Meeting of the Board of Directors

January 20, 2011
Agenda Item 4 – Keep Your Home California

Program Update
Keep Your Home California

CalHFA Board

Project Update

January 7, 2011
Distribution of Funds

• Initial Allocation – June 23, 2010
  ➢ $699,600,000.00 Total

• First Amendment – September 23, 2010
  ➢ $476,257,070.00 Additional for Unemployment
  ➢ $1,175,857,070.00 Total

• Second Amendment – September 29, 2010
  ➢ $799,477,026.00 Additional for any approved program

• Total -- $1,975,334,096.00
Estimated Program Assistance *Funds may be reallocated based on results

<table>
<thead>
<tr>
<th>Program</th>
<th>Allocated Program Dollars</th>
<th># of Households Assisted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployment</td>
<td>$875 million</td>
<td>~60,000</td>
</tr>
<tr>
<td>Mortgage Reinstatement</td>
<td>$129 million</td>
<td>~9,000</td>
</tr>
<tr>
<td>Principal Reduction</td>
<td>$790 million</td>
<td>~25,000</td>
</tr>
<tr>
<td>Transition Assistance</td>
<td>$32 million</td>
<td>~6,500</td>
</tr>
</tbody>
</table>
High-Level Status

- **Timeline**
  - Unemployment Assistance Program fully deployed on January 10, 2011
  - RCAC and HUD-approved external counselors come on line as of January 24, 2011
  - “Retail” Mortgage Reduction Assistance, Principal Reduction and Transition Assistance Program is planned for full deployment on February 7, 2011
  - “Bulk” Principal Reduction Program deployment is targeted for March 2011

- **Participating Servicers (as of January 7, 2011)**
  - CalHFA, CalVet, GMAC, Wells Fargo, and Chase are on board.
  - Anticipate Bank of America and CITI will be on board by mid January
First full week of UMA
(Jan 10 – Jan 15)

- 3,146 calls to triage
- 609 calls to counseling
- 236 completed counseling

- All phone systems operated normally
- Minimum wait times for callers
Agenda Item 5 – Single Family Financing Resolution

January 20, 2011
Overall Financing Objectives

- More conservative financing strategies for new issue bonds;

- Avoid additional real estate risk;

- Take advantage of market opportunities to reduce financial risk related to existing variable rate debt.
Authority Included in the Resolution

- Article 1 – Refunding Bonds
  - Flexibility to manage existing debt;
  - Amend, modify or replace existing financial agmts.;
  - No increase in $ amount of swap contracts, liquidity support or credit enhancement;
  - Executive Director certification – no greater risk

- Article 2 – New Money Bonds
  - Used to purchase new MBS;
  - May NOT be used to purchase whole loans;
  - Amount of authority is limited.
Authority Included in the Resolution (cont’d)

- Article 3 – Applicable to All Bonds Issued Under this Resolution
  - Circulate Official Statements;
  - Negotiated or competitive sales – public offerings or private placements as market dictates;
  - All documents necessary for CalHFA programs;
  - Financial agreements necessary to issue bonds;
  - Short term credit facilities – limited to $400 million for the Agency

- Prior Bonds (not refunding bonds)
  - Amend, modify or replace existing financial agmts.;
Agenda Item 6 – Multifamily Financing Resolution

January 20, 2011
Authority Included in the Resolution

- Article 1 – Refunding Bonds
  - Flexibility to manage existing debt;
  - Amend, modify or replace existing financial agmts.;
  - No increase in $ amount of swap contracts, liquidity support or credit enhancement;
  - Executive Director certification – no greater risk.

- Article 2 – New Money Bonds
  - Limited amount;
  - Fixed or convertible rates of interest – 50 years max maturity;
  - Permits conduit financing bonds.
Authority Included in the Resolution (cont’d)

- Article 3 – Applicable to All Bonds Issued Under this Resolution
  - Circulate Official Statements;
  - Negotiated or competitive sales – public offerings or private placements as market dictates;
  - All documents necessary for CalHFA programs;
  - Financial agreements necessary to issue bonds;
  - Short term credit facilities – limited to $400 million for the Agency.

- Prior Bonds (not refunding bonds)
  - Amend, modify or replace existing financial agmts.;
Agenda Item 7 – Resolution Authorizing Applications to CDLAC for Bond Allocation

January 20, 2011
Authority Included in the Resolution

Apply to California Debt Limit Allocation Committee

- Authority to issue "private activity" tax exempt bonds
- Applications may not exceed:
  - $900 million for Single Family Bonds;
  - $400 million for Multifamily Bonds.
- Carryover allocation may be available
  - Assumption: Board desires staff to apply if available;
  - Three years to utilize CDLAC allocation.
Agenda Item 8 – Mid-Year Business Plan Update

January 20, 2011
Business Plan Priorities

- Maintain Agency Credit Ratings
  - Management decisions based on these objectives.
- Mitigation of Single Family Loan Losses
  - KYHC, Loan mods, short sales, foreclosures, REO.
- Renew Lending Activities
  - Use of NIBP for Single Family and Multifamily.
- Renew and Strengthen Old Partnerships
  - Local governments, non-profits and GSEs.
- Explore New Business Models
  - May require new partners and new roles.
Priority 1 - Maintain Agency Credit Ratings

- S&P
  - Has not altered its ratings during FY 2010-11;
  - Likely will review during 1st Quarter 2011.

- Moody’s Investor Services
  - Rating decision in October 2010;
  - Removed from Credit Watch for Downgrade;
  - Confirmed HMRB rating;
  - One-notch downgrade on Issuer Credit Rating – now at same level as S&P;

- Other Management Actions to Preserve Credit
  - BAHP Loans – Bond sale planned for February
  - Resulted in $40 million combined increase in fund equity of HMRB and GO
## Existing CalHFA credit ratings

<table>
<thead>
<tr>
<th>CalHFA General Obligation</th>
<th>HMRB (Special Obligation)</th>
<th>CalHFA MI Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Bonds outstanding</strong> = $1.2Bn</td>
<td><strong>Bonds outstanding</strong> = $6.0Bn</td>
<td><strong>Risk-in-force</strong> = $230Mn</td>
</tr>
<tr>
<td>TCLF = $676Mn</td>
<td>TCLF = $2.6Bn</td>
<td></td>
</tr>
<tr>
<td>Swap notional outstanding = $3.8Bn</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BoA's line of credit = $100Mn</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>S&amp;P's</strong></td>
<td><strong>Moody's</strong></td>
<td><strong>S&amp;P's</strong></td>
</tr>
<tr>
<td>Negative</td>
<td>Negative</td>
<td>Negative</td>
</tr>
<tr>
<td>Outlook</td>
<td>Outlook</td>
<td>Outlook</td>
</tr>
<tr>
<td>04/01/10</td>
<td>10/26/10</td>
<td>04/02/10</td>
</tr>
</tbody>
</table>

- A+/A1
- A/A2
- A-/A3
- BBB+/Baa1
- BBB/Baa2
- BBB-/Baa3

- A+/A1
- A/A2
- A-/A3
- BBB+/Baa1
- BBB/Baa2
- BBB-/Baa3
- Caa3

withdrawn
Priority 2 -- Mitigation of Single Family Loan Losses

- Hardest Hit Funds
  - Beta test (Sept ’10); Pilot program (Oct ’10);
  - CalHFA serviced loans – other servicers being brought on board; Genworth on board;
  - More CalHFA Loan Mods are expected.

- Increased staffing levels
  - Loan Servicing and Portfolio Mgt – 7 positions added.
  - Extended Hours of Operation in Loan Servicing

- Short Sales
  - Allowed in hardship situations.

- REO
  - Added one new master broker.
## Portfolio Management

### CalHFA Conventional FY 2010/2011

<table>
<thead>
<tr>
<th></th>
<th>Loan Modifications Approved</th>
<th>Short Sales Closed</th>
<th>Foreclosures</th>
<th>REO Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Forecast</strong></td>
<td>284</td>
<td>180</td>
<td>972</td>
<td>674</td>
</tr>
<tr>
<td><strong>Actual</strong></td>
<td>270</td>
<td>149</td>
<td>797</td>
<td>626</td>
</tr>
<tr>
<td><strong>Variance</strong></td>
<td>14</td>
<td>-31</td>
<td>-175</td>
<td>-48</td>
</tr>
<tr>
<td>% Variance</td>
<td>-4.93%</td>
<td>-17.22%</td>
<td>-18.00%</td>
<td>-7.12%</td>
</tr>
</tbody>
</table>
Portfolio Management
FY 2010-2011 as of 12/31/2010


<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>181</td>
<td>270</td>
<td>89</td>
<td>32.96%</td>
</tr>
<tr>
<td>Short Sales Closed</td>
<td>35</td>
<td>149</td>
<td>114</td>
<td>76.51%</td>
</tr>
<tr>
<td>Foreclosures</td>
<td>589</td>
<td>797</td>
<td>208</td>
<td>26.10%</td>
</tr>
<tr>
<td>REO Sales</td>
<td>374</td>
<td>626</td>
<td>252</td>
<td>40.26%</td>
</tr>
</tbody>
</table>
Conventional Loans – CalHFA Risk

Conventional 60+ Delinquent

- # of Loans
- % of Loans

Months

Dec-08 to Nov-10

900 to 2100

3.00% to 15.00%
Priority 3 -- Renewed Single Family Lending

- Single Family Lending Revived
  - Plans for Fannie Mae Affordable Advantage were scrapped
  - FHA Program revived – Early September 2010

- Loan production to date
  - Reservations – 627 loans ($127 million)
  - Purchased – 64 loans ($12 million)

- Quality of loans purchased
  - Average Loan Amount - $187,500
  - Average FICO score – 694 (prior FHA experience – 685)
  - Average LTV – 96%
  - Average CLTV – 99.7% (with CHDAP and AHPP)
  - Low Income Loans – 65% of loans purchased
Priority 3 – Renewed Multifamily Lending

- **New Issue Bond Program:** $262,340,000
  Total Mid-Year FY 2010/11: 17 Projects (2,281 Units) – many projects would not have been completed but for this funding

- **MHSA Overview**
  - Amount of Loans Committed/Closed: $116mn/$81mn
  - Number of Loans Committed/Closed: 41/49
  - MHSA Applications: $39mn
  - Total MHSA Funds Requested: $236mn
  - Total MHSA Units: 2,036 units

- **ARRA/TCAC Production**
  - 62 Projects – FY 2010-11
  - Since inception – 144 Projects
Multifamily Asset Management Update

- Over 500 properties in portfolio – 40,000 units
- Excellent condition overall
  - $1.9B loan balance
  - 96% occupancy
  - No delinquencies over 30 days
- MHSA – 12 permanent closings
  - 95 MHSA units
  - 85 receiving Capital Operating Subsidy funds
- Pilot Prepayment Program
  - 4 interested parties. No closings yet
Priorities 4 and 5 – Renew and Strengthen Old Partnerships and Explore New Opportunities

- Seek extension of NIBP
  - Program extended through 2011
  - Rate relock allows more competitive rates
- Single Family Lending –
  - BLOCK Program – forward commitment of funds/rate
  - Federal Targeted Areas Program
- Multifamily Lending
  - Partnering with GSEs for credit enhancement
- Asset Management
  - Performance Based Contract Administration
Agenda Item 8 – Operating Budget Update

January 20, 2011
Operating Budget Update

- Adopted Budget for FY 2010-11
  - $48.3 million/ 311 authorized positions.

- Projections
  - $22.2 million projected for first 6 months of fiscal year;
  - $45.7 million actual expenditures projected for full yr.

- Personnel costs
  - Still operating at 40+ vacancies in perm positions;
  - Increased costs for Temp Help and Overtime;
  - 7 positions added in Loan Servicing and Portfolio Mgt.

- Strategic Projects
  - Making investments in updated systems.
Agenda Item 8 – First Quarter Financial Results

January 20, 2011
California Housing Finance Agency (CalHFA)  
Housing Finance Fund  

Statement of Revenues, Expenses and Changes in Fund Equity  
For the quarter ending September 30, 2010 and prior quarters  

<table>
<thead>
<tr>
<th></th>
<th>Sep-09</th>
<th>Dec-09</th>
<th>Mar-10</th>
<th>Jun-10</th>
<th>Sep-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenues (in millions):</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income program loans – net</td>
<td>103</td>
<td>100</td>
<td>102</td>
<td>88</td>
<td>90</td>
</tr>
<tr>
<td>Interest income investments – net</td>
<td>10</td>
<td>9</td>
<td>10</td>
<td>11</td>
<td>9</td>
</tr>
<tr>
<td>Increase in fair value of investments</td>
<td>2</td>
<td>(2)</td>
<td>0</td>
<td>19</td>
<td>0</td>
</tr>
<tr>
<td>Other loan and commitment fees</td>
<td>6</td>
<td>7</td>
<td>7</td>
<td>9</td>
<td>8</td>
</tr>
<tr>
<td>Other revenues</td>
<td>23</td>
<td>19</td>
<td>21</td>
<td>(14)</td>
<td>17</td>
</tr>
<tr>
<td>Total Operating Revenues</td>
<td>$144</td>
<td>$133</td>
<td>$140</td>
<td>$113</td>
<td>$124</td>
</tr>
</tbody>
</table>

| Operating Expenses (in millions): |        |        |        |        |        |
| Interest | $97    | 91     | 71     | 58     | 70     |
| Mortgage servicing fees | 4      | 4      | 4      | 4      | 3      |
| Operating expenses | 8      | 11     | 11     | 12     | 10     |
| Other expenses | 112    | 62     | 98     | 71     | 69     |
| Total Operating Expenses | $221   | $168   | $184   | $145   | $152   |

Operating Income before transfers | (77)   | (35)   | (44)   | (32)   | (28)   |
## California Housing Finance Agency (CalHFA) Housing Finance Fund

### Balance Sheet
As of September 30, 2010 and prior quarters

<table>
<thead>
<tr>
<th></th>
<th>Sep-09</th>
<th>Dec-09</th>
<th>Mar-10</th>
<th>Jun-10</th>
<th>Sep-10</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets (in millions):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and investments</td>
<td>$2,012</td>
<td>$2,199</td>
<td>$3,679</td>
<td>$3,784</td>
<td>$3,685</td>
</tr>
<tr>
<td>Program loans receivable-net</td>
<td>8,140</td>
<td>7,935</td>
<td>7,381</td>
<td>7,144</td>
<td>6,903</td>
</tr>
<tr>
<td>Other</td>
<td>219</td>
<td>262</td>
<td>285</td>
<td>635</td>
<td>691</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$10,371</td>
<td>$10,396</td>
<td>$11,345</td>
<td>$11,563</td>
<td>$11,279</td>
</tr>
<tr>
<td><strong>Liabilities (in millions):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds payable – net</td>
<td>$8,024</td>
<td>$8,001</td>
<td>$9,085</td>
<td>$8,906</td>
<td>$8,706</td>
</tr>
<tr>
<td>Notes payable</td>
<td>0</td>
<td>0</td>
<td>41</td>
<td>94</td>
<td>93</td>
</tr>
<tr>
<td>Other</td>
<td>666</td>
<td>745</td>
<td>614</td>
<td>1,009</td>
<td>954</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>$8,690</td>
<td>$8,746</td>
<td>$9,740</td>
<td>$10,009</td>
<td>$9,753</td>
</tr>
<tr>
<td><strong>Fund Equity (in millions):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invested in capital assets</td>
<td>$1</td>
<td>$1</td>
<td>$1</td>
<td>$1</td>
<td>$1</td>
</tr>
<tr>
<td>Restricted equity</td>
<td>1,680</td>
<td>1,649</td>
<td>1,604</td>
<td>1,553</td>
<td>1,525</td>
</tr>
<tr>
<td><strong>Total Fund Equity</strong></td>
<td>$1,681</td>
<td>$1,650</td>
<td>$1,605</td>
<td>$1,554</td>
<td>$1,526</td>
</tr>
<tr>
<td><strong>Total Liabilities and Fund Equity</strong></td>
<td><strong>$10,371</strong></td>
<td><strong>$10,396</strong></td>
<td><strong>$11,345</strong></td>
<td><strong>$11,563</strong></td>
<td><strong>$11,279</strong></td>
</tr>
</tbody>
</table>
## California Housing Finance Agency
### Housing Finance Fund
#### Reserves for Delinquent Loans and Real Estate Owned (REO)

<table>
<thead>
<tr>
<th></th>
<th>Dec-09</th>
<th>Mar-10</th>
<th>Jun-10</th>
<th>Sep-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>CaHLIF Insurance Fund Loss Reserves *</td>
<td>$62,962,465</td>
<td>$59,698,154</td>
<td>$57,549,318</td>
<td>$52,986,824</td>
</tr>
<tr>
<td>Genworth Loss Reserves</td>
<td>179,019,488</td>
<td>168,118,343</td>
<td>161,079,671</td>
<td>149,889,356</td>
</tr>
<tr>
<td>GAP Insurance Loss Reserves **</td>
<td>121,088,203</td>
<td>123,746,145</td>
<td>118,792,604</td>
<td>63,377,259</td>
</tr>
<tr>
<td>Loan Loss Reserves on Delinquent Loans (HMRB only)</td>
<td>16,592,403</td>
<td>16,592,078</td>
<td>16,558,038</td>
<td>55,366,612</td>
</tr>
<tr>
<td>REO - Market Value Adjustments (HMRB only)</td>
<td>20,609,127</td>
<td>25,030,481</td>
<td>26,528,880</td>
<td>34,239,700</td>
</tr>
<tr>
<td><strong>Total Reserves</strong></td>
<td><strong>$400,271,686</strong></td>
<td><strong>$393,185,201</strong></td>
<td><strong>$380,508,511</strong></td>
<td><strong>$355,858,951</strong></td>
</tr>
</tbody>
</table>

* At 9/30/10, approximately $35,752,196 was available to pay claims

** "GAP Insurance Loss Reserves" include GAP reserve for insured loans, REO and Uninsured loans

As of September 30, 2010, $46,270,451.39 of GAP Loan Loss Reserves was moved from Supplementary Bonds Security account to HMRB indenture.