACTING CHAIRPERSON CAREY: We have a motion and

a second.

Any further discussion?

Roll call, please.

MS. OJIMA: Ms. Peters --

ACTING CHAIRPERSON CAREY: Oh, I'm sorry. Yes,
this is an opportunity -- we would offer the opportunity
if there's anyone in the public who'd wish to speak on
this particular matter, to please indicate.

Seeing none, roll call. Thank you.
MS. OJIMA: Ms. Peters.

MS. PETERS: Yes.

MS. OJIMA: Mr. Gunning.

MR. GUNNING: Yes.

MS. OJIMA: Mr. Hudson.

MR. HUDSON: Yes.

MS. OJIMA: Mr. Hunter.

MR. HUNTER: Yes.

MS. OJIMA: Ms. Jacobs.

MS. JACOBS: Yes.

MS. OJIMA: Ms. Carroll.

MS. CARROLL: Yes.

MS. OJIMA: Ms. Macri-Ortiz.

MS. MACRI-ORTIZ: Yes.

MS. OJIMA: Mr. Shine.

MR. SHINE: Yes.

MS. OJIMA: Mr. Carey.

ACTING CHAIRPERSON CAREY: Yes.

MS. OJIMA: Resolution 10-08 has been approved.

ACTING CHAIRPERSON CAREY: Thank you.

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Item 5. Report on the implementation of US Treasury Department programs - A. Hardest Hit program

ACTING CHAIRPERSON CAREY: Our next item of business is a report on two parts of the U.S. Treasury
Department program, and the first piece will be the Hardest Hit program. And we will have a staff report. And then in respect for the fact that I know we have a number of people here who would like to -- to comment specifically on this program, we will allow a period of public comment following the staff report.

MS. RICHARDSON: Mr. Chairman, Members, thank you very much.

(Court reporter interrupts for clarification.)

MS. RICHARDSON: Di Richardson, California Housing Finance Agency.

We've been working very diligently and very hard. We're still shooting for our November 1st rollout date, which we've had set for quite some time. I think the -- I have two pieces of big news to -- to share with you.

The first is covered in the background memo that I did. In mid-August Treasury awarded us an additional $476 million to assist unemployed borrowers. So while previously our principal reduction program was the largest, that's now been eclipsed by the unemployment program, which is probably not surprising to anyone, given the current unemployment numbers.

That announcement was -- the allocations were a little different than the previous funds, how the...
previous funds were allocated, and they included a
number of new states that hadn't previously received any
funds, so now there are 18 states, including D.C., that
have been given funds from Treasury to assist unemployed
borrowers.

So that, obviously, will -- has required us to
suggest some modifications to our program to take into
account the new level of funding that is now available.
Those changes have been submitted to Treasury for
approval, and I'm expecting that we will have that and
close on that on September 23rd. So we'll still be able
to hit the November 1st rollout date, I hope.

Also, I've asked Mr. Todd Emerson from
Springboard to come up. I'd like to introduce him to
you. One of the things that we've talked about is that
we'll be utilizing a centralized processing center to
help us do this in a more organized, cohesive fashion
for borrowers and servicers. And we've entered into a
letter of intent with Springboard, and we'll be signing
the final contract any minute.

They've been working quite literally around the
clock for a couple of months now -- excuse me -- to
develop the systems and the portals and the things that
we've asked them to do to make this as smooth as
possible, so I'd like Mr. Emerson to just tell you a
MR. EMERSON: Good morning. Thank you for having me.

Again, my name is Todd Emerson. I'm the president and chief executive officer of Springboard Nonprofit Consumer Credit Management. We are a California-based 501(c)(3) nonprofit that specializes in credit and debt counseling, as well as housing, bankruptcy and program administration. We're based in Riverside, California. We have a strong California presence as well as a national feel. We are HUD-approved.

We are also accredited by the Executive Office of United States Trustee's Office for Bankruptcy Counseling. And we are one of the founders of the HOPE Hotline, the Homeowner Preservation Foundation, which is the 995-HOPE number I think most people are aware of. We are the largest housing counseling agency in the state and one of the largest housing counseling companies in the country and have been in this since the beginning, so to speak.

But I'm very open to taking any questions or answering anything that you may have at this point. I'm always available to -- to speak with anyone individually. We have been working with the CalHFA team.
for several months, and as Di spoke to, around the clock
to make this thing a reality. I know we're shooting for
a November 1st kickoff date, and our in-house team is
shooting for an October 11th pilot, so we, at this
point, think we'll hit it with no problems at all.

But I would like to open this up for questions,
if you have any.

ACTING CHAIRPERSON CAREY: Questions?

UNIDENTIFIED SPEAKER: I have a question.

ACTING CHAIRPERSON CAREY: I'm sorry, we're
going to have an opportunity for public comment after
the staff report. Thank you, though.

MS. JACOBS: Let me ask a question.

ACTING CHAIRPERSON CAREY: Yes.

MS. JACOBS: Where are your offices? I mean,
you're headquartered in Riverside, but you have offices
around the state?

MR. EMERSON: Yes, ma'am, as well as out of the
state. We have 15 offices in California from --

MS. JACOBS: That's what I'm interested in.

MR. EMERSON: Yeah, from Fresno, Bakersfield,
all the way to San Diego.

MS. JACOBS: Great. Thank you.

ACTING CHAIRPERSON CAREY: What are the
challenges getting this off the ground?
MR. EMERSON: Not enough hours in the day. It's -- it -- we have the expertise. We have -- you know, and this is more IT perspective than anything else, creating a portal and actually writing the physical code for it.

I think one of the reasons that we were chosen is because of the infrastructure that we have. It's leveraging existing technology. Within our industry we have one of the premier software platforms to use, so we were able to leverage that pretty easy. It's just writing on the extra component to make this a -- for short terms, you know, customer-facing portal to use on an outside level.

ACTING CHAIRPERSON CAREY: So the main function is getting documentation from the field in to the decision-makers?

MR. EMERSON: Yes, in a roundabout -- it's a process flow two ways. It goes from, you know, lender consumer internally, internally consumer lender. It's got to be free flowing both directions.

ACTING CHAIRPERSON CAREY: Okay. Do you have more to add, Di?

MS. RICHARDSON: No, not unless you have any additional questions. I think you're pretty up-to-date.

ACTING CHAIRPERSON CAREY: And -- and where is
the process with the innovative fund applications?

MS. RICHARDSON: Those, we've done an internal review of the proposals that were submitted. There were 19 complete proposals. We -- I think we had letters of intent from between 25 and 30, but there were actually 19 complete proposals. We did an initial scrub of those, and they are at Treasury for review.

ACTING CHAIRPERSON CAREY: Okay. Just for the record, I wanted to disclose that the organization I work for has a somewhat peripheral connection to one of the applications that went in, so I just want to be clear about it. Though this Board is not directly involved in reviewing the applications or decision-making regarding those applications, I would remove myself from any discussion about them.

Mr. Hudson.

MR. HUDSON: Who has the approval? Is Treasury approving these?

MS. RICHARDSON: The financial approval is with Treasury staff. The CalHFA MAC -- the CalHFA MAC staff made recommendations to Treasury, but Treasury has final approval of all programs.

MR. HUDSON: So we submitted all 19, did you say?

MS. RICHARDSON: No, we did not.
MR. HUDSON: Is it --

MS. RICHARDSON: There were some that we did not believe met the minimum guidelines, so --

MR. HUDSON: So, this is a little awkward, is it -- is it privacy information? Is there a privacy issue? Is it discloseable information?

MS. RICHARDSON: It is not. We aren't planning to disclose it until we've had the final discussions with Treasury and they make their final decisions, and then it will all be public.

MR. HUDSON: But we don't even disclose how many we submitted to Treasury?

MS. RICHARDSON: Nope.

MR. SPEARS: We -- we haven't, Mr. Hudson. The reason is we have -- we're going to -- we've been pretty clear that we're not going to send every proposal back there because they -- they've said they don't want to see that. On the other hand, if Treasury says, "We're not interested in these three, what are your next three," we'll send those. "We're not interested in the top ten, we'd like to see them all," it's really up to them.

MS. RICHARDSON: Treasury actually made it very clear to us that they did not want to see them all, but that they, you know -- they didn't -- they did not
believe and we would agree that we do not have the
capacity to manage 19 individual programs, nor did they
have the staff to review and approve 19 additional
programs on top of everything else that they're doing
with all of the other states.

MR. HUDSON: Yeah, so I don't think that's what
I'm asking. So do we make the -- our selection criteria
public?

MS. RICHARDSON: There was a public RFP that
put out the criteria, had the criteria.

MR. HUDSON: And all that -- and we weighted
the importance of different variables?

MS. RICHARDSON: Um-hmm.

MR. HUDSON: And so people had, I guess,
requisite notice of how we were going to rank these
based on the RFP proposal -- RFP criteria?

MS. RICHARDSON: Um-hmm. And we've been in
contact with a number of the applicants asking follow-up
questions.

MR. HUDSON: And let's say we submit four and
Treasury accepts three. Are we going to report the four
that we submitted or just the three that Treasury
accepted?

MS. RICHARDSON: We're going to report the
three that Treasury accepted.
MR. HUDSON: You know, I'm thinking that may be a great idea. I guess I don't know. What's the theory? If we submitted more and Treasury approved less, I would think we did -- we did more to be inclusive than Treasury did, and why would we not want people to know that? Or is Treasury saying don't let anybody know until we're finished with the process?

MS. RICHARDSON: Yeah, I mean, Treasury doesn't really want us to disclose anything until it's completely done. And, quite frankly, we think that if some of the -- some of the proposals might get approved up-front and then turn out not to be successful, and we want to sort of have the ability to resubmit some of the other proposals and kind of, you know, go for a plan B, see if we can, you know, maybe tweak them a little bit.

MR. HUDSON: Yeah. So I guess my final comment on this is I prefer an open, transparent process, and what I hear you saying is that Treasury does not want an open and transparent process, so our hands are tied in terms of an open, transparent process; is that correct?

MS. RICHARDSON: I don't -- I -- I believe that Treasury has asked us, as they did with our original proposal, to not say anything about any of the proposals while they're in the deliberative process, until final decisions are made. That's been their -- that's sort of
been what they have asked us to do, because they want to be able to ask questions and suggest changes. And, you know, it might not look like what was originally submitted, and they want to be able to sort of have that -- be able to have that dialogue with us.

MR. HUDSON: Yeah, so that sounds pretty clear to me. For the record, it sounds to me that Treasury wants a less transparent process so that they can deliberate and decide without a whole lot of open public scrutiny and that they'll make their decisions and let you know what their decisions are, and then we will report those decisions to the public.

MS. RICHARDSON: Right. I can -- I can tell you that there have been a number of applicants who've already contacted Treasury in support of their own proposals. Treasury -- and so there's nothing to prohibit anybody from -- from doing that, whether --

MR. HUDSON: Right, but I assume, what you're saying, people don't know if their proposals have been sent to Treasury. They can call Treasury, but they don't even know if Treasury has their proposal.

MS. RICHARDSON: That's right.

MR. HUDSON: Okay. Thanks.

MR. SPEARS: Mr. Hudson, the only thing I would add is it's -- I think it's important to remember that
the criteria that was put into the RFP was based on what
Treasury would like to see in the way of projects coming
back, so -- so in a way, you know, we've let everybody
know what Treasury is interested in. Some of the
proposals that we reviewed were very responsive to those
published criteria. Some were not very responsive at
all. Some were just completely off the mark. And --
and I think what Di is saying is that the ones that are
most responsive that go to the top of that list are the
ones that are going to go back.

Now, if Treasury -- Treasury's going to
deliberate on those. And I think what they want is the
ability to come back to us at any time and say, "We'd
like to see more." But they really want to do this
based on the applications that were submitted and not
anything more than that at this point.

MR. HUDSON: Yeah, but just so we're clear, the
criteria is very transparent and very open. Everybody
knows about it. It's all clear. It's up-front. And
everybody can submit proposals per those criteria or
not, depending on their choice, and they'll -- and then
we -- based on their responses, we'll -- we have made --
so -- so that process is all open and transparent.

From that point on, it is really -- it's based
on Treasury's direction. We have basically not been
communicative of which ones we thought were the best to submit to Treasury, which ones we submitted to Treasury and which ones didn't get and why. And then when Treasury makes a decision, we'll just report out what Treasury decided.

MR. SPEARS: That's right.

MR. HUDSON: And that's basically Treasury's call, and we're just complying with Treasury.

MR. SPEARS: Yes, sir.

MR. HUDSON: All right. Thank you.

ACTING CHAIRPERSON CAREY: And, you know, I think from a Board perspective, I think that my own perspective was that at some point in the process we, in essence, determined that this was a -- a process to be carried out by the staff and that the Board was not the -- the awarding body or the reviewing body for the --

MR. HUDSON: The Board was not.

ACTING CHAIRPERSON CAREY: Was not the reviewing body for the applications, so I think that subsequent to that and however clearly we thought through it, I think this is an unusual process for CalHFA --

MR. SPEARS: It is.

ACTING CHAIRPERSON CAREY: -- to have. And it
may be in future processes we may want to think about how those processes are handled, but it does seem to me that we basically said this is run internally and that we are -- we have the concept and we'll get the results, was my perspective.

MS. MACRI-ORTIZ: Yeah, I can see that's one issue. And I think the other issue is, okay, at the end of the day, what happened? I think the public does have a right to know. And if it's during the process, it's confidential until it's done, that's one thing, but at the end of the day, I think, you know, we got these proposals, these were rejected, these were passed on, and of the ones we passed on, Treasury picked those. I think that, at a minimum, we should be able to disclose.

ACTING CHAIRPERSON CAREY: I certainly agree with you on that.

Yes, Ms. Jacobs.

MS. JACOBS: I'm totally supportive of the staff doing all the work and making all the decisions and recommendations on this. But I think -- I think it's very important that we have as public a process as possible in everything that we do at CalHFA. And, you know, I don't know if we have to -- have to ask for that to be put on an agenda to make a motion about that, but I think it's really important for the Board to be clear
that when public processes are appropriate, we want to
have public processes. I think what the staff is doing
on this is perfect, but --

MS. RICHARDSON: And let me say, if I wasn't
clear, we absolutely plan to tell every applicant, you
know, either your -- your application was denied and,
you know, why we didn't send it forward. I mean, it's
not -- they're not going to know why we made the
decisions we made to send things forward that -- we
don't believe that serves anybody well. We -- you know,
there are -- there was criteria. We do have reasons.
People will be notified of what those decisions are once
the decisions are final.

ACTING CHAIRPERSON CAREY: Further comments?
Questions?
Okay. Thank you, both.

--o0o--

Item 11. Public testimony

ACTING CHAIRPERSON CAREY: With that, we are
going to adjust our agenda. Normally we take public
testimony at the end of the agenda, but given the -- the
number of people here to speak about the Hardest Hit
program -- should we do that -- I'm sorry, just
thinking -- before the New Issue Bond? Yeah, I think
so. You answered my question.
We will go ahead and allow -- what I'd like to ask is if we could keep the presentations to within a 15-minute time frame. We do ask that anyone coming to speak state their name clearly because this is a transcribed meeting, and we need names for the record. Be brief, not repetitive, and just in case we have an enthusiastic crowd, I'd ask for no applause, just in the sense of keeping things moving along. With that --

MR. HUGHES: Mr. Chair, I'd just --

ACTING CHAIRPERSON CAREY: Yes.

MR. HUGHES: -- throw in there that while we do request the names of speakers, under the State's open meeting law, they're not actually required to provide that if they choose not to, and we follow that rule as well.

ACTING CHAIRPERSON CAREY: Great. Okay.

MS. RICHARDSON: And would you like us to stay or go? Stay close.

ACTING CHAIRPERSON CAREY: Why don't you move over to the side of the table, yeah.

With that, we would invite our speakers forward.

MS. PETERS: Mr. Chairman, before we get started with this may --

ACTING CHAIRPERSON CAREY: Yes.
MS. PETERS: -- I discuss just process?

ACTING CHAIRPERSON CAREY: Yes.

MS. PETERS: You did indicate that you hoped to keep this section of the agenda to 15 minutes, and I second that. There is time for public comment at the end of the agenda, and I would recommend that we keep this portion where we're giving special consideration to folks out of courtesy to 15 minutes. If there is anyone who is unable to speak in the initial 15 minutes who still wants to be heard, that they be heard at the normal time for public comment.

ACTING CHAIRPERSON CAREY: Sounds reasonable.

MS. PETERS: Because otherwise I'm afraid that we might be way off with it.

ACTING CHAIRPERSON CAREY: Okay.

MS. PETERS: But everyone who wants to be heard can be heard.

ACTING CHAIRPERSON CAREY: Thank you. That's an excellent suggestion.

Okay. With that, we'll start the clock now.

FATHER FRANK: Good morning, Mr. Chairman, Members of the Board.

My name is Father Thomas Frank. I'm the pastor of St. Brigid Church in South Los Angeles, and I am a leader of One LA-IAF of California.
I would like to recognize all of the leaders of One LA-IAF of California and ask them to simply silently stand before you at this time. They did already.

Praise God, Creator of all.

With me are a number of collaborators and folks who are representing public officials who we have been busily working with with regard to the resolution that is before you today.

Today marks the second anniversary of the collapse of Lehman Brothers and the financial crisis that caused millions and millions of home foreclosures not only in California, but in the United States. Two years on there's still no workable plan to address the foreclosure crisis that threatens millions of families and thousands of communities and the viability of hundreds of banks, including CalHFA.

The Board of CalHFA has been given a sacred charge: To exercise fiduciary responsibility now for not just several hundred million dollars but more than a billion dollars, as you've just heard today, for the Hardest Hit Fund and also for those who are unemployed.

IAF has worked very, very, very hard to help develop a plan that will benefit as many people as possible. Let's face it. There are more than hundreds of thousands, 300,000, folks who have had their homes
foreclosed in this state, and we know that these millions of dollars will not even be able to help all of them. Hopefully, we can help tens of thousands in order to be able to secure their homes.

And not only do we need to secure those tens of thousands, but there is, according to Stephen Levy, of the Center of Continuing Study for California Budget, the loss of 600,000 jobs for Californians where we are experiencing extremely high unemployment due to these home foreclosures. And until they're cleared out, those jobs cannot come back in the construction field.

We will not rest until a workable plan that addresses the interest of responsible homeowners is enacted by both the government and the banks. We have studied the CalHFA Principal Reduction plan. We've discussed it with our public officials, and you will hear from them today. They are at this -- represented at this table, and we recognize and appreciate their support, not only of our plan, but of the efforts to bring home foreclosure mitigation and home foreclosure reductions.

At stake is the health and livelihood of hundreds of thousands of homeowners. At risk is the future of the California economy. We believe that Wall Street has been helped. We believe we have a stake in
helping Main Street be helped as well.

I now turn to our colleagues now in this
effort.

MS. DUSSEAUlT: Good morning.

My name is Sarah Dusseault. I'm policy
director for the Los Angeles City Council president,
Eric Garcetti. I'm here on behalf of our office, but I
also want to recognize that Ackley Padilla from
Councilmember Alarcon's office is here as well. You
also have in your packet a letter from the mayor of the
city of Los Angeles making some of the similar --
similar remarks to what I will make.

Our concern here today with the current
proposal that CalHFA is considering with respect to the
Hardest Hit housing funds is that you're -- we're not
going to be able to help the number of families that we
need to help with the provisions that are currently set
forth.

We have developed some innovative strategies in
L.A. We've been working on a pilot for some time with
the members of One LA and the Los Angeles Housing
Department. And what has been beautiful about this
process is they've really gotten into the neighborhoods
and talked to people and have specific data. And
there's an example of a mortgage refinance in your
packet that shows a specific example, and it is extremely common.

We've looked at many, many different families, and the reality is that we need to pay banks the net present value of that debt. We do not need to write down debt at a higher level. If we do that, we're not going to be able to help the families of Los Angeles that we need to help, and we're not going to be able to reach the people we need to help. And at the end of the day, they're not going to have a mortgage refi that puts them in a situation to not be at risk of foreclosure in another year or year after that.

So we -- we'd urge you to look at this data, to look at the specific policies and how they're going to be -- affect the families of Los Angeles. We think this is a reasonable approach.

You're offering banks -- you know, 6 to 21 cents is what this debt is worth. It is not worth up to 50 cents or more on the dollar. It is simply not worth that. These -- this is what market value is telling us. So we need to look at those -- those dollar figures and figure out how to reach the most families possible.

I also just wanted to add on the other comment about public process and the innovative grants for the RFP. I really appreciate the comments about your Agency.
being committed to a public process. I think we are going to urge on the behalf of the City of Los Angeles that we do more with respect to that piece. And I think if the Department of Treasury were here today, they might have different comments on that, because I know that, you know, even under Public Records Act requirements we're going to be able to get more data than that.

So we're going to be looking for a very public process in all regards, whether it's the innovative fund or it's the 700 million. And we want to make sure that the programs that we employ reward innovation and that we are as frugal as possible, that we really negotiate on behalf of our taxpayers and our constituents to meet the most people possible.

MR. SANCHEZ: Good morning, Chairman and CalHFA Board Members. My name is Marcos --

MS. PETERS: Excuse me. Bring the microphone closer.

MR. SANCHEZ: My name is Marcos Sanchez. I'm here on behalf of Assemblymember Felipe Fuentes.

I'm here today to express my opposition to the California Housing Finance Agency's Hardest Hit -- Hardest Hit Fund plan. As currently written, it will set bad policy for the State of California and violate
the mandates of the Emergency Economic Stimulation Act, EESA, of 2008.

As you're aware, EESA gives rise to the -- to
and funded the Troubled Asset Relief Program, TARP, and
the source of the Hardest Hit Fund that the United
States Department of Treasury has allocated for CalHFA.
Collectively we must ensure that California implements a
plan that will use taxpayer funds wisely and do not
leave the homeowners severely underwater after public
investment and using rational measures, the net present
value to retire underwater mortgage debt as outlined
under HAMP, Housing -- Home Affordable Modification
Program guidelines.

I believe that the proposed CalHFA plan does
not meet these standards for various reasons, one being
by imposing a 120-percent minimum loan to value on a
first mortgage after CalHFA modification, the CalHFA
plan fails to ensure that after substantial public
investment California homeowners are still not left --
are still not left with severe negative equity. This
failure to seriously address homeowners with severe
negative equity promotes instability of our housing
market and is likely to result in homeowners eventually
defaulting and losing their homes to foreclosure.

In conclusion, I strongly urge you to consider

Yvonne K. Fenner, Certified Shorthand Reporter
the criteria similar to those proposed by One LA Principal Reduction Plan, which meets the values set by EESA. California State Treasurer Bill Lockyer, the entire Los Angeles City Council, Assemblymember and Banking Chair Mike Eng, Assemblymember Fuentes, and other legislators have given their support to their plan. Join us in supporting and funding the One LA plan and its best interest for all of California.

Thank you.

ACTING CHAIRPERSON CAREY: Thank you.

MS. UNG: Good morning. I'm here -- my name is Nicki Ung. I'm here representing Assemblymember Mike Eng from the 49th Assembly District. He also -- the Member also sits as the chair of the Banking and Finance Committee in Sacramento. He writes in a letter:

Dear, Mr. Spears and Members of the CalHFA Board of Directors. I write to you for two reasons. First, I want to thank you for the diligent work in developing a plan to help keep California's families in their -- in their homes. As you know, the national and California housing markets are still struggling to recover from the foreclosure crisis. According to some estimates, there have been over 200,000 completed foreclosures in California since the beginning of 2010 alone, and the CalHFA's efforts are critical to
addressing the situation.

Second, I would like to share some concerns that I have with CalHFA's proposed Hardest Hit Fund plan and shed light on some alternative strategies that may assist CalHFA's efforts to develop a mortgage relief plan that will resolve the state's housing market crisis.

EESA, as mentioned before, requires us to implement programs that minimize the impact of the national debt, maximize overall returns, and protect taxpayer interests. It further dictates the consideration of the net present value to the taxpayer when purchasing troubled mortgage debt and prevents unjust enrichment of financial institutions.

Additionally, the CalHFA plan excludes many long-term homeowners by disallowing the participation of anyone who receives a cash-out refinance regardless of the amount and/or purpose of the cash-out refinance. We cannot begin to solve the current economic crisis facing our nation and our state unless we first begin stabilizing the housing market.

I urge you to also consider other alternatives to the CalHFA approach, such as the One LA principal reduction plan which meets the values and priorities established in EESA. California's State Treasurer Bill

Yvonne K. Fenner, Certified Shorthand Reporter
Lockyer, the entire Los Angeles City Council, Assembly Appropriations Committee Chair Felipe Fuentes, other legislators and I have all given support to this plan. I urge you to join us in supporting and funding the One LA plan because it is in the interest of all Californians and will help meet our goal of stabilizing California's housing market.

Please let me know if I or my office can provide additional information or assistance. Please keep me informed as CalHFA develops a more effective California mortgage relief program.

Sincerely, Mike Eng, Assemblymember 49th District.

ACTING CHAIRPERSON CAREY: Thank you. I'm not sure we have a copy of that letter.

MS. UNG: We don't. I wasn't able to make a copy for everyone. I will do that and forward that over to all the Board of Directors.

ACTING CHAIRPERSON CAREY: If you can just leave the one copy with --

MS. UNG: That would be great.

ACTING CHAIRPERSON CAREY: That would be great.

Thank you.

MS. UNG: Thank you.

MS. WAYNE: Good morning. My name is Rebecca
Wayne. I'm the district director for Assemblymember Ted Lieu. Assemblymember Lieu is unable to be here. He has reserve, Air Force Reserve, duty today. I'm here representing him, and I'll read the following statement on his behalf:

During the 2008 mortgage meltdown and subsequent housing foreclosure crisis, I was the chair of the Assembly Banking and Finance Committee. In that capacity I was very proactive in trying to create solutions for the foreclosure crisis. I authored and introduced legislation that directly benefited people in danger of losing their homes to foreclosure. I was able to shepherd the California Foreclosure Prevention Act all the way to the Governor's desk and proudly celebrated when he signed this bill into law last year.

The California Foreclosure Prevention Act was an important step in addressing our foreclosure crisis, but it is critical that we remain vigilant about keeping people in their homes as this crisis continues. That is why I want to give testimony today regarding the California Housing Finance Agency's Hardest Hit Fund plan.

I would like to commend the California Housing Finance Agency for addressing our ongoing foreclosure issues and working to assist the hardest hit...
communities. I agree with CalHFA's focus on principal
reduction as one of the most important components of
actually keeping people in their homes.

One of the goals of my foreclosure prevention
legislation was to urge lenders to work with their
customers to develop loan modification plans. That way
these homeowners can proceed on an agreed-upon path to
reducing their debt and have a chance at paying off
their homes, rather than walking away from their homes
because they owe so much more than the worth of the
property.

I also want to commend Neighborhood Legal
Services for their diligent work on the foreclosure
crisis. They are the folks who are on the ground
talking with homeowners and victims of the housing
meltdown. They are on the front lines every single day,
and I thank them for their work.

As I understand it, however, the California
Housing Finance Agency's Hardest Hit Fund plan does not
adequately address the needs of struggling homeowners,
while providing a windfall to the banks. I oppose this
plan as currently written for the following reasons --

I'm only going to go over one reason because my
colleagues here are going to talk about some of the
other reasons.
-- First, the plan provides taxpayer funds to pay financial institutions 50 cents for every dollar of principal reduction, and in some cases banks will get $50,000 in taxpayer funds to reduce principal without investing any of their money to reduce principal any further. This is good for the banks, but based on the directives recently issued by the federal government under the Home Affordable Modification Program supplemental directive 10-5, mortgage debt today is worth anywhere from 6 to 21 cents on the dollar. A program that will pay 50 cents on the dollar is a waste of taxpayer money and a giveaway to the banks. I don't support this --

The other reasons are going to be covered by some of my other colleagues here.

-- In conclusion, I fully support well-crafted policies and programs to keep people in their homes and to provide homeowners incentive to pay off their loans. I ask California Housing Finance Agency Board to consider the One LA principal reduction plan, which better meets the needs of our hardest hit communities.

Thank you for your time and consideration of my requests. Assemblymember Ted Lieu.

ACTING CHAIRPERSON CAREY: Thank you.

MR. LUNDHOLM: Hello. My name is Dean
Lundholm. I'm a leader with COPA, Communities Organized for Relational Power and Action that covers -- an IAF organization that covers Santa Cruz and Monterey Counties.

We -- COPA has met with the housing chief for Santa Cruz County, and he is interested in an innovative program for the county. And the -- the local governments are the place where innovative solutions will arise. One size fits all will not be as efficient in spending our money as allowing people who are close to the problem to work on the problem. So I encourage you to reconsider this -- to consider and reconsider, actually, the -- increasing the funds for the innovative programs.

COPA has also met with Congressman Farr, and he supports the One LA and IAF changes to the -- to the current program.

And I'd like to just close with reading -- I have a letter, actually, from Sam Farr. I'm going to read one sentence from it:

The residents of California who are suffering from our economic recession and the families who are threatened with losing their homes to foreclosure deserve better stewardships of taxpayer funds.

Thank you.
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ACTING CHAIRPERSON CAREY: Thank you.

MS. ROLAND: Good morning. My name is Yvette Roland, and I speak to you this morning on behalf of the California Association of Black Lawyers, the Black Women Lawyers Association of Los Angeles, and certainly as a One LA leader in South Los Angeles.

I'd like to ask you to consider -- first of all, we join in the comments previously made this morning by others and -- regarding the CalHFA plan, but I'd like to direct your attention to one particular aspect of the plan as it's currently structured. At this point the plan would exclude thousands -- thousands -- of California homeowners who have been the victim of predatory lending in California.

By excluding homeowners who refinanced and took cash out of their homes, even though they did that subject to loans that are known to have been predatory lending loans, this eliminates numerous individuals who have been -- who are targeted for unaffordable and unsustainable loans and who were victims of predatory lending.

There have been reports, such as the report prepared by the Center for Responsible Lending, that these were -- some of the loans, the refinances that resulted in cash-outs of equity of the homes, were some
of the primary drivers of the current foreclosure crisis. And without including those individuals in the CalHFA plan, we cannot hope to really successfully address and resolve the foreclosure crisis in California.

For example, the California Center for Responsible Lending report states that 60 percent of the subprime loans that were refinanced subprime loans between 2004 and 2006 were loans that were of a predatory nature.

In addition, between 2005 and 2008, of all of these foreclosures that took place in California, 64 percent of those foreclosures were foreclosures that resulted from predatory refi cash-out loans. So we cannot hope to resolve this issue without including this large group of distressed California homeowners.

We're not asking you to develop a new formula. We're not asking you to determine what is a predatory loan and what isn't. We're not asking you to determine which homeowners cashed out based on their use of it and having been targeted by predatory lenders. What we're asking you to do is to use the criteria already established by the California Attorney General.

The California Attorney General in connection with the Countrywide settlement identified those loans
in California which are predatory loans. We propose
that you include California homeowners who refi'ed and
cashed out subject to those predatory lending vehicles
identified by the California Attorney General and that
those individuals should be included if they obtained
pay option ARM loans with negative amortization, loans
that would increase, for example, each month if a
borrower made only a minimum payment, subprime mortgage
loans that combine higher risk features than risk
borrower profiles with -- these are not criteria that
are -- let's see -- they're criteria that are
transparent. We talked about transparency before.

We encourage you to take a look at the
California Attorney General's Web site that identifies
in the stipulation and judgment in the Countrywide
settlement that identifies those loans that are
predatory loans.

We have -- we know that if we do not get this
right, if the CalHFA Board does not get this right,
California's families, California's economy, and
California's homeowners will suffer.

As Assemblymember Speaker Emeritus Karen Bass
stated in her letter directed to the CalHFA Board -- and
you should have a copy of that letter in your packet --
the CalHFA plan excludes many long-term homeowners by
disallowing participation of anyone who received a cash-out refinance, regardless of the amount and/or purpose of the cash-out refinance. As we all know, the current economic crisis, which is felt keenly in our state, will not begin to be solved until the housing market is stabilized. The CalHFA plan falls far -- falls way short in helping to meet that goal.

I'd also direct your attention to the letter in your packet from Los Angeles City Controller Wendy Greuel addressing the same issue.

It is California's duty to set policy on this issue. It is your duty to implement a plan which does not waste taxpayer dollars. It is your duty to implement a plan which -- that -- that has a policy that will not allow -- that will not allow banks to be paid more than the net present value for the reduced principal. And it is certainly your duty to include substantial groups of California homeowners who have been targeted by predatory lending practices. You set the policy. We are counting on you to get it right.

Thank you.

ACTING CHAIRPERSON CAREY: Thank you.

We have reached a little bit beyond our 15 minutes, and certainly appreciate all of the comments made, particularly from the staff of the elected
officials.

Does anyone have any quick questions or --

Ms. Peters.

MS. PETERS: I'd like to thank all of the
speakers for doing such a wonderful job in getting what
you have to say out and being so well-coordinated and so
organized. That was one of the most concise,
well-coordinated sets of testimony I think I've ever
seen, so thank you for being so respectful of our time
and doing as much work as you had in advance
coordinating with each other.

I have just a quick question for -- and I don't
know whether the same folks are here that were here last
time, but the last time the One LA program came to speak
to us, they were still under negotiations with the
banks, and I was wondering if anyone could speak on
behalf of the program to let us know if the banks have
finalized their negotiations and committed anything to
paper.

MS. MARIAJIMENEZ: We have -- my name is Yvonne
Mariajimenez, deputy director for Neighborhood Legal
Services of Los Angeles County.

And all operational tools have been completed
with Bank of America. We are also in negotiation with
one other major bank, Chase. We are right now in
discussions with a memorandum of understanding with regard to nondisclosure, which is a real issue.

We really feel that the California Housing Finance Agency plan undermines the negotiations we've had with our two major lenders because under the California Housing Finance Agency plan, the banks will receive 50 cents on the dollar, whereas our plan, as supported by the Obama Administration under the Home Affordable Modification Program directives that were just issued in June, indicate that mortgage debt today is worth 6 to 21 cents on the dollar, and that is what our program provides. So we do feel that the banks are waiting for the CalHFA plan to be implemented because they will receive the 50 cents on the dollar.

Also, looking at the policy question, the legislation that gave rise to Tarjley is --

MS. PETERS: We're not discussing the policy question. We've had a lot of testimony on that. I just wanted to know, simply, whether the banks had signed any agreement with you to fund your program yet.

MS. MARIAJIMENEZ: We believe that they are stalling because under the California Housing Finance Agency plan they'll receive more money.

MS. PETERS: Okay. On that note, when you folks were last here, I asked you to set up a meeting
between your bankers and our staffers to discuss the
CalHFA possible escalation of your program and scaling
up. Have you set up that meeting?

MS. MARIA JIMENEZ: There has not been agreement
for the banks to approach CalHFA.

MS. PETERS: Have you asked them to?

MS. MARIA JIMENEZ: We've -- we've mentioned it
to one of the major lenders that we're at the end of
negotiations with, and that has not been set up. I did
call --

MS. PETERS: Well, I'd like you to --

MS. MARIA JIMENEZ: I did call the office --

MS. PETERS: -- please commit to set it up for
us.

MS. MARIA JIMENEZ: Yes. I did call the office
of the California Housing Finance Agency to set up a
meeting, however, because Neighborhood Legal Services
has -- is a partner in the proposal submitted under the
innovative fund with the City of Los Angeles, I was
advised, I think properly so, that the staff could not
meet with us because we have a proposal before the
California Housing Finance Agency plan. So I do want to
raise that, as I believe --

MS. PETERS: Thank you. I appreciate that.

That's very important, that we follow proper procedure.
I don't think there's anything stopping the staff from meeting with the banks, though, so if you could facilitate that, I think --

MS. MARIA JIMENEZ: And I think they have. I think the -- the banks have advised us that they have been meeting with the California Housing Finance Agency.

MS. PETERS: Thank you. That's all I need.

MS. MARIA JIMENEZ: Thank you.

ACTING CHAIRPERSON CAREY: Mr. Hudson, did you have a --

MR. HUDSON: Yeah.

ACTING CHAIRPERSON CAREY: -- comment?

MR. HUDSON: This is for staff. Refresh my memory. How much money did we get total?

MS. RICHARDSON: We received almost 700 million in the first allocation and an additional 700 -- I'm sorry, 476 million in the newest allocation.

MR. HUDSON: So let's say a million-two.

MS. RICHARDSON: Right.

MR. SPEARS: Billion.

MS. RICHARDSON: Billion. B.

MS. PETERS: A billion-two. You said a million-two.

MR. HUDSON: Oh, I said a million-two? 1.2 billion. And our estimate is that that would -- under
our plan, that would meet the need of what percentage of
the folks that need help in California?

MS. RICHARDSON: Well, we don't think it's
going to help everybody. I mean, we've said that from
the very beginning. I -- I can look at our term sheets
if, you know -- and tell how many people we think we're
going to help under each of the programs as proposed,
but I -- I don't know off the top of my head what
percentage that is of the total number of people that
are -- that are having problems.

MR. HUDSON: So we don't have any rough
estimates of what we think the dollar amount of the
problem is.

MS. RICHARDSON: I don't -- I don't -- I -- we
do, I just don't know it off the top of my head.

MR. HUDSON: Does Steve or anybody know what it
is?

MR. HUNTER: There is a number in the staff
report. And my question is -- it's 35,000 unemployed
borrowers, but I don't know if that just refers to the
new 400 --

MS. RICHARDSON: No, that just --

MR. HUNTER: -- million or if that's the total.

MS. RICHARDSON: That's how many borrowers we
believe we're going to help with the allocation that we
were given for the unemployment dollars. That doesn't relate to the total number of borrowers that are in, you know, 90-plus days delinquent or however you want to define it. I just don't have that number in front of me.

ACTING CHAIRPERSON CAREY: And just to clarify, that -- that second allocation of 476 million is strictly for the unemployment program, right?

MS. RICHARDSON: Yes.

ACTING CHAIRPERSON CAREY: Not the --

MS. RICHARDSON: Um-hmm.

MR. HUDSON: Okay. Then here's my sense of it. I believe that when people testify before agencies, it's important to have a dialogue, but it's not a -- it's not a -- you can't -- it's hard to have a dialogue, so what I'm going to do is I'm going to pose questions that I would like if people stay for the public comments afterwards to respond to as a way of having some sort of dialogue. So I'm assuming that we don't have enough dollars to solve the problem in California.

MS. RICHARDSON: That is correct.

MR. HUDSON: So there is a policy issue for me that I would like the public to respond to and that is a policy issue that says if you do cash -- there's three questions. One, if you do cash out per the California
AG's predatory lending guidelines and you assume there's not enough money to solve the problem, then there's a policy issue that you have to make when you expand the program to cash out.

My understanding is if you expand it to cash out, then you're going to have to shrink it from somewhere else. That's a policy issue, and I'd like guidance from the public on how you would -- how you would -- how you would have us solve that dilemma.

The second question is from a policy issue, people talked about negative equity that borrowers have. And the policy issue is is California trying to use their money to remove people's negative equity or to provide affordability for their ability to pay their loans? They're not the same.

The third question is, and I think it got answered, this 61 -- 6 cents to 21 cents is a function of the banks' willingness to accept 6 cents to 21 cents. I'm not convinced they'll accept 50 cents, but what I think the answer to that part -- but you can speak to this anyway, but I think the answer I heard is that the banks won't have a dialogue with anyone as long as California -- CHFA is giving -- is offering a 50-cents-on-the-dollar proposal.

So my theory of I don't think they'll accept 6
to 21 cents, you're saying, well, we'll never know
because you're offering 50 cents on the dollar, and
that's something I have to think about.

But I'm -- here's the policy issue that you can
address: I'm very concerned that we could have a
program that nobody takes because we could have a
program, if the banks don't accept it, it's no program.
It helps no one. So -- and we have no authority to
force banks to take a program. So you can have it --
it's like you can have a party and nobody comes. And we
have no authority, regulatory or otherwise, to force
them to take the 6 cents and 21 cents, which our program
requires.

Now, we could have a -- we could do something
else. We could have a range, say the minimum is 6 cents
and the maximum we'll do is 50 cents, and then everybody
is going to come to us with a 50-cents offer. So you --
to make this work the way you want it to work -- and you
can address all these questions when you come back --
you almost have to say, hey, take 6 cents or don't take
this program, because when you start giving them
variables up to 50 cents, as a banker I can tell you
I'll figure out a way to get to the 50-cents number
because that's in my best interests to do that.

So if -- if -- at -- when it's appropriate at
the end of the day, we can get public comments again,
I'm going to stay till you guys are finished talking to
respond to those questions, and I would appreciate it.
Thank you.

ACTING CHAIRPERSON CAREY: Any other --

MS. RICHARDSON: Can I --

ACTING CHAIRPERSON CAREY: -- comments or
questions from the Board members?

MS. RICHARDSON: Mr. Chairman, if I -- if I
could just add a couple of things to that.

I will tell you that we -- we did have a lot of
discussion about, you know, what -- you know, what the
match requirement would be, and I think we discussed
this last time, that we did not believe we would have
sufficient participation from the banks if it were too
low. And having a program that offered, you know, 10,
20 cents on the dollar and nobody paid, no borrowers get
helped, and that was an issue.

I -- I understand that they feel that we've
undercut them. That clearly was never our intent. And,
in fact, we're hoping -- you know, the goal here is to
have two programs out there, figure out what works and
then, you know, move money and pay for the one that is
the most successful. The goal is to help as many
borrowers as possible.
Also, with regard to the banks, as I said in my opening comments, the, you know, Treasury just gave more money, and now, I mean, first there were five states, and then there were ten states, and now there are 18 states, and the banks have made it very clear to us that they just do not have the resources, the platforms, whatever, to do 18 different programs. So they're looking to the state HFAs to come up with some uniformity amongst ourselves in order to make these programs so that they can administer these programs across the country to the states that have the money.

So it's not simply a matter of CalHFA versus the One LA plan. I think we all have to get our toe in the water and -- and do what we can.

MS. CARROLL: Mr. Chairman?

ACTING CHAIRPERSON CAREY: Yes, Ms. Carroll.

MS. CARROLL: Thank you.

And, Di, thank you for that because you did touch on something that I did want to ask our own staff, and that is working with banks every day, as I do in my position with the Treasurer's Office, I know that they are very concerned about what happens on the national level. And we work with a lot of national banks. I'm sure CalHFA is working with a lot of national banks.

And so the question is, it seems to me, that
it's going to be difficult to get to any program unless it's sort of implemented on a national level. If you have a national bank that is -- has one program in one state and another program in another state, that -- it creates a difficulty.

So my question is in working with the federal government, are they trying to work with the states to create some equity in terms of --

MS. RICHARDSON: Yes.

MS. CARROLL: -- how the program --

MS. RICHARDSON: Yes. You'll remember when the program was initially announced, I think they were looking for as much diversity as possible so that they could, you know, again, also have sort of a plethora of programs and see what was working and then maybe replicate that among the other states.

It's just turned out that it -- it is impossible. The HAMP program, obviously, is -- is the big gorilla in the room. That's the one that the banks are using all their resources for. That's the one they've got to comply with.

And so, you know, the farther you move away from that, the harder it is for them to comply. There's different reporting requirements, you know, again, different -- different platforms. You heard us talk
about sort of, you know, the machinations we're putting Springboard through to get all of our stuff done. And we're actually having a meeting next week to see if we can come up with some more commonality amongst the unemployment programs, since that's really a very key program across the country.

And then we'll be -- we're also having conversations with Nevada and Arizona about ways that we might be able to -- you know, pieces of our principal reduction program that we might be able to standardize. So that wouldn't be a national program, but it would at least be regional, and it might be easier for the banks to do.

ACTING CHAIRPERSON CAREY: Ms. Macri-Ortiz.

MS. MACRI-ORTIZ: I have, I guess, a question and then something that can be addressed in the second round.

On this 50 cents on a dollar, I want to understand more thoroughly the HAMP regulation because I'm looking at this letter from Sam Farr, who is a member of Congress so you think he might know what he's taking about. He says: I'm advised the federal guidelines issued pursuant to the Housing Affordable Modification Program currently value underwater mortgage debt from 6 to 21 cents on the dollar, depending on a
variety of circumstances.

If we are trying to get some federal consistency and if HAMP has actually said when you're doing modifications this is your range -- and I realize this probably has come out after you started working and -- but I guess my question to staff is based on these new guidelines, do we have the ability or is our analysis maybe we need to look at it again to see if that 50 cents arbitrary top -- because I totally agree with the banker that the highest amount you're going to put out there is the amount everybody is going to want. But if we can model it as much as possible --

MS. RICHARDSON: I would say two --

MS. MACRI-ORTIZ: -- according to the HAMP guidelines --

MS. RICHARDSON: -- two things in response to that. First of all, Treasury reviewed our programs for compliance with EESA. They underwent legal review for compliance with EESA, and they determined that they were compliant.

The 6 to 20, 21 cents on the dollar, which is HAMP, I don't think there's anyone that will jump up and down and say that that's been a roaring success to date, and we're looking for a way to --

MS. MARIAJIMENEZ: It hasn't been implemented.
ACTING CHAIRPERSON CAREY: We're -- no dialogue from the audience, please.

MS. RICHARDSON: You know, they're offering HOPE -- HOPE Now or HOPE for Homeowners I guess it is. The HOPE for Homeowners was the same sort of formula, and it wasn't a roaring success.

We want to help borrowers stay in their home, and it's a delicate balance, and we're looking for the magic number. I'm not saying it's 50 cents. It might -- you know, we're going to -- we're going to get what we can get. We have -- you know, we have -- we cannot force a bank to match anything. We cannot force anything, so --

MS. MACRI-ORTIZ: So basically we're in a game of chicken, okay. And that's the way -- and that's what it is because we have money that the banks want. Okay. But they are going to hold back. And I think maybe we have to figure out a little finesse so that we can better play a game of chicken to get a little bit more. And I don't know. That's very --

(Applause.)

ACTING CHAIRPERSON CAREY: Please. I ask no applause, even for us.

Okay. Are there other further comments from Board members?
MS. MARIJA JIMENEZ: Mr. Chair, if I could respectfully request that we could quickly answer Mr. Hudson's questions that he posed, and I believe if we could do that now rather than waiting till the end of the meeting. I think we could very quickly respond to Mr. Hudson's questions.

ACTING CHAIRPERSON CAREY: How quickly?

MS. MARIJA JIMENEZ: Very quickly. Two minutes.

Two minutes.

MR. HUDSON: Let me just interject. That's fine with me. If you do it now, there's no chance for a dialogue. If you do it at the end, there's a greater chance for a dialogue because we can all stay, you can all stay. I can tell you now you can answer the questions, but I'm going to respect the chairman's wish and I'm not going to -- I'm not going to do any follow-up questions. So however you want to handle it. I mean, it's up to the chairman. I'm just letting you know that that's -- it won't have the best outcome, but you can -- whatever the chairman decides.

MS. MARIJA JIMENEZ: If we -- if we have a quorum left, that would be great. If everyone is running for an airplane --

ACTING CHAIRPERSON CAREY: Yeah, I'm a little --
MS. MARIAJIMENEZ: -- we may just be talking to you.

ACTING CHAIRPERSON CAREY: I am a little concerned about plane schedules that several folks have talked to me about, flight schedules and such.

MR. HUDSON: But when you're talking about a quorum, though, you're not going to get a decision. We're not going to make --

MS. MARIAJIMENEZ: I understand.

MR. HUDSON: We're not going to take any action today.

ACTING CHAIRPERSON CAREY: Right.

MS. MARIAJIMENEZ: It's just an audience.

MR. HUDSON: Okay. But we are --

ACTING CHAIRPERSON CAREY: But we are a public meeting. We'll have to stay on the record.

MS. MARIAJIMENEZ: Yeah.

MS. PETERS: Let's do the two minutes and then --

ACTING CHAIRPERSON CAREY: Let's do the two minutes --

MS. PETERS: -- anybody who wants to stay, stay.

ACTING CHAIRPERSON CAREY: -- and then we'll play it as it lays at the end.
MS. MARIAJIMENEZ: Very quickly, with regard to your first question on cash out, as Ms. Roland testified, the -- there are criteria already set by the California State Attorney General's Office to use on the refinance parameters.

We all know there's not enough money to even help anybody who right now would qualify under the eligibility standards that are set out by the California Housing Finance Agency. What could be done is that a portion of that 500 million that CalHFA is not setting aside for principal reduction could be used for the population that is targeted here that refinanced.

Otherwise, there is going to be very large disproportionate discrimination against a disproportionate share on long-time homeowners who have owned their homes 30, 40 years, who had paid them off, refinanced to pay medical debt or what have you who are not going to be assisted under the current CalHFA plan.

So that's with regard to your first question.

On the negative equity, Stephanie can.

MS. HAFFNER: Yeah, my name is Stephanie Haffner. I'm an attorney with Neighborhood Legal Services of Los Angeles County.

And I'm refreshing my memory with respect to the negative equity question, which is that if
California is using money to -- oh, with respect to whether -- how removing negative equity relates to affordability?

MR. HUDSON: No, just whether -- are we trying to get the negative equity, or are we trying to get affordability? Which one are we trying to get to?

MS. HAFFNER: Modification programs currently solve for affordability, and the reason that money went to the states to solve hard-to-solve problems like borrowers with severe negative equity is that solving for affordability alone doesn't answer the whole question. So you're already -- everybody who's getting a modification should be, in the best of worlds, already getting an affordable payment, but they might have an affordable payment that leaves them with a $200,000 balloon at the end of 40 years because that's -- because they could only afford to pay a certain amount per month.

And so the issue is taking care of that balloon while also taking care of affordability, if that helps.

MS. MARIAJIMENEZ: And with regard to the third question on the 6 to 21 cents on the dollar, the Home Affordable Modification Program is putting together, is implementing, a principal reduction program. It is not yet implemented. It will be implemented at the end of
the year, which calls for the 6 to 21 cents on the
dollar for every dollar of principal reduction. Most of
the major lenders have already signed onto HAMP and as
so they are required to participate in that program.

So also referring to Ms. Carroll's point, talk
about a national model that can be used, that is the
national model, 6 to 21 cents on the dollar. And we
believe that together we can have the banks come to the
table and put pressure to have them take really what
mortgage debt is worth today and implement the national
model, which is 6 to 21 cents on the dollar.

ACTING CHAIRPERSON CAREY: Okay. With that,
we're going to take a 15-minute recess. Thank you,
everybody.

MS. MARIAJIMENEZ: Thank you.

(Recess taken from 11:26 a.m. to 11:42 a.m.)

ACTING CHAIRPERSON CAREY: We are -- we are
back in session -- if we can turn the mikes back on --
back in session. And the next item on the agenda is
report on the New Issue Bond program. And maybe we can
take the mikes down a little bit.

MS. JACOBS: Mr. Chair?

ACTING CHAIRPERSON CAREY: Yes.

MR. SPEARS: I'd like to ask the staff in the
back of the room to have a seat, please. Thank you.
MS. JACOBS: May I bring something up that I --

ACTING CHAIRPERSON CAREY: Yes. Of course.

MS. JACOBS: -- I don't know if Steve brought
these, so I will -- I will steal his thunder.

CalHFA, the Department of Real Estate, and us
have just completed a study called "Building
California's Future," and it talks about the fiscal
impacts of housing on state and local government. And
it's a great report, if I do say so ourselves. So I'm
sure that Steve will arrange to send copies to all the
Board members. I have a couple of copies here.

But it basically -- what it shows is that
housing has a positive fiscal impact on both state and
local government.

ACTING CHAIRPERSON CAREY: Great.

MR. SPEARS: And my discussion with Lynn,
however, is that the report probably could be more
complete and include more fee revenue that's there.

MS. JACOBS: Right.

MR. SPEARS: So it is positive, and that's
probably the most conservative number that you will
find.

MS. JACOBS: Right. It talks about local
government fees, and it does not include things like
special district fees and school fees and those kinds of
things.

MR. SPEARS: Right.

MS. JACOBS: Just purely the money that goes to state, county and city government. So it's a very good report, and it's been a long time in the making. We finally have it, so look forward to getting this in the mail. We didn't print very many copies because you might be aware the State doesn't have a budget. You might have heard that. It will be online by next week.

ACTING CHAIRPERSON CAREY: Great.

MS. JACOBS: On HCD and then we'll -- we'll work with CalHFA and DRE to have a link to it.

ACTING CHAIRPERSON CAREY: Great.

MR. HUDSON: One quick observation.

ACTING CHAIRPERSON CAREY: Yes.

MR. HUDSON: I see why nobody wanted to wait until the end for public comments. There is nobody left for public comments.

ACTING CHAIRPERSON CAREY: Their choice.

MR. HUDSON: So much for waiting till -- you know, giving committee to the public -- the public will.

MS. MACRI-ORTIZ: They're meeting out there.

MR. HUDSON: Yeah, okay.

MS. MACRI-ORTIZ: They'll come back in, hopefully.
Item 5. Report on the implementation of US Treasury Department programs - B. New Issue Bond Purchase program

ACTING CHAIRPERSON CAREY: Okay. Returning to the agenda, the next item up is the report on the New Issue Bond program.

Bruce.

MR. GILBERTSON: Thank you again, Mr. Chairman.

I think it's good to go back and recap what this New Issue Bond program is really all about. We -- we touched on it, I think, earlier when I was up with the Resolution 10-08.

The New Issue Bond program was one of two programs that the HFA community received as a part of the HFA initiative last fall. So we received the New Issue Bond program as well as the Temporary Credit and Liquidity program.

The New Issue Bond program allowed us to apply for proceeds of bonds that Treasury effectively would purchase. We did all this not directly through Treasury, but we did this through the GSEs. So in December of 2009, we closed on a billion dollars of single-family New Issue Bond proceeds, and we closed on $380 million of multifamily New Issue Bond proceeds.
The rules under the New Issue Bond program were such that we had to use all of those proceeds by releasing them out of an escrow account during the course of this calendar year, so there is a definitive expiration date of the program: December 31, 2010. As the year unfolded and it took us a while to get especially a single-family program up and running, we were forewarning people that it would be great if they could extend this because otherwise this billion-dollar funding mechanism for new lending in California would really go to waste.

The other thing that happened, of course, is that interest rates had changed dramatically during the course of this year and have fallen to the point that we were below two and a half percent on the ten-year Treasury. The interest costs that we pay on the New Issue Bond programs are tied to the ten-year Treasury.

So last December we thought we had done the right thing, and we locked in when the ten-year Treasury was at 3.49 percent. We had to pay a credit spread on top of that of 60 basis points, so we had an all-in cost of 4 percent.

Well, as we got into the summer months, especially kind of post-April, ten-year Treasury was falling like a rock because of problems overseas and
Europe and just a variety of things. So it wasn't going
to work. We also conveyed that through our national
organization to Treasury and the GSEs.

The good news coming out of all of this is that
they listened to us, and on September 1st we actually
got -- we got the word from Treasury that they were
going to allow modifications to the program. So the
purpose of this report, really, is to go through that.

They've extended the time period under which we
can use these proceeds by an entire year, so the New
Issue Bond program is available to the Agency through
December 31, 2011. They have allowed a mechanism for us
to reset the interest rate, so we're not locked in on
the 3.49 Treasury plus the spread. That will now serve
as a ceiling for us this calendar year, and our rate can
never be higher than that.

And once we get to the point where we're close
enough to notice Treasury that we want to release moneys
from escrow, we will then get the benefit of whatever
the ten-year Treasury is between that date of
notification and eight days prior to the bond -- the
moneys actually being released out. So it's very
advantageous to the Agency.

In December of this year, we'll establish a new
ceiling based off where the ten-year Treasury is in
December 2010 for the entire year of 2011. So the
amounts -- and we will clearly be carrying forward some
of this into 2011, especially on the single-family
program.

And then one other thing that they did is they
allowed us to expand the number of draws. The original
program design you could access for each of the
single-family program and the multifamily program the
escrow three times during the course of the year. Since
they've extended it by a year, they've given us another
three draws, so we have a total of six.

And so as we think about the billion dollars
for the single-family program, you know, if we -- if we
have one draw towards the end of this year, we would
have five additional draws during the course of 2011.
Remembering one other aspect with the New Issue Bond
program for single-family is we have to go to the market
and issue 40 percent of the bonds or one dollar for
every two that we pull out of escrow in the public --
public marketplace.

So that's where we are. We're excited about
this. This is really going to kind of get our program
up to going. I think you're going to hear more from
Steve and Gary about single-family lending programs,
what's going on there, but this is exactly what we
needed, and we really hope that we'll have some ability
to kind of utilize these proceeds over the next 15
months or so.

Any questions?

ACTING CHAIRPERSON CAREY: Questions from Board
members?

MR. SPEARS: We decided to put this in this
spot on the agenda so that you could -- this is the
reason why we're going to be able to talk to you in a
second or two about other lending. If we had not gotten
this relock on the rate and extension of time, the
lending that we're doing right now that we just got
started taking reservations on would be a very, very
short program. It would have been a very short program,
so that's it.

ACTING CHAIRPERSON CAREY: Great. Okay.

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Fannie Mae Affordable Advantage program

ACTING CHAIRPERSON CAREY: Moving on, we've got
a report on homeownership lending, the Fannie Mae
program and FHA.

MR. SPEARS: I'm going to ask Gary to come on
up, and I'll cover the A part of this agenda item.

The only reason this is on here is we had
talked so much before with the Board and the discussion of the -- the business plan, that we were going to be doing this Fannie Mae Affordable product that was for those state FHAs that were participating in the Fannie Mae Affinity agreement. It was a hundred percent loan to value and it was -- we were having ongoing conversations.

And in June, we had a credit meeting with representatives from State Street, who are representing the U.S. Treasury and Fannie Mae, in our offices in Sacramento. Conference room full of people. And in the middle of that conversation, one of the credit folks from Fannie Mae said, "Oh, by the way, we're not going to be able to do that hundred percent affordable product, Fannie Mae Affordable, unless you guys are able to post some collateral against the loans that we own."

So as a -- just by way of background and it's in your memo here, in the last year and a half, roughly, of full-on lending that CalHFA was doing, we were offering the Interest Only Plus product to lenders, we were securitizing those loans through Fannie Mae. So we own mortgage-backed securities guaranteed by Fannie Mae. Fannie Mae owns those loans, so they have exposure for losses on those loans. What they were asking us to do is to right today move the money over on the line of
credit between the General Fund and the Mortgage Insurance Fund.

And the way that works is that it works like a line of credit. When the Mortgage Insurance Fund has insufficient cash to pay claims, at that time we can move money. But really what they wanted was additional security to Fannie Mae against the losses that may come up on the Interest Only Plus loans.

I consulted with Tom, I consulted with Bruce, about the impact that this would have on the indenture because we have the bondholders to think about in this whole balancing act -- here we go again with trying to balance everybody's interest -- and came to the conclusion that we couldn't move that over and -- and draw on the line of credit because the criteria just were not met.

So we asked Fannie Mae if they would consider a participation fee for the Fannie Mae Affordable and proposed a fee that would work for us economically. And they said, "Love the idea, but we can't live with that fee. We have to have a fee up here." And when they proposed the fee up here, it destroyed all the economics of making these loans. It's back to that old saying of we were going to lose money on every loan so we'd have make it up on volume.
So we decided at that point just not to do the Fannie Mae Affordable product. There are only four HFAs in the country that are doing this product right now. They're not doing a lot of lending on the product.

But what I asked Gary and the homeownership division, legal, finance, IT, and everyone is what we had been doing is working on an FHA product at the same time, and I simply said we need to go over, put all of our efforts in on that. And in three and a half weeks, the homeownership division and that team that I mentioned had an FHA program up and running, and last week we began taking reservations on that.

So let me ask if there are any questions about the Fannie Mae decision first. I just -- you know, we talked so much about it, and now, you know, we're not doing it. I thought an explanation was in order. Questions?

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**Item 6. Report on CalHFA Homeownership lending - B. FHA lending program**

MR. SPEARS: All right. So with that, I'll have Gary talk about the FHA product, just for a couple minutes and --

MR. BRAUNSTEIN: Sure. Thanks, Steve. Hello, Board Members.
As Steve had mentioned and in the memo in your Board package, when we decided not to move forward with Fannie and the Affordable Advantage, through the efforts of my staff and the other divisional staffs, we -- we regrouped, refocused, and moved forward with -- on a fast track in rolling out the -- the FHA product. It's structured as a standard FHA-insured loan. It follows FHA's guidelines and standards, such as FHA's loan to value, cumulative loan to value, and downpayment requirements.

Through the efforts of the NIBP and our financing group, we were able to launch the product at a below market interest rate. We were very pleased with that. Some of the reaction that we're getting from our lenders and other housing partners were favorable to that interest rate. It's about a 25 -- a quarter rate below the market, depending on the lending community and changing, obviously, on a daily basis.

A few overlays, we placed -- from a risk management standpoint -- on the FHA product. FHA doesn't have a minimum FICO requirement on a 95 and above loan to value. We placed a FICO minimum score of 620. We do have a requirement of homebuyer education counseling on all of our borrowers for our conventional and FHA product. FHA doesn't have a requirement for
homebuyer education, but we feel it's prudent lending to have our borrowers as first-time homebuyers go through counseling. We chose not to allow for manual underwritten loans. We go through Fannie -- FHA's decision engine and score card. That allows us to have that rule set of FHA within the rule set of the decision engine.

We also are pleased that we were able to add to the FHA, our subordinate downpayment program, which is our CHDAP, and also the locality nonprofit downpayment and closing cost programs. We've gotten very good feedback from the localities and the nonprofits as it relates to this program allowing for their subordinate programs. And our borrowers do have the opportunity to add locality downpayment or closing costs assistance along with our CalHFA CHDAP downpayment and closing costs to allow for maximum financing for our typical borrower in our borrower's profile for the first-time homebuyer.

As you know, our business model is not holding whole loans. As we've talked in other Board meetings and we will -- these loans will be structured through the purchase of Ginnie Mae securities. We're still using a master servicer, Bank of America. They do a good job for us on our conventional product and will be
facilitating our loans through Bank of America servicing the FHA product.

Any questions? Based on time, I just thought I'd give a quick summary.

MR. SPEARS: Right. Just to interject, the question, Ms. Jacobs, that you asked earlier about the multifamily conduit resolution, this is the same business model where Ginnie Mae will guarantee the income stream. FHA will back the loan with insurance, so it's -- it's very similar, just over on the single-family side.

MS. PETERS: I just want to say welcome back.

MR. BRAUNSTEIN: Thank you.

MS. PETERS: We're glad to have you back in business.

MR. BRAUNSTEIN: Really. You know, it's been a long time coming, and staff is very excited, so thank you.

MR. HUDSON: So we are portfolioing or we're not portfolioing these loans?

MR. SPEARS: We are not portfolioing.

MR. HUDSON: Right.

MR. SPEARS: We will own Ginnie Mae securities rather than FHA loans, whole loans.

MR. BRAUNSTEIN: And again, it's a business
model we were using when we talked about the Fannie Advantage product and using a master servicer and the mortgage-backed securities. We moved the real estate risk off of our balance sheet.

MR. HUDSON: So how does that actually work? Lenders will use our program because we have a 25-basis-point-lower interest rate. The borrower gets an FHA loan through us, and then we sell that paper to FHA, and then we take a Ginnie Mae bond?

MR. BRAUNSTEIN: Um-hmm.

MR. HUDSON: Okay.

MR. BRAUNSTEIN: Yeah. I mean, the 25 -- you know, a quarter-percent drop in rate in today's market is important to the first-time homebuyer and to our lender community. Years gone by, the Agency was able to offer a much wider differential than we are today, but within that framework down, along with the downpayment programs and the closing costs programs that we could offer through our own CHDAP program and the localities, our lenders are finding it to be a favorable product.

MR. SPEARS: Our hope, by the way, is that if interest rates and mortgage rates do gradually climb over the next year and half, because we've locked a lot of the costs of our funds with this New Issue Bond program, that this product will become more and more
competitive as we go through the program. If interest rates stay where they are or even drop, then, you know, we'll be able to relock at the lower rates that Bruce was talking about, but we'll be still at this quarter basis point below market sort of level of competitiveness.

Just one other note, the downpayment assistance is coming from GO bond funded downpayment assistance from Prop 46 and Prop 1C. No -- we're just not able to fund downpayment assistance with internal funds like we've done in the past, but I will say this: That there are CHDAP funds and School Facility funds that are available.

I had conversations with HCD, with Elliott Mandell, who is Lynn's deputy, this past week and Department of Finance. You know, bond funds were held up there for a while, and Department of Finance was acting as the traffic cop about who got what. Department of Finance is now officially out of the traffic cop business. So now we're back to the -- the sort of the regular process and that is that bond funds are sold by the Treasurer's Office. They go through HCD. We make requests to HCD, and they come to us.

So we have a request in to HCD for $32 million, $20 million of CHDAP funds and 12 and a half million
dollars of School Facility Fees. And that's in the works, and I, you know -- neither Elliott nor Finance could see any obstacles of transferring that over, so -- so we'll have downpayment assistance.

Then the only other piece of downpayment is that Gary and his staff have really done a good job of going back out to our local government partners in the AHPP program to get them onboard, and it will be a partnership with them as far as downpayment assistance.

So we will report to you on volume the next time.

ACTING CHAIRPERSON CAREY: Yes.

MS. MACRI-ORTIZ: Question, on the downpayment assistance, is there any -- going to be any restrictions on the property in terms of ownership?

MR. SPEARS: Yes.

MS. MACRI-ORTIZ: Okay. And how long of a period will that be for?

MR. SPEARS: Well, you mean for the --

MS. MACRI-ORTIZ: Well, in terms of, you know, the restriction on the property. So people are going to get money from --

MR. SPEARS: Right.

MS. MACRI-ORTIZ: -- the State to buy a home for downpayment assistance, right?
MR. SPEARS: Right.

MS. JACOBS: Resale controls.

MS. MACRI-ORTIZ: Resale controls.

MR. SPEARS: Oh. There are no resale controls
on CHDAP or School Facility Fee funds.

MS. MACRI-ORTIZ: They're aren't?

MR. SPEARS: No.

MS. MACRI-ORTIZ: Oh.

MR. SPEARS: It attaches to the borrower, and
if the borrower sells that home, that loan is paid off
at the time the home is sold. If the loan is paid off,
then the downpayment assistance money becomes --

MR. BRAUNSTEIN: In some locality programs,
there are some resale restrictions. And when -- when
and before we approve a new locality, we internally
through our legal counsel, bond counsel, and my group
review the documentation in the program.

ACTING CHAIRPERSON CAREY: Generally if they're
going beyond simply helping with closing costs.

MR. BRAUNSTEIN: Oh, right, yes.

ACTING CHAIRPERSON CAREY: Right. Then there's
a fair amount of local restrictions.

MR. HUGHES: But I would point out that the
CHDAP and School Fee programs are statutory. They're
defined by statute, and there is no such provision in
the statutes.

MS. MACRI-ORTIZ: Okay. At least we're getting some downpayment. So I saw this one as a little bit of an improvement on the prior program that we lost.

MR. BRAUNSTEIN: Right.

MS. MACRI-ORTIZ: Would you agree?

MR. BRAUNSTEIN: Oh, well, yes. I mean, this is a federally insured product through FHA product. It's a product that we've done through the Agency for years. The challenge we had in the past was really the interest rate that we could offer at the time. When we were talking about the other product, we didn't have the vehicle we have now through the NIBP and the opportunity to relock the rates, so months past, the rate -- to have offered this product the way it sits today, we would not have been able to offer a below market rate for our lenders to choose this product over their own.

Any other questions?

ACTING CHAIRPERSON CAREY: Thank you.

MR. BRAUNSTEIN: Thanks.

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Item 7. Report of the Chair of the Audit Committee

ACTING CHAIRPERSON CAREY: Next on the agenda is the report of the chair of the Audit Committee. I really appreciate Mr. Gunning for sitting in as chair
and being willing to report out.

MR. GUNNING: I surely don't want to accept the title just yet.

ACTING CHAIRPERSON CAREY: I understand your feeling.

MR. GUNNING: Mr. Chair.

The Audit Committee met this morning, Members, and three main items on our agenda, the first being, of course, our request for proposals to select a new auditors for the Agency. Deloitte is our current auditor in the six-year contract, I believe -- four-year contract, and it's up for review. And so the staff is going through the process now of the request for proposal and looking for other auditors for our agency.

Steve, or anyone?

MR. SPEARS: And we think that process will --

MR. GUNNING: Lori?

MR. SPEARS: The contract expires at the end of December. We need to get either Deloitte's contract renewed or select the new auditor because the Mortgage Insurance Fund is a December 31 year-end, and so they will start right away with that, that audit. So the -- the contract covers both the Housing Fund and the Mortgage Insurance Fund, so we expect that we will come back to the Audit Committee in January with a name of a
firm that we believe is qualified and then complete that process during January and have that contract done and signed by February the 1st of next year.

MR. GUNNING: Questions?

The second item, I think all of us have seen this, and it has to do with the examination by the Joint Legislative Audit Committee which was a request from the Pro Tem to perform an audit on the Agency. I think all of us saw the letter. So we talked about the breadth and scope of that audit.

And I guess the staff has already met -- begun the interviews with the -- the -- not the committee, but the Agency. We've supplied names of consultants to help them. Actually, a pretty fast timetable. They expect to be up and running the first week in October with the selected consultant and begin the audit.

As someone who has participated in requesting those audits on the Department of Insurance, sometimes can be scary having the Legislature looking at you, but I think they do a thorough job, and it does appear that they're working with us to make sure that they have professionals who will work with them to understand how we do our business, which I think is critical, that -- because you just can't come into this Agency and do it like any other state audit.
So Steve or Lori want to -- or Bruce want to add to that, but --

MR. SPEARS: Well, they -- they are going to start right away. I think they'll start their fieldwork next week and -- and as Mr. Gunning said, we've been very pleased with the amount of conversation that we've had so far. It's been very professional. Ms. Howle, the State Auditor, said in the Joint Legislative Audit Committee when this was considered and the request was granted that they don't have this expertise internally; they're going to have to go out and get a subject matter expert.

So they've talked to us about what sorts of consultants are out there. They need to know who already works with us or has in the past so they would know who to exclude from their request. And the RFP has already gone out, so they are going to get -- and they'll have a parallel track. They're going to get these folks in the door.

And the first few questions that are being asked by the Auditor have to do with the past. And my understanding is that their audit staff will start looking at old Board minutes and documents from ten years ago and on, while at the same time the subject matter experts are going to be dealing with the more
technical questions that were asked. And those two things will be going along side by side.

The deadline for completion is February 28th. That deadline was the request of Senator Steinberg. He would like to get this -- these questions asked and answered as quickly as possible. I think that's a very ambitious time frame, but I think the way they've outlined it is -- I think they can -- they can meet that. It would be beneficial to get this --

MR. GUNNING: Yes.

MR. SPEARS: -- complete.

MR. GUNNING: Comments?

The third and final item I think is something we're very familiar with, which is our annual audit. I guess the bad news first is I think there will be a loss reflected for the current year similar to last year, focusing on four items, three of which we know about. One more is a new item. The first one, increase in our loan loss reserves. Second, our basis mismatch. Thirdly, our termination of our swap agreements. The fourth one is a change in accounting standards, which requires us -- forgive me here, I think it's Bruce or Tom that's prepared -- I guess it's the -- help me here, Steve.

MR. SPEARS: Well, this accounting rule
change -- just as background, you all know that in the
back of your -- your binders every time, there's another
one there, is a report from Bruce about how our swap
contracts are functioning.

And the accounting rule change is not just for
CalHFA and not just for the housing industry. It's for
all government entities that use derivatives, and our
swap contracts fall in that category. And it really
takes a lot of the information that's in Bruce's report
and folds it into the financial statement. So as I said
in the Audit Committee, you really have to take our
financial statements, Bruce's report, and the Milliman
report about losses to get a complete financial picture
of our Agency.

What this rule does is take a great deal of
what's in Bruce's report and folds it in so you only
have to look at the financial statements now to get the
gist of that. And what it measures is the effectiveness
of the swap contracts that we have. And if they're not
perfectly matched, they're considered to be ineffective.

And there was a little bit of a debate, not to
get too technical, that if they're slightly ineffective,
then you have to consider the entire swap ineffective,
and that would have been a very big hit to the income
statement. The more reasonable approach that we believe
the auditor is going to use is that they're only going
to measure the ineffective portion of the swap and put
that in. We believe that will be about a $50-million
cost to the financial statement.

The other three items -- well, let me stop and
see if there's any questions about that rule. It's a
bit of a technical rule. I think what it means is that
you can look at the financial statements to get a more
complete picture of how we're doing on the -- on the
swap contract side of things.

The other three things are things that we
talked about last year. Loan losses, obviously
delinquencies continue. We believe that the loan loss
reserves that you're going to see are a very, very
accurate reflection of the loan losses in the loans that
are delinquent at June 30. It is not a complete report
like the Milliman study of all losses expected over the
life of the portfolio. So I would caution you about
that.

The other two are the basis mismatch that we
experience on swap contracts on the variable-rate debt.
And a lot of that went away when the Treasury facility
was put in place. That was taken care of.

And then we had swap terminations. That was at
the beginning of the year when we terminated some swaps.
I believe they were Lehman Brothers swaps -- or others?

MR. GILBERTSON: No, it was actually -- excuse me. It was part of the negotiation that we did the summer of 2009.

MR. SPEARS: Right.

MR. GILBERTSON: So we terminated swaps with both Merrill Lynch and Citibank. A total of $39 million. And all of that shows as an expenditure, which puts you in an operating loss position.

MR. SPEARS: Right. The reason we bring up these four items under the theory of no surprises, I do not want you to be surprised by the fact that the income statement will reflect all of these accounting measurements and come up with a loss this year that's probably greater than what we saw last year just because of the loan loss reserve thing alone.

MR. GUNNING: And we'll let Ruben come back and give that news.

MR. SPEARS: Fair enough.

MR. GUNNING: That's all I have, Mr. Chairman.

ACTING CHAIRPERSON CAREY: Thank you.

Any other questions?

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Item 8. Update regarding facilities at 500 Capitol Mall, Sacramento and 1040 Riverside Parkway,
West Sacramento

ACTING CHAIRPERSON CAREY: Okay. We'll move on. Brief update on the facilities moves.

MR. SPEARS: Just very quickly, we're moving forward. The move date hasn't changed. We're going to move the Meridian staff into the new -- the new floors at 500 Capitol Mall the first week in October. Then the second week in October, most of the Senator staff will move to the 500 Capitol Mall location.

What we have done, though, is some of the staff in portfolio management, the Hardest Hit Fund staff, since we don't believe that we'll have REO inventory, you know, forever and ever at this level, those staff we're moving to West Sacramento in a more affordable rental space. And that -- gradually over time as we reduce that staff, then we wouldn't have to have committed to as much of the more expensive space in the downtown location.

So we're on track budgetwise and schedulewise, and things so far have gone smoothly.

MR. GUNNING: Will there be an open house, or will we have a chance to come by and look or --

MR. SPEARS: Yes, absolutely. You can come by and visit any time you want. I believe that Ken has open house plans up his sleeve. Frankly, I'd like to
sort of get through the move first and then have a
little open house session later on.

ACTING CHAIRPERSON CAREY: Great. Okay.

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Item 9. Reports

ACTING CHAIRPERSON CAREY: Steve, in the
reports -- are there things in the reports that the
Board should be particularly aware of?

MR. SPEARS: I would urge the Board to look at
all of them, of course, but the homeownership loan
portfolio update is important. I would note that what
you have there on page 217 of your binder is a June 30
report, portfolio.

Of course, our concerns are with conventional
loans, so if you look at the very last line on that
page, there's a line called weight average of
conventional loans, and it shows you the delinquency at
15.1 percent, is on page 217, the very last line of that
page.

I have an unreconciled report as of August 31st
that has now gone down to 14.7 percent. So if you
see some of the graphs that Bruce's staff have prepared
later on in that report, I think it's fair to say that
delinquencies have stabilized in some way. What you're
seeing in the total delinquency going down every month
is progress that we're making with a backlog of very old loans. We simply got behind. We had two moratoriums. We took time out to develop two loan modification programs. We moved staff to West Sacramento earlier in the year. And through that process and rapidly increasing delinquencies and -- and it took some time to get staff onboard, we got a little behind.

We are also trying to do our best to work with homeowners and keep them in their homes. But what's happening now is we're seeing the 90-plus category of delinquencies steadily go down. Unfortunately, those are folks that are leaving their homes, but -- but it does result in a decline in overall delinquencies.

MR. HUDSON: You know what would be interesting to look at is a trend, so if you go back 12 quarters or something like that or --

MR. SPEARS: What you may want is on page 219.

MR. HUDSON: 219?

MR. SPEARS: We've got --

MR. HUDSON: Oh, good. Okay.

MR. SPEARS: -- some trend analysis, but --

MR. HUDSON: But this is 90 plus?

MR. SPEARS: Yes.

MR. HUDSON: And --

MR. SPEARS: 90-plus FHA and then 90-plus
Now, I have more graphs than you can possibly --

MR. HUDSON: So, but -- no, but I'm just trying to figure out the trend. So it peaked when? It looks like it peaked like January of this year, right?

MR. SPEARS: January, February, in that range, and then we begin to make some progress. And it has steadily gone down. So what that means in -- is that we are making progress on processing a backlog of loans that have been delinquent for a very long time, and we have fewer and fewer loans going into that category, so it's steadily going down.

MR. HUDSON: Yeah, so if you have fewer and fewer loans going into that category, I would say that you're -- the delinquencies that are stabilizing will trend down over time, if they're not new ones going in.

And even though the economy is still in the dumps and unemployment is still high, you think that trend is going to continue that way?

MR. SPEARS: The only caveat that I have, and I've talked to Chuck about this a lot, in the last two months -- and I'm getting unreconciled reports as soon as I can and then they're going back and they're reconciling to the penny. But these two last months of
unreconciled reports, I've seen a slight little uptick in the 60-plus category. And so that causes me a little concern that we might be seeing a few more homeowners, but it's not the kind of rise that we saw in the summer of last year, where -- and I have to say this: These graphs that you see here absolutely mirror the unemployment rate graph for California.

We did not see increase in delinquencies when subprime loans started going up in '08. This went up as soon as unemployment rates started going up. So when unemployment stabilized, Paul, then we started seeing improvement and stabilization of our own delinquencies. Absolutely.

MR. HUDSON: Okay.

MR. SPEARS: So that's an important report.

And I always want everyone to spend some time with -- because Bruce spends good, quality time on this variable-rate report. I would urge you to spend some time with that. And --

MS. JACOBS: Barbara's asking a question.

MR. SPEARS: I'm sorry.

MS. MACRI-ORTIZ: I've got a question, and this goes probably to the servicers that we're going to deal with for our new program. And I'm wondering whether we are considering the delinquency rates of the servicers
that we've had in terms of selecting our new ones and
whether we're going to have any servicers coming out of
maybe the nonprofit CDFI-type organizations that can
process loans. And just in terms of the focus, maybe in
terms of changing a little bit on that, who's actually
doing the work to figure out who's going to get that
role?

MR. SPEARS: On these loans that we're going to
start making --

MS. MACRI-ORTIZ: Yeah.

MR. SPEARS: -- going forward?

MS. MACRI-ORTIZ: Because I just -- there's
one -- there's one servicing group here that's got 2800
loans, 35 percent of which are delinquent.

MR. SPEARS: That's Bank of America. And
they're doing a terrible job, and we have been on their
case.

MS. MACRI-ORTIZ: And -- and aren't we doing
our new deal with Bank of America? Isn't there -- don't
we have a disconnect here?

MR. SPEARS: A bit. I freely -- here's the
issue: Bank of America has been our master servicer,
and they've done a wonderful job on that side of the
house, but if -- packaging loans up. And we -- we made
a decision not to go out and -- and try to take the time
to select a new master servicer, but -- but we have been working with them to try to get them to improve -- what I would do if we had the personnel to do it, and we simply don't have the ability to hire this many people, is start taking back loans from servicers that aren't doing a good job. We just don't physically have the capability of doing that at this point.

MS. MACRI-ORTIZ: Well, I'm just saying, though, that if you're dealing with somebody who's got 35 percent and we've got other servicers that are much lower, like Wells Fargo is 12 percent, we've got Bank of America at 35, to me that says maybe we've got -- because whoever is going to end up in the delinquency category, barring the unemployment issues which are pretty much across the board, is going to be based on what happens when that person gets a loan. Are we doing our homework right to get the right people into the right loan?

And I think if we're not doing those loans ourselves, then we've got to have more confidence in our servicers to do the right thing. And I'm just saying this is an indicator. I don't know what it means, but to me it's an indicator.

MR. SPEARS: A couple of comments. Every borrower in this new FHA program -- and if we ever do
the Ginnie Mae program, the conventionally insured
program -- is going to receive borrower -- first-time
homebuyer education before they get one of our loans.
We've never done that before. So that's No. 1.

No. 2, we're going to continue our practice of
actually underwriting loans and actually documenting
everything and working with borrowers to make sure that
they are -- they have solid credit. And as Gary pointed
out, we're asking for borrowers in this FHA program to
have a 620 FICO score instead of a 580 score that FHA
can deal with.

So I think we've taken steps, Barbara, to get
the right folks in the home. And -- and I think one of
those big steps is that borrower counseling before they
ever take this step. The lenders don't like those
programs.

MS. MACRI-ORTIZ: I know.

MR. SPEARS: Because those programs --

MS. MACRI-ORTIZ: That's --

MR. SPEARS: -- wind up talking people, some
people, out of buying a home.

MS. MACRI-ORTIZ: Exactly.

MR. SPEARS: And --

MS. MACRI-ORTIZ: And that's why I like the
nonprofits. And the more we can tap into that community
for some of our servicing and for the work on the ground floor, the better shot we have and I think the healthier in the long term.

MR. GUNNING: I'd want to echo those comments because as we heard from the group here before, there are a lot of issues with servicers. And if we're not seeing the production here with our largest servicer, maybe we do want to look at other entities or keep them in mind.

MS. PETERS: I'd like to add to that. I've been talking about holding the servicers' feet to the fire for a long time now, and I hate to see us rewarding servicers who are overtaxed, overburdened and underperforming.

MR. SPEARS: Okay.

ACTING CHAIRPERSON CAREY: All right. Anything else in the reports that we need to be aware of?

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Item 10. Discussion of other Board matters

ACTING CHAIRPERSON CAREY: Hearing not, other Board matters?

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Item 11. Public testimony, continued

ACTING CHAIRPERSON CAREY: Hearing none, okay. We're at the point where we will open public testimony
on other matters that the public would like to address
the Board. Once again, we would like to keep the time
brief and focused, as we are -- I see people checking
their watches, and some are hungry.

So with that, we are open to public comment.

Seeing -- it was close. Welcome back.

MS. HAFFNER: So my name is Stephanie Haffner.
I'm an attorney with Neighborhood Legal Services of Los
Angeles County. We spoke to the Board previously and
returned at the invitation of some Board members to
engage in further dialogue. So I think that we would
ask for your questions.

MR. HUDSON: So I have a question. So how much
would you recommend be allocated -- of the money we
have, the billion-two, how much would you allocation --
how much would you allocate to cash out?

MS. MARIAJIMENEZ: At this time we're not
prepared to propose to the Board or to the staff of a
certain amount of money. What we are asking the Board
in setting forth policy is to take into consideration
that by eliminating refinancing, you're closing the door
to thousands of long-term homeowners. It
disproportionately impacts communities of color, in
particular South Los Angeles and others throughout the
state, of long-term homeowners who were specifically
targeted for subprime mortgage lending.

So what we're asking the Board to do is to reconsider, that that population be considered. We know there is not enough money to help everyone in foreclosure in the state of California even with the amount of money California has received, therefore, that the -- that the Board take into consideration that some portion of that money be allocated to assist those communities.

MR. HUDSON: So you trust our judgment on that?

MS. MARIAJIMENEZ: Well, we would -- we would like to hear your recommendation and then maybe we would comment to it. But at this time we're not prepared to say that the Board should do -- set aside a specific amount of money.

Frankly, what we're promoting here today is to look at the housing market. Unless it is stabilized, the economy in California is not going to recover. And we do understand that we're looking at innovative programs, even the California Housing Finance Agency program. We need to start somewhere, and we need to implement, but we need to implement keeping in mind that we use taxpayer funds responsibly and that we look to the guidance that has been set forth by the federal government and that we implement these innovative --
these pilot programs now -- and I'm sure we will be
tweaking as we go forward -- but that the Board
recognize that they set forth policy and that it would
be bad policy to implement what's planned right now.

ACTING CHAIRPERSON CAREY: Mr. Hunter.

MR. HUNTER: I don't know if it's so much a
question, it's just, you know, if we're looking at the
policy issues, frankly, the -- the -- you know, when you
have -- you have a hundred people who need help and the
best case scenario you can help 30 of them, that's sort
of the picture that we're in. Frankly, in this -- in
this -- this $1.2 billion is not going to stabilize the
California housing market.

I don't find the issue of predatory lending as
compelling from a policy perspective as what the money
was used for, particularly last month some of the
testimony we heard from homeowners who did take cash out
of their homes for very critical reasons. You know,
that -- to me, that's much more compelling from a --
from a policy perspective than the fact that you were or
weren't a victim of a predatory lender.

The other thing, though, that I've heard
several times and -- and I guess it's the other kind of
thing that I don't know how to frame it from a policy
perspective, but the fact that somebody's been in a home
for 20, 30 years, you know or even 10, 15 years, I don't know -- I'm trying to figure out how long I've been in my home.

MR. HUDSON: You want to make sure you're included in the mix, is that it?

MR. HUNTER: But that somebody -- that a family has been in a community and a member of a community, a neighborhood, for a long time, there's -- there's not just an economic value, there's a community value. But every time we try to figure out -- you know, each one of those things that we try to take from a policy perspective, ultimately what it comes down to is a very complex decision-making process at the level of actually deciding.

But I just -- I just have to say I'm not -- I can't say that I'm totally opposed to doing any lending to people who took cash out of their homes, but to me the more compelling policy perspective is why they took cash out of their homes.

ACTING CHAIRPERSON CAREY: Ms. Peters.

MS. PETERS: I've had a chance during the presentations -- not that I wasn't paying full attention to staff.

ACTING CHAIRPERSON CAREY: Right.

MS. PETERS: -- to go over the handout that you
provided clarifying the cash-out refi criteria. Is this
the AG's criteria that were --

MS. HAFFNER: Yes.

MS. PETERS: -- referred to?

MS. HAFFNER: Yes.

MS. PETERS: Okay. I have a question here.

There are five listed. And so it's my understanding
that CalHFA now says no cash-out refi's are eligible.
You have proposed that some be eligible and that these
criteria be used as the guidance to determine who gets
it and who gets out, right?

MS. MARIAJIMENEZ: Well, what we're saying is
that that serves as a guide to the staff, given that it
has been adopted by the Attorney General.

MS. PETERS: Okay. Then I have more
clarification here because there are five things on the
list. So if we followed your recommendation, we would
allow anyone that falls into these categories to apply
for the CalHFA program. So it would be pay-option ARMS,
subprime mortgage loans that combined higher risk
features with higher risk borrower profiles, subprime
adjustable rates such as 228s, subprime fixed rates, and
Alt A residential loans. My question is who's not on
that list?

MS. HAFFNER: Who's not on that list are prime
MS. PETERS: So you could just say every subprime borrower.

MS. MARIJA JIMENEZ: Well, it also sets parameters. If we're looking at that criteria, you're also looking at a time frame parameter which I believe is between 2005 and 2008, loans that were issued.

Another characteristic of these loans is that because of the substantial fees that were charged on these loans, the financial institutions that originated them made substantial amounts of money, so the idea that there's this moral hazard about assisting some that -- not assisting them because they refinanced, there's -- there's a -- just a culpable side as well on the financial institutions who earned substantial amounts of fees in having followed these predatory schemes.

MS. HAFFNER: And I think that that's why those criteria are part of the settlement of the Attorney General with Countrywide, because there was -- you know, while there's not admission of liability, I think it's an indicator of recognition that those are particularly risky types of loans for which there's particular responsibility to work them out in a certain way.

And so that's why -- and so the criteria from the AG's settlement, we thought, would be a compromise
position for you to look at a way to include borrowers who did refinance, did take cash out, and were under -- under some -- under a measure taken advantage of because the loans were structured in a way that there was no realistic way to pay them back in the first place as -- which was knowable by the folks who issued the loans in the first place and who profited from the issuance of the loans.

MS. MARIAJIMENEZ: And which disproportionately impacted communities -- homeowners of color, which are, in fact, the hardest hit communities in California.

MS. PETERS: It's a policy debate which -- reasonable minds could differ.

There's another aspect to the consideration here, and that is the limited amount of resources not only in dollars, but also in staff, with, unfortunately, so few dollars. It sounds like a lot to say 1.2 billion, and in most situations that would be a lot of money.

MS. MARIAJIMENEZ: Right.

MS. PETERS: But the magnitude of the problem here in California, it is, unfortunately, a very little amount of money. And, you heard from staff, it's an extremely difficult program to run as it is to get those dollars out the door.
So I personally -- and, of course, I don't speak for the Board -- would hesitate to recommend that the staff then go through an additional hoop of analyzing all these different things we've been discussing here, but that's just my personal opinion.

MS. MARIAJIMENEZ: And just to that point, we do -- we do understand that there's a limited amount of money.

I do call the Board take administrative notice that the California Housing Finance Agency staff has indicated in their summary that of the 500 million they're setting aside, given the average amount that's going to be invested in a homeowner, that money is going to help about 13,000 homeowners in the state of California as currently written. And we do believe that that is not a wise use of money, that there could be many, many more homeowners.

We know we're not going to be able to help everybody, but we can help many, many more. We could double that amount if the plan was reconsidered.

ACTING CHAIRPERSON CAREY: I think that's -- MS. PETERS: It's already been approved by Treasury.

ACTING CHAIRPERSON CAREY: That's covering familiar territory.
Mr. Shine, do you have a question?

MR. SHINE: Well, I'm scratching my head here a little bit about this definition here. So you're saying that anybody -- not what you are saying. What is being said in this paper that I read, I think, that you're discussing is that if anybody took a dollar or $500,000 in cash in their pocket, that they should be eligible for this program. Or in the alternative, is there some difference in the thought process about a person owns a house, they paid their loan down pretty low. Someone comes in and hustles them to get a new loan and they borrow 50 percent of its value at the time, versus someone who comes in and makes a loan and someone gives them 99 percent of the value of their home, both cases of which existed at some point in time.

Is there any idea that there should be a difference in the way these people are treated? Is there any criteria? Or is it just if you took a buck or you took out half a million, doesn't matter, we'll just give you a reduction anyway?

MS. HAFFNER: National policy does not consider the origin of the loan, where the loan came from. Under national policy, what we're looking at is we have a crisis. And we have a crisis in California as well. We recognize that -- that the Board does have limited funds
at the moment.

And we also recognize that policy follows practice and that the programs that the California Housing Finance Agency implements now stands to receive more money in the future to help more people in the future.

And so I think that the issue is how can the Board best address the housing crisis in California? And so to make a judgment call of you took money out for the right reason, you took money out for the wrong reason, will negatively impact the communities that were most targeted by bad loans and will fail to address the most serious parts of the housing crisis in the first instance.

MR. SHINE: Well, you said that there's a limited number of people who could be helped by virtue of the volume of dollars that are sitting in the pot that are available for that purpose. Given that it's going to be very difficult, I think, to come even close to solving a majority or a significant minority of the problems that exist today in the housing market and the housing stock that's in problems in California, do you not think that -- notwithstanding national policy, that good economic sensibility dictates that there be some kind of recognition of the variable ways in which people
got into this problem?

MS. MARIA JIMENEZ: That's very difficult to determine. Therefore, what we're -- what we're promoting here is that the Board be open to the fact that barring at the gate people who refinanced means that you exclude disproportionately communities of color, long-time homeowners. And -- and the thing is that you -- we do -- that some portion of funds should be considered for those communities. We do understand there's not going to be enough money, but people should not be barred at the gate because they refinanced.

The other statistic is that more than 65 percent of all subprime mortgage lenders were refinanced, were refinances. So you're looking at barring a very large population of homeowners, and, again, that disproportionately impacts communities of color and long-term homeowners.

MR. SHINE: Well, so you're -- am I hearing you say that economics alone should be not considered, that the social implications of the government's funding should be also added to the criteria, notwithstanding the economics?

MS. HAFFNER: I think -- I think I understand your concern is, you know, basically why do you want to reward borrowers who -- who -- borrowers who took on
risks that they shouldn't have and who got cash? Why should we -- why should we, the California Housing Finance Agency, help make that debt go away when they got cash?

And so I think the reason that we point to the Countrywide settlement as a measure is because there's a flip side of how did people get into these loans in the first place, who issued the loans, why were they risky. And so -- and that there's a finding that certain type of loans are very, very risky and so that there's culpability on both sides. And so if you want to look at culpability, say, okay, well, at least we know that certain type of subprime loans are defined as inherently risky, that there was some culpability there, we'll include those under the mix.

I don't know if that helps your concern, but I think that's one way to look at it, is that there's moral hazard on both sides.

MR. SHINE: I know exactly what you're saying. Thank you.

ACTING CHAIRPERSON CAREY: Ms. Jacobs.

MS. JACOBS: Can you share with us, not -- not at this second, but can you share with us any statewide statistics that actually show that refinances are skewed towards communities of color?
MS. MARIAJIMENEZ: We would -- we'll provide those statistics to you and the report to you.

MS. JACOBS: Okay. Because that would be -- but we need -- we are not looking at Los Angels alone. We need to look at statewide --

MS. MARIAJIMENEZ: We're -- we're -- we're here for the state --

MS. JACOBS: Okay.

MS. MARIAJIMENEZ: -- of California. Yes.

There were members of our group from Northern California.

ACTING CHAIRPERSON CAREY: Ms. Macri-Ortiz.

MS. MACRI-ORTIZ: Okay. I'm looking at these, the five. And, yes, it's true it happened with refi's, but it also happened with firsts. I mean, anybody of low income, color, that was targeted -- you know, my community, we're all Mexican Americans because it was a heavy, heavy Latino community, so the Latino community was targeted. Most of them were not homeowners, so they got into firsts with all of these features. So I think, to me, it's a given that anybody that we're going to help, the majority of people we're going to help are going to come out of here.

Now, I think with respect to looking at the refi, I really agree with my colleague here in terms of
the -- the damage that's done to a community when you have someone that's been in there a long time. But at the same time, there was a lot going on. And I -- where you have -- and maybe you can talk about the profiles of some of your clients or, you know, the people you're trying to help in L.A. I know about the profile of the clients that I've been working with in Oxnard.

And where the refi's came in was the elderly or the person on the last, you know, end of their -- their employment or the person on social security disability or whatever that got into a loan and what -- maybe the -- where you had the negatives, where every month somebody's -- their -- their principal increases every month. And I could see from myself voting for something in terms of a policy issue for the Board where we say, okay, we're not going to just totally exclude refi's, but --

MS. PETERS: Cash-out refi's.

MS. MACRI-ORTIZ: -- cash-outs. But you have to look at what was the amount of money that was taken out in comparison to what was the debt, No. 1; No. 2, you know, what was it used for; and then how much really did the lender rip them off? Because a lot of the people I know got in trouble, it was that extra $500 was added onto their premium every month because they picked
the wrong coupon because they could only afford the minimum payment. And I could see that.

But, I mean, when we use a litigation with Countrywide, okay, that's where, you know, they did something that was illegal and because of that there was a settlement. And we're dealing in a climate where because of these bad practices, the whole thing collapsed. We're trying to rebuild it back up without having sufficient funds to be able to do it.

So I think we have to -- if we're going to err, we have to err on the side of those who pose the best chance of rebuilding their community. And I think with respect to that, the long-term homeowners do have something to say. But they can't just because they're long term -- they could have taken out 500,000, their original mortgage was 20,000, they got 500,000, now they want to get bailed out. You know, I mean, there has to be some relativity to what we're talking about.

MS. MARIAJIMENEZ: And we agree, Ms. Macri. We do. It's a very difficult situation. I could attest to the homeowners that we've seen here in Los Angeles and also in Northern California, but long-term homeowners, over 30 years of ownership, who at one time had paid off their mortgages, refinanced in order to pay off mortgage debt or pay educations or help their children purchase
homes that have now been lost. But that is a story
that's told time and time again.

And, yes, it's very difficult to narrow
criteria and -- but we do feel that there can be
rational criteria that can be used as a guideline, the
Countrywide settlement being one, the time frame of the
loans, and if you want to look at the purpose, that's
going to be very, very difficult and time-consuming and
unsure how you prove that, but all we're saying is that
these long-time homeowners, hard-hit communities, not be
barred at the gate and that some proportion of
assistance be provided to those communities.

ACTING CHAIRPERSON CAREY: Other questions or
follow-up from Board members?

MR. HUDSON: I had a question of staff, but I
don't have any questions of the public comment.

ACTING CHAIRPERSON CAREY: Great.

MS. HAFFNER: Have we adequately addressed also
the questions about negative equity and the --
Mr. Hudson, your questions about negative equity and the
affordable payments and how addressing equity relates to
an affordable payment as well as the banks' willingness
to accept the 6 to 21 cents?

MS. MACRI-ORTIZ: That, I don't think, was
adequately responded to. And I think that the question
is in terms of a priority, if you're going to place a policy value, is it -- is the negative equity more of an issue or is the lack of affordability in terms of the amount a person can pay to keep his family in the home for next ten years? What should be the priority?

MS. HAFFNER: Both are important issues and -- and affordability is addressed in every scenario, or at least in every best case scenario affordability is addressed.

And the -- but as a matter of -- again, as a matter of national practice in loan workouts, the tools used to get to an affordable payment: Reduce interest rate, extend the term of the loan, and then impose a balloon payment, as you know. And so -- and so addressing affordability is one part of the equation.

However, in order to solve this crisis, you also need to deal with the problem of mortgage debt because people are 200-percent underwater. And when they're paying an amount of money that's 1500 a month, 2000 a month, you can call that 2-percent interest, 40 years, and a balloon payment at the end or you could call that 5-percent interest, 30 years, approximately, and it's the same monthly payment. So the issue is do homeowners have a chance of homeownership at the end of the day?
And that's the question that Treasury actually asked this Board to solve. Treasury asked the Board to help solve the problem of borrowers with severe negative equity. Treasury didn't ask the Board to solve the problem of affordability because there already are programs that address affordability. Treasury recognized that that's not the whole -- the whole issue, that there is a very serious issue of underwater homeowners in California, Nevada, Arizona, Michigan, and Florida and that different policies need to be in place to do that, and that's what you're in a position to do.

And I think it's so that -- so that -- so that you can actually prevent foreclosure long term. When I need to repair my roof, what wherewithal do I have to do that if I have an affordable payment but no equity? When I need to sell because I need to move, what wherewithal do I have if I don't have any equity and I'm not going to have any equity for 20 years?

ACTING CHAIRPERSON CAREY: And if I'm recalling, one of your points of disagreement is the LTV target?

MS. HAFFNER: Yes. That we have recommended that there be a loan to value cap. That after you invest public money, that there's a maximum loan to value so that you have some assurance that a foreclosure
will be prevented at the end of the day so that
somebody, again, five years down the road isn't faced
with, okay, now I can't -- I can make the monthly
payment but there's other things going on. I have to
deal with the roof. I have to move.

ACTING CHAIRPERSON CAREY: And your cap would
be?

MS. HAFFNER: What is in place at -- with the
City of Los Angeles program is 125 percent combined loan
to value.

ACTING CHAIRPERSON CAREY: Ms. Jacobs.

MS. JACOBS: I -- I appreciate your pointing
out to us some of the criteria that Treasury is -- is
trying to accomplish, but I'm pretty sure our plan has
been approved by Treasury. Right? So I think it -- you
know, it obviously meets their criteria. It may not
meet what you think their criteria are, but it meets
their criteria according to them.

The challenge that we all have is -- is what
has been brought up over and over again, that $1.2
billion does not change the face of California real
estate. It's a very small amount of money that's going
to -- going to help very few families. And those
families that are helped are going to be happy, but we
are not going to change the real estate market by our
investments. I would like -- you know, we'd have to add how many more zeros, Heather, two or three?

So I think we -- you know, we've got a program, and I think the best thing we can do is get our money out as quickly as we can get it out and help the families we can help. I'm always open to reevaluating it, you know, every six months and seeing if we need to make changes to the program.

I personally think that an affordable payment is a very important criteria. I think that when you look at our housing shortage in California, if I have an affordable payment and I'm in a house and I have negative equity, where am I going to go? Am I going to go to a rental that costs more when I have a little bit of a tax advantage with that affordable payment? I don't know.

So I mean, I think it's -- this is an issue, you know, I think we should do a gubernatorial debate on this or something, you know. This is a real thing we could have a -- not that I've heard the word "housing" in any government -- governor's candidate yet, but ever hopeful.

You know, I think this is something that -- that you bring up some great points, and if we could add some zeros, we would like to serve everybody we could
serve. But I think, you know, I'm comfortable with the criteria that we have and the policy decisions that we've made, and I'm looking forward to, you know, the first monthly report of how many families we've helped and getting going and seeing what we can get done by the end of this year and then by the end of June of next year and all those, so --

ACTING CHAIRPERSON CAREY: Thank you.

MS. JACOBS: -- that's my two cents.

ACTING CHAIRPERSON CAREY: I think we're done.

Thank you so much for staying.

MS. MARIAJIMENEZ: Thank you. And I just -- one final comment, again, it's just to, again, that the Board seriously look at the plan, that we do feel that given the loan to value that is set forth in the current plan, you will be -- we will be as taxpayers assisting people who are going to end up losing their homes anyway and the banks are still going to get a windfall from that. And also to consider that the Home Affordable Modification Program is implementing a principal reduction program not yet in place which will pay 6 to 21 cents on the dollar, and that will be the national standard.

Thank you.

ACTING CHAIRPERSON CAREY: Thank you very much.
Further comments from Board members?

MR. HUDSON: So the 476 million, is that going
to go into the same program that we already have, or is
there a new program?

MS. PETERS: Only unemployment.

MR. SPEARS: It's only for unemployment.

MR. HUDSON: I know, but I mean so everybody
that's unemployed can get this money? I mean --

MR. SPEARS: The original proposal that went to
Treasury had four elements: An unemployment assistance,
reinstatement assistance, principal reduction, and
relocation assistance. The -- we had about $45 million,
roughly, for unemployment assistance --

MR. HUDSON: In the original --

MR. SPEARS: -- in the original --

MR. HUDSON: -- 700 million?

MR. SPEARS: Yes. This 476 all goes to that
unemployment.

MR. HUDSON: So it's -- the unemployment
program was part of our original program, it just -- it
just got more money to that?

MR. SPEARS: Now, I will tell you and Di can
give you a lot more detail, but we didn't -- we -- we
then went back and changed the unemployment program a
bit, and that is in to Treasury. Those changes are in
to Treasury for approval. So it's not exactly the
program that we had originally, but it's still pretty
close to the original program, but it's all for
unemployment.

MR. HUDSON: Okay.

MR. SPEARS: So we now have a total of
approximately $526 million for unemployment assistance.
I think that's the right number.

ACTING CHAIRPERSON CAREY: For unemployed
homeowners?

MR. SPEARS: Unemployed homeowners.

MR. HUDSON: So then I guess my final point is
then given all of the public concern about cash-out
refi's, if -- if -- if staff could just revisit for my
benefit our philosophy, the Agency's philosophy, behind
not doing cash-out refi's so we could have just some
sort of understanding as a Board of what we're doing,
why we're doing it and why we think it's important.

MS. MACRI-ORTIZ: And one final thing, I think
when we were discussing this earlier on, the
understanding I had between what you are doing in this
program and what we'd be doing in the other federal
programs, that we would only be assisting people that at
the end of the day were going to have an affordable
payment.
MR. HUDSON: Who are you directing that to?

MS. MACRI-ORTIZ: Well, I guess that's --

MR. HUDSON: Right.

MS. MACRI-ORTIZ: -- who had said it, but in terms of that's what I'm hoping that's -- that's our focus, that at -- whoever we give money to is going to be able to survive, God willing, something --

MR. SHINE: And make the payments every month.

MS. MACRI-ORTIZ: Huh?

MR. SHINE: And make the payments every month so they're current.

MS. MACRI-ORTIZ: Well, exactly.

MR. SHINE: When we're -- when it's over.

MR. SPEARS: It was made very clear in the original guidelines that came out from Treasury last spring, early last spring, was that sustainable homeownership --

MS. MACRI-ORTIZ: Right.

MR. SPEARS: -- was the --

MS. MACRI-ORTIZ: Okay.

MR. SPEARS: -- primary goal.

MS. MACRI-ORTIZ: That's -- that -- if we do it for 13,000, that's 13,000 more. If we can do it for more, that's great, but whoever we do it for, if we can do that, we've done something.
MR. HUDSON: And then one final point to Lynn's question, Lynn's point, this is -- this program has already been approved by Treasury, right?

MR. SPEARS: Yes, it has.

ACTING CHAIRPERSON CAREY: Yes.

MR. HUDSON: And if we want to make a change, it's got to go back to Treasury, right?

MS. PETERS: Um-hmm.

MR. SPEARS: Yes.

MR. HUDSON: And I guess we could continue to fund under our current program while we have an application in to Treasury for a change, and then it's just whatever time frame they take to make that decision and get back to us would determine whether we could make that change if we wanted to. When Lynn says every six months we could revisit this, it really is saying if we -- if in six months we see we want to make a change, we could give it to Treasury and they'd get back to us.

MR. SPEARS: Yes. But we can fine-tune it, change it dramatically. Part of the objective of the innovation fund is to --

MR. HUDSON: See if it --

MR. SPEARS: -- find programs that --

MR. HUDSON: If we have an innovation fund that's --
MR. SPEARS: -- are on a statewide basis.

MR. HUDSON: If innovation fund comes up with a great program, then we can go back to Treasury say, "We want all of our money to go like that."

MR. SPEARS: Absolutely.

MR. HUDSON: Okay. Thanks.

ACTING CHAIRPERSON CAREY: Further -- and I'm assuming at some point at the end of the process we will get back information on all of the applications and --

MR. SPEARS: Yes.

ACTING CHAIRPERSON CAREY: -- that will be public information under the innovations fund.

Okay. Other -- other items from Board members?

--oo0o--

Adjournment

ACTING CHAIRPERSON CAREY: With that, we are adjourned.

(The meeting concluded at 1:01 p.m.)

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REPORTER'S CERTIFICATE

I hereby certify the foregoing proceedings were reported by me at the time and place therein named; that the proceedings were reported by me, a duly certified shorthand reporter and a disinterested person, and was thereafter transcribed into typewriting by computer.

In witness whereof, I have hereunto set my hand this 6th day of October 2010.

________________________
Yvonne K. Fenner
Certified Shorthand Reporter
License No. 10909, RPR

Yvonne K. Fenner, Certified Shorthand Reporter