STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

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BOARD OF DIRECTORS

PUBLIC MEETING

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Holiday Inn Capitol Plaza
300 J Street
Sacramento, California

Thursday, January 19, 2012
10:05 a.m. to 1:55 p.m.

--o0o--

Minutes approved by the Board of Directors at its meeting held:

MARCH 14, 2012

Attest: [Signature]

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

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CalHFA Board of Directors Meeting – January 19, 2012

APPEARANCES

Board of Directors Present:

KEN ALEX
Director
Office of Planning and Research
State of California

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

CLAUDIA CAPPIO
Executive Director
California Housing Finance Agency
State of California

KATIE CARROLL
For Bill Lockyer
State Treasurer
State of California

CATHY CRESWELL
Acting Director
Department of Housing and Community Development
State of California

MICHAEL A. GUNNING
Vice President
Personal Insurance Federation of California

JONATHAN HUNTER
Managing Director, Region 2
Corporation for Supportive Housing

HEATHER PETERS
for TRACI STEVENS, Acting Undersecretary
Business, Transportation & Housing Agency
State of California

JACK SHINE, Chairperson
Chairman
American Beauty Development Co.

RUBEN A. SMITH
Partner
Adorno Yoss Alvarado & Smith
CalHFA Staff Present:

TIM HSU
Financing Risk Manager

VICTOR J. JAMES
Deputy General Counsel

JOJO OJIMA
Office of the General Counsel

L. STEVEN SPEARS
Chief Deputy Director

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Public Testimony:

LAURA BLAKEY

RIGO CABEZAS
NACA

SHIRLEY CAMPBELL
NACA

JOY DAVIS
NACA

STANLEY J. DIRKS
Attorney at Law
Orrick

ANNE JORDAN

KATHARINE (KATIE) JORDAN

MARTIN WHITE
NACA

MARCIA WOLD

HOWARD ZUCKER
Hawkins Delafield & Wood, LLP

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BE IT REMEMBERED that on Thursday, January 19, 2012, commencing at the hour of 10:05 a.m., at the Holiday Inn Capitol Plaza, John Q Ballroom, 300 J Street, Sacramento, California, before me, YVONNE K. FENNER, CSR #10909, RPR, the following proceedings were held:

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ACTING CHAIRPERSON CAREY: I'd like to welcome everyone to the January 19th, 2012 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 roll call.

JoJo.

MS. OJIMA: Ms. Creswell.

MS. CRESWELL: Here.

MS. OJIMA: Mr. Gunning.

MR. GUNNING: Here.

MS. OJIMA: Mr. Hunter.

(No audible response.)

MS. OJIMA: Ms. Carroll for Mr. Lockyer.

MS. CARROLL: Here.

MS. OJIMA: Mr. Shine.

MR. SHINE: Here.
MS. OJIMA: Mr. Smith.

MR. SMITH: Here.

MS. OJIMA: Ms. Peters for Ms. Stevens.

MS. PETERS: Here.

MS. OJIMA: Mr. Alex.

MR. ALEX: Here.

MS. OJIMA: Ms. Matosantos.

(No audible response.)

MS. OJIMA: Ms. Cappio.

MS. CAPPIO: Here.

MS. OJIMA: Mr. Carey.

ACTING CHAIRPERSON CAREY: Here.

MS. OJIMA: We have a quorum.

ACTING CHAIRPERSON CAREY: Thank you.

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Item 3. Chairman/Executive Director comments

ACTING CHAIRPERSON CAREY: Just -- just a couple of items of business. I apologize for the lack of chairs, but we'll try to move things along so that's not a problem.

I understand that a number of folks here are representing NACA and would like to speak on an item that's not on the agenda. Typically that's the -- speaking on other matters is the last item on the agenda, but because there's a number of you here and to
keep things as easy as possible for you, particularly those who are standing, we will move that item forward on the agenda immediately following executive director comments.

And I understand we also have some speakers who have submitted speaker cards for item 7. Item 7 will remain as scheduled on the agenda.

So the opportunity to speak after the executive director comments would be strictly on matters not on the agenda.

And with that, I'll turn it over to our executive director, Ms. Cappio.

MS. CAPPIO: Good morning. I have just a few comments of interest. First, the Governor during his budget message last week did call for a proposal to consolidate a number of state functions together, and included in that overall initiative for streamlining and more efficient operations and services was the proposal to consolidate CalHFA into HCD, the Housing and Community Development division. We are missing the details at this point, but we do know that this will be vetted and reviewed during the next year, and the time line for implementation appears at this point to be sometime in the 2013-14 fiscal year.

I want to note that the executive directors of
HCD, CalHFA, CDLAC, and TCAC have all been working together since last spring to look at opportunities and other kinds of proposals for more consolidation, coordination, collaboration, and we will just continue that work, particularly focused with HCD, on how we can do this. I think we can meet the Governor's intentions and objectives quite handily.

Next, I think I mentioned before that the -- there's been an idea out there for some time about a permanent source of funding in California for affordable housing, and this has risen a couple of notches in the last week or so due to the demise of redevelopment. It is my intention to work with my sister agencies in developing a number of options to begin to publicly review with stakeholders during the next 60 to 90 days in an effort to bring something to the Governor by spring or summer in order to make sure that we can fully look at this and look at practical and workable ways to make up what is becoming an increasingly small resource for affordable housing in this state.

And lastly, I'd like to note that two California Housing Finance Agency senior staff will be leaving us in the next few weeks. Both Gary Braunstein and Chuck McManus have -- have decided to leave and will be leaving the Agency. I went to extend my best wishes
and my hearty thanks for a job well done and service to this Agency over the last couple of years. And I want to extend my best wishes for wild success in your endeavors in the future, whatever they be. So I would like to make sure that the Board knew that.

That ends my executive director comments.

ACTING CHAIRPERSON CAREY: I think the Board shares in that appreciation for both Chuck and Gary and all the -- being with us and all you've done through the pretty challenging recent years as an Agency.

--o0o--

Item 2. Approval of the minutes of the October 18, 2011

Board of Directors meeting

ACTING CHAIRPERSON CAREY: With that, we will ask for approval of the minutes of the meeting of October 18th.

MS. PETERS: So moved.

MR. GUNNING: Second.

ACTING CHAIRPERSON CAREY: Moved and seconded.

Any discussion?

Roll call, please.

MS. OJIMA: Thank you.

Ms. Creswell.

MS. CRESWELL: Yes.

MS. OJIMA: Mr. Gunning.
MR. GUNNING: Yes.

MS. OJIMA: Mr. Hunter.

MR. HUNTER: Yes.

MS. OJIMA: Ms. Carroll.

MS. CARROLL: Yes.

MS. OJIMA: Mr. Shine.

MR. SHINE: Abstain.

MS. OJIMA: Thank you.

Mr. Smith.

MR. SMITH: Yes.

MS. OJIMA: Ms. Peters.

MS. PETERS: Yes.

MS. OJIMA: Mr. Carey.

ACTING CHAIRPERSON CAREY: Yes.

MS. OJIMA: The minutes have been approved.

ACTING CHAIRPERSON CAREY: Thank you.

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Item 13. Public testimony

ACTING CHAIRPERSON CAREY: With that, then, we will allow some time for public comment on other matters, particularly NACA representatives. I'd like to ask a -- make a couple of points of order.

First, our agenda time is limited, so we'd ask you to be concise and to the point and not repetitive.

We'd ask that each speaker come forward to the speaker
table, and if you've given us a speaker card, just give
us your name, and then we have the information we need.
If you have not, then we'll need your full name. These
meetings are -- there is a transcript created for these
meetings, so we need accurate and full information from
each speaker.

With that, we will have the first speaker from
NACA.

MR. WHITE: My name is Martin White, and I am
a regional officer of NACA. NACA, Neighborhood Housing
Assistance Corporation of America, is the largest home
modification program in the country and the largest
counseling service in the country. We have several
speakers that would like to speak, and then I would like
to. You have the list of names of speakers that you can
call.

ACTING CHAIRPERSON CAREY: I have four names.
I have Martin White. I have Amber Lewis. I have Joy
Davis and Shirley Campbell.

MR. WHITE: Will you come forward.

MS. CAPPIO: Excuse me, Mr. White.

MR. WHITE: Yes, ma'am.

MS. CAPPIO: You're welcome to sit at the
podium with the microphone.

MR. WHITE: Okay. Good.
MS. CAPPIO: It would help us out.

MS. DAVIS: Okay. Good morning, Executive Director Cappio and Board of Directors. My name is Joy Davis. I am an office manager in our Northern California Oakland office.

And the reason why we're here today is we wanted be able to address the Board to have your staff work with NACA. Our reach is very extensive. We have over 2.3 (sic) members within our organization. We do help members with home saves and saving their homes as well as purchase programs.

We know that CalHFA has been working with individuals to save their homes, and we would like to be a part of what you're doing and to be listed as one of your providers. We change the lives of many Californians and elsewhere as we have offices all over the country. What we're asking is to be able to partner with you to make homes more affordable for individuals as well as to allow individuals who have worked so hard to get into their homes to keep their homes.

With this present state of economy being what it is today, it is very hard for individuals to make ends meet, to meet their mortgage. I hear horror stories of individuals who have to make the choice of buying food or paying their PG&E or paying their
mortgage.

What we are asking is to be taken into consideration, to be a part of what you're doing, to allow us to help others just as you are doing because we have a very extensive reach. Our CEO is very adamant, and we are an advocacy program as well. So we're here to help people, and we ask that you allow us to do this.

Thank you.

ACTING CHAIRPERSON CAREY: Thank you.

MR. CABEZAS: Good morning, Executive Board.

My name is Rigoberto Cabezas, and I'm here to witness to what Ms. Davis just stated.

About October '09 I had an opportunity to register for a workshop with NACA, and my loan at that time was variable. And at the moment when I participated, I was paying 7-and-a-half-percent interest. My mortgage payment was about $2700.

I had attended a workshop. They guided me through the process, and they were very professional and gentle with me. I followed the instructions. It took a year, from October '09 to October '10, when I had the extreme good fortune to attend a NACA event here in Sacramento at the fairgrounds. I have never seen so many people. It looked like a pilgrimage. Easy I saw about 17- to 18,000 people the moment that I was there.
Because I had already done all my paperwork, they sent me home. I slept in my van at the parking lot. I would not leave. 4:00 a.m. I did the line where they told me to go to. At 8:00 a.m. I was in front of a loan officer from Bank of America. The loan officer asked me to produce one piece of paper. I had to go back to San Lorenzo where I live to get that paper. I brought it back. I came back by like 3:00 p.m. They saw me.

And I don't know how to put this. From 7 and a half percent go down to 2 percent fixed for 25 years. That saved my home. That saved my family. I'm at the brink of tears. This is what NACA does. Please allow NACA to work with you, and you will make more minor miracles happen.

Thank you so much.

ACTING CHAIRPERSON CAREY: Thank you.

MS. CAMPBELL: My name is Shirley Campbell, and I was also at the event in October of 2010. I'm a business owner, and my business had shrunk in the year. So I did have five employees. I was down to one and a half. And so I applied. I went through the whole process on the fair -- at the fairgrounds.

I was very impressed with NACA's ability to handle these large numbers of people. They used
technology to the greatest advantage. And we were up
all night. It was a very long, stressful weekend, just
the waiting and the waiting. It was because there were
so many people in line. Everything was orderly. There
were a lot of volunteers there to move people through
the process.

And in the end, I got an interview with the
Bank of America, and they offered me a reduction in my
interest rate. Amounted to about $200 a month. It went
and -- it's taken 16 months and quite a lot of
persistence, but I believe it is final now as of January
1st, and it's going to be 3.75 percent, having been
about 6.75 percent. And it every bit helps in my budget
because I'm still trying to keep my business floating,
and I have quite a lot of debt because of the business.

So I'm grateful to NACA. I consider -- I
respect them for the work that they do, the way that
they treat the people that came through. And I would
urge that they be allowed to participate in the programs
that you are servicing.

Thank you.

ACTING CHAIRPERSON CAREY: Thank you.

MR. WHITE: Again, my name is Martin White.

You've heard from people who have come through
our program. You see other people behind us who have
worked with the program. NACA is the largest counseling agency in the country. We have modified several hundreds of thousands of -- of loans over the past two and a half years. We started in -- in May of 2008. We have counseled over a million people during that period of time. You have heard of the -- the modification programs at the Cow Palace, 50,000 people. That's NACA.

We have reviewed your programs for assisting people who are unemployed and cannot make their mortgages, people whose houses are underwater and need a reduction in their principal amounts, people who have lost their homes but are still with the bank and could be saved if their homes could be returned to them if their homes were able to bring their debt up-to-date.

Those are essentially the three programs that you have $1.8 billion to handle. NACA has a sophisticated software system that could assist the State in underwriting those loans which applicably -- which potentially apply to this state.

Now, we work all over the country, but within the next month we're going to have a hundred thousand people in California come through our program. Okay. As far as we can tell, okay, this program is not off as robustly as could be. And I know that what happens is the feds give us money, and we reduce our staff, and it
gets really hard to move all of that through. But NACA
has been getting money from the feds too to help you
move it through, okay.

We get money from HUD. We also get money from
Neighborhood Works, okay. And with your staff on one
side, what we could do is in our -- in our sessions,
when we have these 20,000 people moving through us that
we counsel and we -- we help underwrite, we can select
those people who meet the criteria of your programs.
Because a lot of the people who fall out -- we're able
to do one out of four, one out of five people. But a
lot of the people who fell out, they fell out for the
exact reasons that you have money for, okay. And we
will be able to direct those people, okay, to your
people, having done all the paperwork, having done all
the underwriting. Okay. So we think that it's
essential that -- that this Board direct their staff to
work with us.

Now, Director, Madame Director, there were two
people, Di Richardson and Linn Warren, and we invited
them to come to our San Jose event. And they refused to
come. And we -- we invite you to come to our San
Francisco event since that's going to be the close one
that happens February 2nd through February 6th. Okay.
We will have events in Los Angeles, San Bernardino and
San Diego in the next 30 days. Okay.

Now, this programming, this type of thing, fortunately seems to be winding down. I'm not sure if we're going to come back to California again. We're going to do 40 of these this year, 40 such events. But in those four places, over a hundred thousand Californians will be there. Okay. If 10 percent -- 5 percent of those people fit your programs, then we will massively move your programs up.

Our computer systems -- and if you come to our workshops, what you have is about five or six hundred of our staff sitting on one side and three or four hundred of the banking staff. So we have major contracts with all of the banks and all the major and minor banks.

So what would happen is that we would review it. When we determine that a client could be helped by your program, we would -- we would do the underwriting for your program to make sure that they met all the criteria of your program. If your staff were there -- if your staff were there, then into their computer would come our underwriting. Okay. If they agreed with our underwriting -- and we also verify at the same time that we're underwriting, they agreed with that, then we could then send what you're doing to put into the program and what the bank's going to put into the program together.
We would send your work as well as our underwriting to the bank and say the State of California is prepared to reduce the principal by 35 percent if you'll reduce it by 65 percent -- I'm not sure which side of that scenario goes. But we have been getting reduction in principals, and we think we can get more if the State were participating, particularly -- we're only talking about California.

Now, we know that there are other hardship states, and we're working with them. But we haven't been able to work successfully with California. Now, NACA in the past has worked very closely on other programs that you've had in our purchase side and for a number of years. And then on the purchase side we kind of ran out of money for a little while so we -- we kind of stopped there. We do have a relationship with you.

I looked through your Web site. I saw nothing on us in your -- in any of your materials, but we're located in L.A. We're located in Oakland, California. And we have offices there that operate six days a week.

We give workshops four times a month, just general workshops on, on -- on purchasing and on home -- what we call our home save program, saving their homes.

So I've been asked to ask you to direct your staff to sit down and work with us so that we can get
them in these next four ventures that we have in California so that we can bring this program to the attention of the California person who most needs it, okay, so that we can provide the expertise that we have to supplement the staff that you do not have to get it through. Because I calculated that in one of the programs at your current rate, quarterly rate, it would take you 35 years to spend that 700-and-some million dollars. Okay. You're supposed to handle a hundred thousand people through this program.

If we did this program for five years, NACA could help you with your 20,000 people a year or 30,000 people a year. We have -- we have that capacity. Okay. We work with every major bank. You can call any of the banks, Fannie Mae, Freddie Mac, those -- some of those banks are now out of business but still servicing the major servicing companies. We're there. Okay.

And I'm open for any questions that you might have.

ACTING CHAIRPERSON CAREY: Questions?

Ms. Peters.

MS. PETERS: Thank you all for coming. I appreciate you taking the time and collecting so many people to talk to us.

I've been to a lot of these events -- not
yours in particular personally -- but I live in Los Angeles and have participated in a lot of the events down there. And it is a massive undertaking, so I really appreciate you taking the time to put on those events.

Could you tell us more about -- you were talking about how many people you see that would fit our programs, that our programs would be designed for. Can you tell us a little bit about your existing system and if there's any way to cull people who have been through your program before and give us a heads-up on those folks?

MR. WHITE: So some of those people who have missed the -- yeah, we could. We can, okay. And that's -- that's -- we could go through our database of the people who we've interviewed in California who have not been able to get into -- go through the normal modification program because they had one of those issues that there is in your program and bring them back to the table, yes, we can.

We have an extensive underwriting system that's able to link directly. We link directly into HUD for all our HUD reportings. We link directly into the Neighborhood -- Neighborworks. We link directly into each of the banks. The banks are sitting there. When
we finish with our underwriting, we press a button, it goes to the bank. The people then are sent to the other side. Then the bank calls them up and then discusses their problem and takes our analysis and makes a decision at that time. Okay. So, yes.

MS. DAVIS: In addition to that, ma'am, we have at each of our major events that host -- and we just left Atlanta. We saw 3,000 people on one Saturday. We have taped testimonials of each event, so there are thousands upon thousands of testimonials.

MS. PETERS: Yeah, we're very, very well aware --

MR. WHITE: Okay, yes. And of course --

MS. PETERS: -- of the events. I'm getting down to the --

MR. WHITE: Yeah.

MS. PETERS: -- weeds. If we wanted to do something --

MR. WHITE: Can I get back to those people --

MS. PETERS: -- how do you punch that button and get us those people who we -- you've already done the leg work to --

MR. WHITE: Identified.

MS. PETERS: -- identify that we can help right away?

Daniel P. Feldhaus, CSR, Inc. 916.682.9482
MR. WHITE: Right. Well, the question is -- is are you geared up to handle the load that we might send you? If I sent you 5,000 people, how would you handle it?

MS. PETERS: That's a question for another day, and that's not --

MR. WHITE: Okay, well --

MS. PETERS: -- on the agenda, but I'm very happy to hear that you can press a button and --

MR. WHITE: Okay. But --

MS. PETERS: -- and start that conversation.

MR. WHITE: -- remember that this is only a part of the process. They still need to go back to their bank.

MS. PETERS: Oh, of course.

MR. WHITE: Okay. And -- so --

MS. PETERS: I understand all of that.

MR. WHITE: And so what we would -- what we're suggesting is that we weave you into our actual fabric so that we -- so that it comes from the underwriting table there, okay, has your approval, goes to the bank, allows the bank to agree to all the components of the project, and then --

MS. PETERS: We understand the program --

MR. WHITE: Okay.
MS. PETERS: -- very well.

MR. WHITE: Okay.

MS. PETERS: So I'm just trying to identify how can we catch all those people that were missed in the past. And you've told me --

MR. WHITE: Yes.

MS. PETERS: -- and we can work on that.

MR. WHITE: Okay.

MS. PETERS: So that's -- that's great. And those people in the past that have been at events that you identified as, you know, having that -- needing the catch-up payment or needing, you know --

MR. WHITE: Right.

MS. PETERS: -- something that we provide, what have you told them about our programs in the past?

MR. WHITE: Let me tell you --

MS. PETERS: Where do they go?

MR. WHITE: Let me --

MS. PETERS: Do you just --

MR. WHITE: Let me --

MS. PETERS: -- go "good luck," or do you --

MR. WHITE: No, no. Let me tell you --

MS. PETERS: -- give them our phone number, or how does that work?

MR. WHITE: Let me tell you that your program
is the least advertised program in the country. I mean, I'm a housing professional. I've done consulting work for -- for you guys, for the State of California. I didn't know about this program until just the other day, until I was told that we were going to have to come and -- and -- and get involved. But -- our national office knew, but I didn't know. But I'm a housing professional out there working every day with people, and I didn't have anything to tell them. Okay.

We've talked about the short refi programs of the federal government, the new -- the programs that the federal government is doing right now. In fact, I went on your e -- on your Web site, and I could not see how I would apply. There was no application form. How do I apply? How do I get into your program? I looked and looked to see how do I get into this program? Okay. There was no referral thing. Even if you took my name and it referred out, there is no place there for that. Okay.

So -- so -- so I did not know. We have not been telling them anything because we have not really known at the local level.

MS. CARROLL: Well, we would love to change that immediately.

MR. WHITE: Okay. If we had known that, we
would have changed it.

MS. PETERS: Great. Thank you very much for
your time.

MR. WHITE: Yes.

MR. CABEZAS: Thank you.

MR. WHITE: Are there any other --

ACTING CHAIRPERSON CAREY: Yes.

MR. GUNNING: I'd like to echo Ms. Peters' comments. Thank you for coming. Certainly as a Board
member it's good to hear the voices from folks who are
working in this troubled economy and trying to make a
difference.

My question would be have you formally applied
to us at any point to work within our program? I know
you just said you were aware of the program, but there
was a process to get people and organizations involved.
Is this --

MR. WHITE: Yes. We've -- I think I told you
the two people that we went to to come into the program,
that we invited, so that we could -- so that we would
formally become a partner of the program.

MR. GUNNING: What was the outcome of that?

MR. WHITE: And we were denied. That's why
we're here. That's why we're here.

MR. GUNNING: Thank you.
MR. WHITE: Okay. Yeah, and — my boss just
told me to do one thing. She said we would really
appreciate the Board to make a resolution to staff to
work with us. And we really would like to get a --
because of our previous -- and as Claudia has said, she
had not been in contact with us. Her staff had been in
contact with us, and it had not risen to her level as
of -- as of yet. So we like to see you direct Claudia
to work with us. She has already said she would, but --

ACTING CHAIRPERSON CAREY: Thank you very
much. Before I ask Ms. Cappio to provide some comments,
just let me mention procedurally, we are constrained
under the laws of the state as a -- as a public board
and cannot take action on anything that's not noticed
ahead of time on the agenda.

MR. WHITE: Yeah, okay. Yeah.

ACTING CHAIRPERSON CAREY: So we -- there's no
possibility for a resolution or formal action of any
kind simply because of the constraints of state law.

That said, I will assure you that this Board
has a strong interest in the effective and -- and early
use of the Keep Your Home California, the Hardest Hit
funds, and will encourage the entire Agency to look for
opportunities to -- to get that money out there.

Ms. Cappio.
MS. CAPPIO: Yeah. I want to echo, thank you for being here and letting us know how you work and how many people you've helped.

To me, it was very obvious that we're all doing the same work and that we should find opportunities to connect and -- and help each other out as much as I -- as we can. Obviously you know we are trying with everything we have to make sure that that money gets distributed. The wonderful thing is we have the time, albeit it's really important to do immediately.

I look forward to meeting with you and looking at the opportunities to connect. And, again, I appreciate your being here and presenting before us today. Thank you.

MR. WHITE: Thank you very much.

MS. DAVIS: Thank you for your time.

ACTING CHAIRPERSON CAREY: Yeah, thank you all.

MR. WHITE: And, Claudia, you're going to make an appointment with us tomorrow?

MS. CAPPIO: Today.

MR. WHITE: Today. We will be in -- we will be in town today.

MS. CAPPIO: The Board is my witness.
(Laughter.)

MR. WHITE: Okay. We -- you will be available 2:00 o'clock, 3:00 o'clock?

MS. CAPPIO: I will not be available today, but I certainly can connect with you today, but with my assistant, and we can put something on the calendar. How's that? I mean, within a couple of days.

MS. DAVIS: Thank you.

MR. WHITE: Okay.

(Applause.)

MS. CAPPIO: Thank you.

Yeah, we're going on to item 4. Prior to the announcement of item 4, I wish to make clear to the Board and to the audience that during the last -- between the time from the last Board meeting to this Board meeting, our beloved finance director, Bruce Gilbertson, retired at the end of the year, and the very able Tim Hsu has taken over as interim and wanted to make sure that that transition was clear to you all prior to the next item because Tim will be presenting.

ACTING CHAIRPERSON CAREY: Actually, one of the disappointments of canceling the November meeting was we didn't really have a chance to officially express our appreciation to Bruce and also our appreciation to Tim for stepping in.
But we have that opportunity today, so, Tim, thank you for stepping up to the challenge. We look forward to more colorful charts in the future.

MR. HSU: I may have to disappoint you today. Too many words on here. But I think, as you all know, Bruce is a tough act to follow. As every professional athlete is trained to say, I will play hard, I'll give you my 110 percent, and I'll take it one day at a time.

I appreciate --

MR. SPEARS: Were you watching Bull Durham?

MR. HSU: I appreciate Claudia's confidence, and I would also appreciate the Board's indulgence.

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Item 4. Discussion, recommendation and possible action regarding the adoption of a resolution authorizing the Agency's single family bond indentures, the issuance of single family bonds, short term credit facilities for homeownership purposes, and related financial agreements and contracts for services

MR. HSU: Today -- at the first Board meeting of every year we bring to the Board the bond financing resolutions which gives staff the authority to do all sorts of different things that I'll go through in the presentation for the rest of the year.

This year, much like the last couple years,
most of our financing activities center around these federal programs that we have in TCLP and NIBP. As such, before I launch into what the actual resolutions are, I thought it might be a good idea that we talk about what's happening in the TCLP and NIBP space.

So the TCLP and NIBP program was officially extended on November 23rd of last year. NIBP was extended until the end of this year. TCLP has a three-year extension, until December 2015.

There are a lot of terms in the new term sheet for the extension, but I'm here -- over here I'm highlighting some of the ones that are particularly relevant to us. So there's no market -- there's no market bond requirement for single-family issues, and this is an extremely relevant change for us because, as you might know, our single-family HMRB indenture is now rated BBB. So issuing market bonds has always been a concern for us.

Another one is single-family NIBP allocation can be used for multifamily, and that's also very relevant for us because, as you might know, our single-family program right now is on pause.

And they increased the refunding allocation from 40 percent to 30 percent. So this is also really good for us because refunding some of our variable-rate
bonds to take them to the fixed world would mitigate our interest rate risk going forward. And there is a -- this -- this particular requirement is going to be extremely relevant as the presentation continues.

They also require that NIBP be used to refund TCLP variable-rate bonds if possible. And unlike the previous extensions, they want to see a preliminary debt restructuring plan before the extension is actually approved. And that plan is actually due at the end of this month. At the moment, the official approval of the debt restructuring plan is at the end of April, but I think all indication says that they're going to approve our plan way before that time frame, and that's simply the official deadline.

MR. SPEARS: We do have a meeting scheduled with them to discuss the plan after it's submitted. That meeting is scheduled for February 9.

And the only other thing I would add is that you see the parameters that were described on that slide. We actually asked for a little more leeway and tried to push the box out as far as we could, and we were given some leeway, but at some point they said that's as far as you can go. This is in stone. This is legislation. So at least we asked.

MR. HSU: To err on the side of caution and
also to -- in the spirit of transparency and -- we are
doing something that's -- I guess it's a bit unusual.
We're going to present to the Board here our preliminary
debt restructuring plan.

And the reason for that is that, for one
thing, the resolutions themselves are very much part of
the workings that we have for our plan. And we have
received preliminary indication that U.S. Treasury
actually likes our preliminary debt restructuring plan,
so we think that this could be the way forward for the
rest of the year. That's why we thought that it might
be a good idea to present these ideas early. And if
somehow there is resistance to some of these ideas,
hearing them earlier would be a good thing from the
Board.

So the remaining single-family allocation is
$871 million. We have used most of our multifamily
allocation. I think we have less than a million dollars
left, so for convenience I left it out of the
presentation.

Out of that $871 million, $465 million is the
refunding allocation. And if you -- if you -- if you
have the inclination to do a quick math, you'll see that
465 is more than 40 percent of 871 because the way that
it did the 40-percent calculation, it's 40 percent of
the original allocation, which was one-point-some
billion dollars. And plus we used about $93 million of
refunding in December of last year. So anyway, that
number is -- is right.

And then the rest of that would be -- $406
million would be for the new money allocation. And
either of these money -- either of these amounts can be
used for single-family or multifamily.

At the moment, our plan is to use that
refunding allocation of $465 million to refund single
family and then to use the $406 million of new money
allocation to do multifamily portfolio preservation and
to do multifamily conduit transactions, which, as you
know, the conduit transactions is all we've done last
year.

The target is to present the approved debt
restructuring plan to the Board and the multifamily
preservation program to the Board in March because we
actually think that the plan will actually get approved
way before the end of April. That's the target. But
we're not sure if the feds can move that fast with us.

We also thought that it might be a good idea
to talk a little bit about what -- why we want to do
refunding in the single-family world versus multifamily
world or why we're doing refundings at all. So this --
this is almost an FAQ of -- of the rationale for doing single-family refunding.

Well, why do refunding at all? The extension is predicated on a debt restructuring plan being approved by U.S. Treasury. And U.S. Treasury had said very -- in -- I mean in black and white in their term sheet that you must use some of this NIBP allocation, this 40 percent of NIBP allocation, to refund TCLP because, I guess much like the rest of the world, they want to get out of the funding risk that's related to supporting a liquidity facility like TCLP. So that is a TCLP/NIBP extension requirement, so that's why we want to do a refunding.

And the second question might be that, well, why are you doing this in the single-family world and not the multifamily world? The multifamily world, we tend to have other options in terms of monetizing our assets through either securitization or sale of whole loan.

For example, last year we did a securitization of our multifamily loans of $119 million that closed in December, and that helped us to do a refunding using NIBP money of $93 million. And two years ago, we did a sale with Citibank in which we sold them some whole loans, and that dollar amount was $95 million. That was
in March of 2010.

So the point being that in the multifamily world, we tend to have other strategies that we can sort of execute, which effectively does mean that we redeem VRDOs anyway. So having other strategies in multifamily is very valuable. And given that this 40-percent allocation for refunding is a scarce and limited resource, the question is that, well, where should we put it? And we chose single family because single family, unlike multifamily, we don't really have that many options to monetize these assets.

These -- and keep in mind these are the very assets that we keep seeing the delinquency ratios going up, and recently it's stabilizing a little bit, but to the degree that we're worried about these assets, it generally means that other people are worried about these assets. It generally means that other people won't pay a lot of money for them.

And then the other constraint that we have is that the indenture does require when we do sell loans, we sell them at no less than par. So in other words, we can't sell them for less than a hundred cents on a dollar. So, again, that's troubling because if we don't like the assets, other people probably won't like the assets, and they're unlikely to pay us par for it.
So those are a lot of sort of some of the constraints on the single-family side. And you might also ask, well, why didn't we do this last year? And I think that we mentioned that last year there was a requirement to do a 40-percent market bond to match the NIBP release. And we have talked to bankers about doing market bonds on a BBB indenture, and we really didn't get any fuzzy feelings from that, so that's why we didn't do it last year. So that's why we're thinking about it this year, because there's no market bond requirements, so we can just simply give all this to the feds or U.S. Treasury.

And is this going to be good for HNRB? Yes, because HNRB actually has $1.1 billion of unhedged variable-rate bonds as of 1/1 of this year. And after February 1st of this year, it's going to have $1.4 billion of unhedged variable debt. And this refunding is going to target some of these unhedged variable-rate debt to get rid of rising interest risk.

And as an aside, you might ask, well, why do we have so much unhedged variable-rate debt? We have so much unhedged variable-rate debt because we've been getting rid of our swaps so that we are trying to get out of the collateral posting risk.

I'll pause for questions after this slide.
So since I gave you all the good stuff, what are some of the bad things that could come out of the refunding? What are some of the negatives of the refunding? Well, as I mentioned, these -- these assets are -- we don't like them. Other people don't seem to like them very much either, and we can't really fetch a hundred cents on a dollar for them. So when we do a refunding, this refunding is really not going to achieve investment grade because for tax purposes when you do a refunding, you -- suppose you do a one-hundred-dollar refunding. You're going to take a hundred dollars of assets. Well, we know that about 70 percent of these assets are conventionally-insured mortgages, which, again, is causing a hot of heartburns throughout the state.

So there needs to be some overcollateralization, meaning that we do a hundred dollars of refunding, there's some -- there needs to be some external source of money that comes in to make sure that that refunding deal could achieve at least investment grade.

So I mentioned here that that overcollateralization obviously is to cover the expected loan losses, for example, or in this case since the deal is rated, we need to cover the loan losses that the
rating agencies' black box -- you know, black box produces.

And there could be also other rating stresses on the refunding deal that would make us have to fund overcollateralizations, for example, reinvestment. At the moment, for example, when we do a deal like this, they make us assume that reinvestment rate is zero going forward. It's close to zero, but it's not zero, as you know, in real life. And there's also payment lags and things like that.

What are some of the potential sources for funding overcollateralization? The -- the -- the only place that we can think of is the unencumbered single-family whole loans that we hold on the GO side of the ledger. And after that, it could be the Agency's GO cash. Again, this is away from the single-family indenture.

And the -- since I'm saying that we need to take assets and cash from the GO side of the ledger, the obvious question is that is this going to hurt the GO rating? I should emphasize that in the NIBP and TCLP term sheet, the U.S. Treasury does emphasize that the refunding cannot hurt our credit rating on either side. So we're not the only ones who are sort of in this trying to protect both the single-family credit and the
GO credit. That's one of their requirements. One of the requirements is that the refunding, if it were to hurt either side, they don't want to see that happening either.

So -- so I just want to make sure that people sort of recognize that we're not -- we're not the only one who are going to end up having to assert that this is not going to hurt our GO, although, I'm going to assert it now, there are going to be -- there's going to be, you know, Freddie Mac, Fannie Mae, U.S. Treasury, U.S. Treasury's financial adviser, you know, State Street Global Advisers. And I believe that State Street Global Advisers is going on as a higher quantitative consultant. There are a lot of people who are all over this, and they're going to have to make the same assertion that I'm making today, that this is not going to hurt the GO.

And the reason why I think this is not going to hurt our GO is that the rating agencies are on balance much more concerned about liquidity for the GO, because we are taking liquidity from the GO side to post -- as post -- to swap collateral, than they are worried about capital adequacy. And that's why you see what we're recommending here is that we're going to take first some of the illiquid assets we have under the GO
to help with the refunding transaction before we take cash. We're going to try to minimize the amount of cash we take out of GO to the degree that we can, and we're going to take some of the illiquid assets first.

MR. SPEARS: You said you'd stop for questions.

MR. HSU: Yes, I promised, and I'll live up to it. So I'll pause for questions before I launch into the resolution. I know this is unusual for the presentation of a resolution, but it's just that so much of this plan basically is what the resolution is all about so that the staff can actually go out and basically execute the plan.

ACTING CHAIRPERSON CAREY: Questions?

MS. CARROLL: So, Tim, just so I understand, so the federal -- at the federal level, they're dictating the split -- what was it, 45/65 -- 35/65 or 40/60 -- in terms of new money -- being able to use this for new money versus refunding?

MR. SPEARS: The 40 percent.

MR. HSU: Yeah.

MS. CARROLL: So is there any flexibility in that, or is that just sort of a hard, fast --

MR. SPEARS: That was one of the things that we asked if we could do more.
MR. HSU: And they said no.

MR. SPEARS: That's a hard stop.

MS. CARROLL: That's a hard rule. There's no --

MR. HSU: It has --

MS. CARROLL: -- flexibility there.

MR. HSU: Yeah, I think it has to do -- sometimes we get -- we ask questions that we don't always get very clear answers, but I think it has to do with their internal legal approval of the -- some of the original intents of the program. So NIBP stands for New Issue Bond Program. So the original intent was that it was supposed to generate new mortgages. And here you are doing refunding, so it sort of flies in the face of the original intent. I can't tell you how they resolve all that stuff because I don't know, but it has to do with things like that.

So then that was the first thing we asked. We said, "Can we do a hundred-percent refunding? Because we've got a lot of variable-rate bonds we want to get rid of."

And they said, "No, this is the best we can do."

MS. CARROLL: Okay, thank you.

ACTING CHAIRPERSON CAREY: Other questions?
MR. GUNNING: Tim, what's your sense of timing for doing all this? First part of the year or what? I know we have the deadlines.

MR. HSU: That's a really good question. So what happened -- let me stop on a slide that has all the positives.

Last Wednesday -- as I mentioned, they -- they have a requirement that we go -- they have a requirement that we submit a preliminary debt restructuring plan by the end of this month. And last Wednesday, like a good teacher, they wanted to have a call to check in on how you're doing. So they -- because they wanted to do that, I wrote a rough outline, which is -- which is basically what I'm presenting here except there's a lot more words, and I think you appreciate that.

And -- and -- and apparently they really liked the plan. They really liked the idea that we are going to use as much of the refunding as we can, and we are trying to sort of support the same theme that they are, that the refunding is -- can't be negative on either side, and it could actually have a fighting chance of being positive for both sides too.

And I also asked the question from this call -- because I wrote them an outline. They liked the outline. They liked it. As a follow-up, I asked the
question, I said, "Look, if we all believe that this plan is really good for the Agency, why wait until March to approve the plan or wait until April to approve the plan and have the refunding happen in summer or fall? Why not let us do this sooner rather than later so we can catch the benefits of this refunding for our upcoming annual credit reviews with the rating agencies?"

So -- so we just got word a couple days ago that they would do that. They would expedite the approval of our plan, and they would accommodate us trying to do the refundings in the March to April time frame, catch the benefits of going into the annual review for S&P, which I expect to be about April or May time frame. And the Moody's review probably will be late summer to summer time frame. So the idea is if we get this done and we think -- and if you're right that this is actually good for the Agency, both credits, why not get a head start on reaping the benefits of these refundings?

So we think that if all goes well today and getting our plan approved, I'm hoping that we get this done the end of March, April.

ACTING CHAIRPERSON CAREY: Other questions?

MS. CARROLL: Yeah. Just so I understand the
structure, so -- so when you refund bonds, will you
actually be refunding them out of the original
single-family indenture into the new indenture, and so
then they will become -- they will no longer be held by
the Agency? Or they will still be held? Are we
amending the indenture so you hold mortgages, those
mortgages? Or is it going to be the same structure of
the New Issue Bond Program where we're not -- the Agency
isn't holding those mortgages anymore -- that are
associated with the bonds, I guess.

MR. HSU: Okay. That's in the resolution.

MS. CARROLL: Okay.

MR. HSU: Okay. So what we're doing is that
the -- the single-family indenture HMRB is holding all
these whole loans that we're trying to refund. We're
going to take mortgages out of HMRB, and we're going to
put it under an indenture where the NIBP escrow is
sitting at, and that indenture is called RMRB. Except
that indenture, we stipulated with the Board's input,
that we couldn't do whole loans in that indenture. We
could only do MBSes.

So what we did was we went into that RMRB
indenture, which, again, only stipulates that -- at the
moment which stipulates that only MBSes are allowed --
and we sort of put in walls to make them into duplexes
and triplexes so that -- so that -- so that, you know, there are three -- instead of a one-family home, now all of a sudden it's a three-family home.

And under one of the triplex is going to be the loans that were transferred from HMRB and into this triplex. And that triplex, though, will be a special obligation, much like the HMRB is and much like the original RMRB is. So to the degree that we take loans from there and then put it into that triplex and the deal closes, there should be no recourse in terms of credit risk back to the Agency.

MS. CARROLL: Okay. Because they're then guaranteed by the federal government in essence? No.

MR. HSU: I don't think they're guaranteed. It's simply that the federal government is the purchaser of special obligation bonds that --

MS. CARROLL: Okay.

MR. HSU: -- have no recourse back to the Agency.

MS. CARROLL: Right.

MR. HSU: So to the degree that we've overcollaterized it enough, they will probably -- you know, they will get paid all their principal back and interest over time. And to the degree that somehow it wasn't enough, then they are bearing the credit risk.
MS. CARROLL: Okay. Okay, I see what you're saying.

And then what does that do to future sales? Like if you go ahead and do some new money, additional new money, how does that impact the credit there? Is there any impact to the credit when you put money into that indenture?

MR. HSU: So then the other triplex --

MS. CARROLL: Okay.

MR. HSU: -- is the new money for multifamily that we might do. So we haven't said a lot about what we would do with the multifamily because at the moment we're trying to focus on doing preservation, which just means that we're helping the existing portfolio refinance with us. So that triplex would be isolated for multifamily, and it will look a little bit odd because the indenture ostensibly will have sort of a name that sounds like a single-family homeownership indenture, but we will create a triplex that will be exclusively used for multifamily. And that indenture could take, say, GSE-guaranteed loans, or it could also take risk-share loans.

MS. CARROLL: Okay. And will -- so then the credit markets -- assuming we eventually sell some of that, I guess that's another question -- so that the
amount that's reserved for new money that the federal
government has said reserve that for new money, does
that still have the 40-percent market on it? No.

MR. HSU: No.

MS. CARROLL: That's taken off.

MR. HSU: It's all gone now.

MS. CARROLL: Okay.

MR. HSU: With that requirement being
eliminated, it opens up for us all these refunding
options which have been very frustrating for the last
couple years. And -- and as much you may want to say
about the federal government being hard to work with,
these are some of the things that we asked for for the
last two years. It's better to be late than never. And
they -- they finally came around to realize that having
the market component really was -- was really a
hindrance to our ability to use the tools that we have
to do with, best we can.

MR. SPEARS: A couple of thoughts. Originally
when NIBP was approved a few years ago and we had this
discussion with the Board, the idea was we would have
new money for single family and a new indenture. And I
think we all felt very strongly that if we're going to
do new loans, that we wanted not to have anything to do
with whole loans and new loans would be MBS.
This is a little, you know, something that we didn't really anticipate because we've been told, no, you can't refund. Now they're saying yes, which is a good thing. So we're amending the previous amendment to make the triplex, to make a small home for these whole loans that we have that we'll overcollateralize.

The other thing that's unusual is these bonds are already sold. The United States Treasury has bought these bonds already. The money is sitting in escrow, and what we're trying to do is get the approval process with Treasury for the use of the money.

MR. HSU: It's sort of like we're converting a short-term financing that's already funded into a long-term financing. It's my expectation that both of these additional units in the triplex will have no bonds in them that come from capital markets. They would only be NIBP-exclusive homes. The original unit does have market bonds in them, and they will stay there, but the additional, the additional, units in the triplex would only have NIBP. That's right.

ACTING CHAIRPERSON CAREY: Other questions or comments?

MS. PETERS: Clear as a bell as usual. Really, thank you, Tim. We look forward to working with you. You always explain everything so we can understand
it, and we appreciate that.

MS. CARROLL: Thank you.

ACTING CHAIRPERSON CAREY: And I've come to associate the full-color charts with bad news, so.

MR. HSU: I'll have to add some next time.

It's probably because we're dealing with resolutions and it's -- it's -- we should put charts in resolutions, Victor.

(Laughter.)

MR. JAMES: We know that.

MS. CARROLL: This is very good. I do have a general question just about approving -- the Board approving sale resolutions. So I don't know if this is a good time for some general questions?

ACTING CHAIRPERSON CAREY: Sure. Go ahead.

MS. CARROLL: As those of us in the municipal bond world know, there's been great emphasis on disclosure. The SEC has been really looking at issuer disclosure and have focused on it, shall we say, over the last year. And there have been some actions taken, pretty isolated cases, but it has really raised all of our awareness about disclosure.

So in this particular case, we as a board approve you to go forward as staff, and, we, you know, put parameters around sales, but then you prepare all
the documents and the Board really doesn't see -- other
than the resolutions, doesn't see those documents and in
particular the disclosure documents. I know in at least
one of the cases there was a public board that sort
of -- there was discussion about what their
responsibility in disclosure might be. So I'd like to
maybe hear one of your counsel's comment on what the
CalHFA's Board's responsibilities would be with respect
to your disclosure documents.

MR. SPEARS: And you're talking about
specifically the offering documents, the official --

MS. CARROLL: Yeah.

MR. SPEARS: -- statement that goes out that
bondholders see and the public sees.

MS. CARROLL: Right.

MR. SPEARS: We have both Stan Dirks and
Howard Zucker here from our bond counsel.


Katie, if you'd just give me 30 seconds. I
just wanted to add one thing to the prior discussion as
to why we needed a triplex, okay, because it's highly
unusual.

Basically, the lawyers at the Treasury
Department have taken the position -- which can be
debated, but they're the final arbiter of this
question -- that basically any bonds under NIBP had to be issued before the end of '09, and they cannot be refunded in basically a different resolution or indenture.

And so the Waldorf concept basically is a glorified version of having three resolutions under one umbrella resolution where the bonds were originally issued, and then there'll be -- the new bonds will be -- the old document will be amended to provide all these additional facilities to amend the existing indentures, existing bonds, that are in escrow to do some multifamily deals and to do single-family refundings, but that is the only way it could be done. And a couple issuers last year in the state of New York did this Waldorf concept -- walled off, but said fast it became known in New York as the Waldorf, and it sounded very, very glorified.

So it's been done, and it's -- it sounds much more complicated than it should be, but that -- it all derives from the Treasury's position that it has to -- the new bonds, what are functionally new bonds, have to stay in the original indenture.

With respect to your question on disclosure, the situations the SEC has looked at over the last ten years, including Orange County and including City of San
Diego, both obviously in California, were situations -- were somewhat unusual situations. And certainly in San Diego, going back about ten years, it led to a number of even criminal indictments. So there was a lot of actual bad knowledge, actual bad actors, and that's not the typical event.

So the question you're asking, basically, as a Board member, you're delegating to the staff and its outside consultants the preparation of an official statement, and what is your responsibility as a Board member?

You know, basically the Orange County report, so-called 21(a) report that came out about ten years ago, basically said that if board members, in that case city council members, were -- had actual knowledge or were reckless, they could be liable.

But I think the general concept is absent actual knowledge of a problem and absent closing your eyes, that assuming there is an ability to say the Board members reasonably relied on professional staff and the outside consultants, including law firms, in this case Orrick and Hawkins and -- and others, that -- and there's processes in place at the staff level to review things, the Board members, you know, are okay, I mean if you have reasonable reliance.
And it's logistically impossible in most cases where issuers are active issuers for the Board from a timing perspective, since you only meet every two months and disclosure is a dynamic process and things are constantly changing, to have, you know, day-to-day intimate involvement typically.

And certainly speaking for state housing finance agencies, the way you all have been doing it is consistent with the market standard for HFAs and I think generally consistent with issuers in general, but it really comes down to what's referred to by the SEC in the market as reasonable reliance, do you have a basis to reasonably rely on the people who are performing the task of putting together the offering document.

MS. CARROLL: On some of the other boards that I sit on or that I have some responsibility for, you know, it's been interpreted that the board has to approve more bond documents, but in this particular case, can you comment on what the Board's responsibility would be in terms of reviewing an official statement? I mean, are -- is that something if -- has the SEC made any comments about whether the Board needs to have actually reviewed an offering document?

MR. ZUCKER: Well, the last statement that they really made was back in the Orange County report.
but they made very clear that if a board member, their, you know, governing body member because it was the county supervisors, if they had actual knowledge of a problem, they had a duty to inquire that it was addressed. Okay. But if they had no reason to think there was a problem, okay, they did not have an affirmative duty.

In the for what it's worth department, the SEC is likely to issue a new interpretive release by the end of September that would update a 1994 release dealing with disclosure generally and in part specifically underwriting responsibilities, but it addressed other things.

Ms. Carroll: Right.

Mr. Zucker: And one of the issues that the National Association of Bond Lawyers and other organizations have asked the SEC to expressly address in this interpretative release is the issue that you raise. So prior to getting to that release, so whenever it comes out, I think more or less the interpretation by most of the major law firms who practice in this area, and Orrick and Hawkins are certainly two of those firms, has been that if there's a reasonable basis for the members to rely on the staff, the outside consultants, absent actual knowledge of an
actual problem, that Board members are entitled to rely on their staff and consultants.

MS. CARROLL: And then the other question, just to clarify roles, a lot of issuers are like -- there have been several issuers that have gone out and engaged disclosure counsel. Some already had disclosure counsel onboard, but with some of the discussion and actions taken over the last year, I think there's a heightened awareness of disclosure counsel.

The Agency doesn't employ disclosure counsel, but I don't know that that means there isn't a counsel that's overseeing disclosure. Am I correct? As bond counsel is that one of your duties?

MR. ZUCKER: Well, I would just say -- and then I'll certainly allow Stan to make his comments -- although there is not generally in your deals, and certainly not in your program bonds and entity law, a firm with that title.

MS. CARROLL: Right.

MR. ZUCKER: Between the law firms, we, I think -- it's fair to say we perform that function. And each firm certainly has a lot of experience being disclosure counsel. So it's really more the function than the title. And, you know, I speak for myself, but also I can tell you observing Orrick in practice, both
firms take that role, that function, extremely seri-
ously. There's a lot of debate and -- especially the last few years a heightened debate and review, and so the function of disclosure without necessarily the title of disclosure counsel has been performed by our
two firms.

MS. CARROLL: Thank you.

And then one last question. The other thing that's come up is the existence of procedures. Do -- do issuers have a process and procedures in place? And so I would ask the Agency staff do we have procedures in place for how we approach disclosure and the review levels? There is actually -- I think NABL has been participating in this, and there's actually -- with New Jersey and so on, there are actually sample plans out there --

MR. ZUCKER: Yeah. That's something --

MS. CARROLL: -- floating in the community.

MR. ZUCKER: -- Tim and I are involved in.

I'll take the first crack at that.

A lot of this derives from the remedies for San Diego, which is part of the settlement with the SEC. And we came in as -- after the start of the investigation in San Diego as general disclosure counsel to the City of San Diego, but part of the remedy with
the SEC was that the City had to adopt formalized procedures on how to -- and training on how to address disclosure and, you know, very formalized procedures.

Now, there again, there was some very bad things that happened.

MS. CARROLL: Sure.

MR. ZUCKER: So based largely on some procedures in Sarbanes-Oxley, a very detailed, very formalized process.

Other issuers have adopted -- Rhode Island after the SEC's investigation of its pension fund disclosure problems just instituted formalized procedures, formalized training. The City of San Francisco, although it had no such problems, has instituted a lot of those things.

And when the New Jersey -- State of New Jersey, which became the first state to be accused of, let's say, disclosure problems relating to its pension fund, but generally for a state to be accused by the SEC of having a problem. Whereas in San Diego the SEC took the position that the remedy was this enhanced, formalized procedures, enhanced training, in New Jersey, actually the SEC expressed it as the cause of the problem was not having these things in place and things were falling through the cracks. Now, that's a very
benign reading of the facts in New Jersey, but that is
what was said in the final order.

So certainly many big issuers have begun
adopting things patterned after San Diego and other
places, and it's -- what they call best practices or
something else is probably a very good practice.

MS. CARROLL: So, you know, I think that would
be my question of the Agency staff, is whether you've
considered adopting some sort of policy or more
formalized procedure, just to address some of the big
issues that have been raised this year. And I think if
you don't have a process, it just seems like it's always
good to step back and look at these things and decide
whether it might be a good idea to adopt something
along --

MR. ZUCKER: With Tim's indulgence, one
just -- I would say that the processes that would be
formalized, if the Agency were to do that, more or less
would codify what is happening without the formalization
because I do think that, as I said, especially the last
few years more than ever, there's been a very heightened
review of things.

But basically the practices -- formalized
practices require certain people in certain departments
review regularly certain sections of official
statements. There's a record of their sign-off, who reviewed it, and it's not just looking at, you know, looking at black line or changed provisions, it's reading it from scratch to see if things might not be said that should be said or things that didn't change perhaps no longer should be said. So it more or less formalized what I think functionally the Agency has in fact been doing.

MS. CARROLL: Right.

MR. ZUCKER: And, you know, I leave it to the Agency to address that, but they have been doing what the other issuers, you know, put down in writing should be done.

MR. DIRKS: Yeah, I'd certainly echo all of Howard's statements as to what the law is and as to what the practice of the Agency has been.

I'd offer one example from mid last decade as the housing bubble appeared to grow and people began to be concerned about what might happen and what might happen even within the Agency's programs generally, within the Agency's single-family program in particular and then in the housing market generally, we developed for the Agency's official statement a very, very comprehensive risk factors section, added it to the official statement. Actually in some ways it forecast
what eventually did happen, but it was great to have had it in there.

And that's the kind of attention to disclosure that the Agency's team has had over the period that I've worked with them, which is, as you know, many years. And there's been a designated person in the legal staff, several designated people on the financial staff, people within the mortgage insurance group review the mortgage insurance procedures, and it has all been put together on that basis.

MS. CARROLL: Right. Right. I do appreciate that, and I'm sure that you guys have all been doing a fine job. It's just -- it would probably be nice to see something a little more formalized given sort of the guidance that's out there right now. I'm not -- and again, I believe it probably would be more formalizing what you're doing already, but it just seems that if that's sort of the standard that's being touted as being something that's a good thing to have, that might be --

MR. HSU: I think we could consider that. I -- as Howard and Stan are saying, I think that it would simply codify some of the things they're doing. And I think I'm entirely open to that.

ACTING CHAIRPERSON CAREY: Okay.

MR. HSU: And it's something that we can bring
back to the Board if you want to make sure that we do
adopt best practices. We could bring it back to the
Board.

ACTING CHAIRPERSON CAREY: Seems reasonable to
hear back.

MS. CAPPIO: I do too. I guess I want to
clarify that it seems to me, being a good bureaucrat,
that this is something developed internally, that is
subject to change internally.

MS. CARROLL: Yes.

MS. CAPPIO: But if we -- I would be glad to
develop something. I guess I think it’s just
delineating the obvious at this point, given that there
are procedures in place, and I would be glad to do that.

MS. CARROLL: Thank you.

ACTING CHAIRPERSON CAREY: Okay. Should we
move on to the resolutions?

Thank you, Stan and Howard.

MR. HSU: So the -- I believe late yesterday
we sent out an e-- late yesterday we sent out an
e-mail of the -- of the revised 12-01, and the addition
is what's on the bottom of this page. As I've been
saying, that the refunding, since it needs
overcollateralization, it needs contribution from the
GO. So Resolution 12-01 states that the executive
director has the authority to contribute up to $50 million of assets, and that could be, as I mentioned earlier, unencumbered whole loans or cash, to facilitate the refunding to the degree she can conclude it would result in a net economic benefit to the Agency at large, and Agency at large being the HMFB credit and the GO credit. So that's the significant addition from the revision that we sent out yesterday.

And the rest of the articles are essentially the same. I would simply highlight the changes. Last year we asked for $200 million of taxable issuance. We brought that down to a hundred million dollars. I think that we don't really expect to issue taxable bonds.

And then last year where a credit facility to be shared between single and multi, we asked that credit facility -- short-term credit facilities to be $400 million, and this year we brought that down to $200 million.

And with that, those are my comments on Resolution 12-01.

ACTING CHAIRPERSON CAREY: Are there -- are there questions relative on that resolution?

We're going to -- I'm going to try to learn -- to run this process just slightly differently. Before we have a motion actually on the table, we will ask for
public comment on each action for this item.

So at this point I would ask if there's anyone in the audience who wishes to comment on the proposed action relative to Resolution 12-01.

Seeing none, would entertain a motion.

MR. HUNTER: I'll so move adoption of Resolution 12-01.

MS. PETERS: I'll second it.

ACTING CHAIRPERSON CAREY: It's been moved and seconded. Any further discussion?

Roll call, please.

MS. OJIMA: Thank you.

Ms. Creswell.

MS. CRESWELL: Yes.

MS. OJIMA: Mr. Gunning.

(No audible response.)

MS. OJIMA: Mr. Hunter.

MR. HUNTER: Yes.

MS. OJIMA: Ms. Carroll.

MS. CARROLL: Yes.

MS. OJIMA: Mr. Shine.

MR. SHINE: Yes.

MS. OJIMA: Mr. Smith.

MR. SMITH: Yes.

MS. OJIMA: Ms. Peters.
MS. PETERS: Yes.

MS. OJIMA: Mr. Carey.

ACTING CHAIRPERSON CAREY: Yes.

MS. OJIMA: Resolution 12-01 has been approved.

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Item 5. Discussion, recommendation and possible action regarding the adoption of a resolution authorizing the Agency's multifamily bond indentures, the issuance of multifamily bonds, short term credit facilities for multifamily purposes, and related financial agreements and contracts for services.

ACTING CHAIRPERSON CAREY: Move to Resolution 12-02.

MR. HSU: I promise this one will go so much faster.

ACTING CHAIRPERSON CAREY: Good thing.

MR. HSU: Really the only change in this resolution from last year is to say that the new -- the new money and the refunding in the multifamily space would go under one of the triplexes that we talked about. And the name of the triplex is very enticing. It's called Article XIII of RMRB. So this resolution is identical to last year's, simply with this -- this is the most significant change, to say that new issue or
refundings will go into this Article XIII of RMRB.

And then, just like on the single-family side, instead of a $400-million credit -- short-term credit facility to be shared by single and multi, we brought that down to $200 million.

And those are the changes, and those are my comments on this resolution.

ACTING CHAIRPERSON CAREY: Are there questions?

Is there anyone in the audience who'd wish to address the Board on the matter of Resolution 12-02?

Seeing none, we are ready for action.

MS. CRESWELL: Move to approve.

ACTING CHAIRPERSON CAREY: Motion.

MR. SHINE: Second.

ACTING CHAIRPERSON CAREY: And a second.

Roll call, please.

MS. OJIMA: Thank you.

Ms. Creswell.

MS. CRESWELL: Yes.

MS. OJIMA: Mr. Hunter.

MR. HUNTER: Yes.

MS. OJIMA: Ms. Carroll.

MS. CARROLL: Yes.

MS. OJIMA: Mr. Shine.
Item 6. Discussion, recommendation and possible action regarding the adoption of a resolution authorizing applications to the California Debt Limit Allocation Committee for private activity bond allocations for the Agency's homeownership and multifamily programs.

ACTING CHAIRPERSON CAREY: Six is a fairly straightforward item also?

MR. HSU: Yes.


MR. HSU: Item 6 is the Board's -- the Board authorizes the staff to apply to CDLAC for a certain dollar amount of private activity bonds. So on single family, single family, which is the homeownership program, this year we're asking the Board to authorize $200 million. Just in way of context, last year we
asked for $900 million, and we think that's -- given
that our single-family program is on pause and the fact
that we actually have $970 million in carryover, to
reflect a bit of a -- closer to reality what we might
request is what we decided to do. Instead of asking for
a very large number and not come anywhere close, we
brought that down to 200.

And the multifamily, the request from last
year was -- the authority from last year was $400
million, and we stuck with the $400 million this year.
And the amount of carryover we have in multifamily is
also quite large at $1.3 billion.

And those are my comments on the resolution.

ACTING CHAIRPERSON CAREY: Questions?

This is an opportunity -- if there's anyone in
the audience who would like to address the Board
relative to Resolution 12-03, please indicate.

Seeing none, what's the Board's pleasure?

MR. HUNTER: I'll move adoption of Resolution
12-03.

MS. CRESWELL: Second.

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

Roll call, please.

MS. OJIMA: Thank you.
Ms. Creswell.

MS. CRESWELL: Yes.

MS. OJIMA: Mr. Hunter.

MR. HUNTER: Yes.

MS. OJIMA: Ms. Carroll.

MS. CARROLL: Yes.

MS. OJIMA: Mr. Shine.

MR. SHINE: Yes.

MS. OJIMA: Mr. Smith.

MR. SMITH: Yes.

MS. OJIMA: Ms. Peters.

MS. PETERS: Yes.

MS. OJIMA: Mr. Carey.

ACTING CHAIRPERSON CAREY: Yes.

MS. OJIMA: Resolution 12-03 has been approved.

ACTING CHAIRPERSON CAREY: Recognizing your situation --

MR. HSU: Mr. Chairman?

ACTING CHAIRPERSON CAREY: Yes.

MR. HSU: I just have one quick thing to add.

There are various financial reports as part of this package, and one thing I wanted to highlight, though, given the recent European sovereign debt downgrades, we actually have a requirement, an investment policy, that
the sovereign rating needs to have at least one AAA rating. And that's of interest because normally we look at the credit rating of the provider and not the sovereign rating. So we think that we'll probably bring the investment policy -- which is very old. I think the last time we updated it was in 1991 or so. We'll probably bring that to the Board at the next, March, Board meeting.

**ACTING CHAIRPERSON CAREY:** Okay.

Recognizing the patience of those who have been waiting to speak, we will nonetheless take a ten-minute break, in part to give our stenographer a break, and be back in ten minutes.

(Recess taken.)

**--oOo--**

**Item 7. Review and discuss the Agency's policy of allowing homeowners with Agency first mortgages to rent their home**

**ACTING CHAIRPERSON CAREY:** We are back in session, and we will now take up item 7 regarding the policy allowing homeowners to rent homes. And that will be Ms. Cappio.

**MS. CAPPIO:** Yes. I've taken off my ex-officio Board member hat and put on my executive director hat for this presentation.
Historically CalHFA has prohibited homeowners from renting their houses financed by CalHFA tax-exempt bonds, except in cases of certified financial hardship. This practice was based on both legal and policy grounds. The IRS Code requires that borrowers, after receiving loan proceeds from the tax-exempt bonds, must intend to live in the property as an owner occupant. This requirement is also consistent with CalHFA's objective of financing first-time homebuyers who live in their home rather than become landlords.

Throughout most of CalHFA's history, the rental hardship policy was put into practice only a few times a year. In a healthy housing market, if the householder experienced a change in circumstances, they would either refinance or sell their home without a problem.

The double nightmare of the drop in home prices coupled with the downturn in the economy during the last four years has left borrowers in a tighter spot, and many more rental exception requests were processed as borrowers with changed circumstances were not able to sell their homes or refinance.

If CalHFA became aware of a home being rented out without permission, the borrower would be notified and given an opportunity to cure by moving back in or
applying for the hardship exception. If these options were not successful, borrowers would be brought through a nonmonetary foreclosure process.

Since October of 2011, CalHFA has not foreclosed against any borrowers based solely on nonmonetary default of the renting out of the residence without a hardship exception. We have taken the past few months to thoroughly review the hardship exception and now have before you a new proposed policy for review and consideration.

As presented in the draft before you, we have chosen to simplify the process based on three basic criteria: First, that the borrower has met the IRS requirement that they intended to occupy the home as their principal residence at the time they received the CalHFA loan; second, that their home value is now worth less than their loan; and, third, that they can demonstrate the ability to continue their mortgage payments.

If this -- in this continued dysfunctional housing market and current economy, our key objective is to help borrowers preserve their home and their asset with a check on their ability to meet their financial obligations. We are simplifying the process, again, as I noted, accounting for the pre-extraordinary economic conditions.
circumstances of many California households at this time.

This concludes my presentation, and I'm happy to address any issues or questions that you've got.

ACTING CHAIRPERSON CAREY: Questions?

Item 2, what's the basis for choosing 12 months? I guess my only thought is that 12 months seems to come up pretty fast.

MS. CAPPIO: We believed that there was a purpose in monitoring the amount of rental circumstances that we have, and we need to be consistent with our indenture obligations, that there's a fairly flexible percentage of mortgages that can be -- that -- where there can be rentals, and we want to make sure that we're accounting for that accurately and making sure that there are not changed circumstances where they can move back in their home, but basically making sure that in any given year we can account for the percentage of mortgages that are actually being -- or homes that are being rented out. That's for IRS purposes and audit purposes.

MR. SMITH: I understand that if there is a -- if the home is worth more than the loan, then they don't qualify for the rental program; right?

MS. CAPPIO: At this point, that's what we're
proposing.

MR. SMITH: I can certainly see the rationale.

What percentage of our loans are under -- are worth less than the loans, where the properties --

MS. CAPPIO: I don't think we have --

MR. SPEARS: That, of course, would take a -- you know, an appraisal. I don't have any reason to believe that it's less than the state average, which is about a third.

MR. SMITH: Okay.

ACTING CHAIRPERSON CAREY: Mr. Shine.

MR. SHINE: Am I reading this correctly, that the purpose of the 12-month inspection is to verify that they're still in the same situation? Or is it to reevaluate their credit and finances and appraisal of the house and all that kind the stuff?

MS. CAPPIO: I believe we want to keep it simple, and it's to assure that they're still renting and that their circumstances are the same, generally. We -- we have -- it's optional whether we would give them another year. We want to leave that to CalHFA's discretion.

MR. SPEARS: That line of demarcation, Mr. Shine, is based on federal tax law, that if you rent for more than one year, you're not allowed to take the
interest deduction, you know, on your -- as an itemized deduction on your tax return.

So it originally was the line of demarcation. We wanted to make sure that the borrower knew that.

We've got -- you know, they're informed of that. But you're right. I mean, we periodically want to go back and check and still make sure that --

MR. SHINE: If you try to go back and reunderwrite every year, in effect, I would -- I would request that we try to bring that into a little more focus as to exactly what happens at the 12th month, just to make sure that there's no lack of clarity, period.

With respect to the value of the home being less than the mortgage, I could envision a situation where even if it's the same or worth 10 percent more than the mortgage, they're still in the same boat in trying to get us refinanced out because nobody's going to make a 90- or a hundred-percent loan under that circumstance. So I think we should take a look at that also and -- and focus on what does it mean that the value of the home is now even a dollar more than the loan against it? They've got to -- in order to get us out, the borrower would have to be able to refinance and under what terms and under what kind of financing he could get, if any. It would be questionable when he'd
be capable of giving us our money back and moving on in life.

MS. CAPPIO: Thank you.

ACTING CHAIRPERSON CAREY: Yeah, likewise, I'm just concerned about what could become, it seems to me, a pretty significant annual process for staff, when there are far more significant things to be done, and I just would encourage to keep it as targeted as possible.

MS. CAPPIO: I am envisioning a checklist process for recertification, but we will work those details through, and I -- I'm -- I realize the concerns of the Board.

MR. SMITH: The other thing, I think you made a good point. If somebody is 5 percent over the threshold in terms of the value of the home, they still have the same problem. We should try to have some flexibility to allow a greater number of people to take advantage of this and not have a strict rule that says it's got to be one dollar under or one dollar over or whatever.

ACTING CHAIRPERSON CAREY: I would love to think that values were going to go up quickly enough that this would be a problem.

MR. SMITH: I am just saying where you are today, whether it goes up or down.
ACTING CHAIRPERSON CAREY: Okay. We -- are there any other questions or concerns?

With that, then, we'll open up public comment. We have four -- four speakers who've indicated an interest in speaking, and I'll just -- I see two sets of speakers, and so let me just take them by group: Marcia Wold and Laura Blakely, I believe, are sort of jointing presenting. Is that right? Great. And you can share the table over here. And again, we'd ask that you be concise and to the point while getting your point across.

MS. WOLD: I just made some notes on my phone, that's why I'm -- my name is Marcia Wold, and thank you for taking the time to listen.

I got married, and my condo was foreclosed. So I had no missed payments. As a matter of fact, I -- oh, is it on?

MS. CARROLL: Yes.

MS. WOLD: Sorry.

I had no missed payments. As a matter of fact, I had paid an extra $10,000 to my mortgage. My grandmother gave me some money, and everybody said, "Pay down your mortgage, pay down your mortgage, pay down your mortgage." So I did. That's -- I paid an extra $10,000.
I tried everything I could when I got the letter that said, you know, you're -- we're going to foreclose. You need to move back or you need to pay off the loan in full. And I called, and a woman at CalHFA -- it was April of 2009. She said you can apply for approval to rent. She said, "It won't be a problem. It happens all the time."

And I didn't hear, I didn't hear, I didn't hear. I called again. She said, "Oh, you should be getting a letter soon."

July came, and the letter said, nope, you've been denied. I tried to refinance. My home was $80,000 under. And I called the bank, and they laughed, said you can't refinance. My credit store was over 800. Couldn't refinance. I tried to just get a straight-out loan. Obviously I couldn't just get a straight-out loan.

And -- okay. So that was that. So got married and my husband and I decided, okay, we'll rent it out. And I was losing -- losing -- a thousand dollars a month by renting it out. It caused me significant economic detriment to rent out my home. We thought as soon as the market recovers, we will -- you know, as soon as the market recovers, we're going to, you know, sell it.
So we couldn't sell it. And lucky for me, my attorney, Laura Blakely, she fell into my lap, and she knew John Hill, who works at the Senate oversight committee. And the report came out. And now it has come to light, which is why I believe the amendment has -- the proposal, resolution, has come out. And there are so many people in my situation. And as a public service agency, it is your job to help people in our situation, not take it away.

I'm a teacher. And when a student is failing, it is my job to help them, not say, "Oh, too bad. You're on your own." And as far as I know, you guys didn't investigate to find out what are other states doing. John Hill did that. He's the one who investigated.

And, you know, when you foreclosed, my credit score took a 120-point hit. So now my husband and I, we can't finance our home because my credit score is now under 700 points. It's 600-something. I never missed a payment. Never. I paid an extra $10,000, and my credit score went down by 120 points.

I really hope that you're going to pass this resolution, and that's that.

MS. BLAKELY: Thank you. Well, so for Marcia and other people in her situation, I understand there
have been a number of foreclosures already. There's
other people that were in process and others to come,
but for the ones that have already been foreclosed, I
would hope that the Agency would take some steps to help
repair their credit rating since you're now realizing
that maybe this was too strict of an interpretation of
the Revenue Code and too narrowly applied -- looked at
the requirement to foreclosure without taking this kind
of hardship into consideration.

We did -- she did receive some letters from
the Agency that she can then in turn submit to the
credit ratings bureau that could help. It would be
really nice -- and I would hope that the Agency staff
would perhaps undertake a little bit more initiative, a
little more affirmative assistance to people in this
situation, especially given the state of the economy and
the function of the Agency to help -- to help homeowners
out.

The other things I believe were touched on
earlier that I wanted to mention. No. 8 on the proposed
policy says that the borrower has to execute an
affidavit that -- will reoccupy the CalHFA-financed
property as a primary residence. In particular we're
looking at the types of borrowers whose family situation
have changed. They've gotten married. They've had
children.

You know, Marcia was living in a 700-square-foot condo with her husband and his child. It just -- it didn't fit. And those people whose family situations have changed are not going to fit back in their smaller homes, because this is typically -- people move out because they outgrow their homes, and in an ordinary economy, you could sell or refinance, but that's not the case now. And so those people are not going to somehow or another fit again and move back in.

So I would encourage a policy revision to be considered that says will reoccupy or sell or refinance with conventional financing to repay the CalHFA financing on that number.

And then you already talked in item No. 2 the 12-month limitation. And I would just ask, it sounds like maybe you're considering that -- having a checklist process to extend that, but that there be some kind of objective criteria like if you have your house listed where you can show you have a current listing, you're still trying to sell it but the market hasn't turned around, or that you have a current application on file for financing but that -- you know, some recent rejections. There could be some supporting paperwork that the borrowers could supply. It would be pretty
easy to say, yes, another year. And so I would just ask
that the application be practical.

Thank you.

ACTING CHAIRPERSON CAREY: Do you have any
suggestions about other things the Agency could do for
those like Ms. Wold in their -- with their credit issue?

MS. BLAKELY: Well, there's three main credit
bureaus and so the -- typically the way that it works,
like say you get dinged on your credit, like you're a
bank and your borrower misses payments for six months
and then it's later determined that that was an error,
that they actually had made the payments. The lender
can just correct that reporting. In this case, they did
foreclose. The Agency foreclosed, and the Agency did
have a legal right to foreclose. So they can't really
say, you know, we didn't foreclose, which would be the
typical action, because they did.

And they did provide a letter to Marcia that
she can submit to each agency, but I think it would be
very helpful if there were something that came directly
from the Agency to each of the three credit bureaus
saying that, you know, we foreclosed because our policy
was interpreted -- the law was interpreted very narrowly
and we've since changed the policy and if the new policy
were in effect, we would not have foreclosed and, you
know, her rating never would have been harmed.
I mean, she kept mailing in checks, and they kept mailing them back. So she -- she just wants to do the right thing. And it's just a shame that this happened, the hardship. And also it costs the State money. It costs the State thousands of dollars every time there's a foreclosure. It just didn't make sense, so.

ACTING CHAIRPERSON CAREY: Other questions?

MR. SMITH: Well, I would have a comment to the proposed rental policy, item 3. I would suggest that we add fair market value of the property plus 10 percent, only to give a little bit more flexibility, you know, so it's not such a hard-and-fast rule. So if somebody has the ability to not force us to foreclose, but their value is within that 10-percent difference rule, it puts a little more flexibility in. I don't know if that's acceptable to staff or the Board.

MR. SHINE: I don't know what they can do if it's 90 percent.

ACTING CHAIRPERSON CAREY: That's an interesting point. If it's 90 percent, you can't refinance it anyway.

MR. SHINE: Why don't we just --

MS. PETERS: I think he's saying 10 percent
over, so if you hit it, if fair market value is a hundred thousand and your loan is a hundred thousand, this would cause you to, you know, have to transition, but you know you're going to have expenses and closing costs, moving costs and all that. I think Mr. Smith is suggesting we give them a 10-percent wiggle room on top of the fair market value so that it has to reach -- am I stating that correctly?

MR. SMITH: Well, that's what I was trying to do, but your point is well-taken. I mean, 20 percent or 10 percent? I just want to make sure we're --

MS. PETERS: -- doing the right thing.

MR. SHINE: I don't think we can solve it right sitting here, but as long as we say that that's something that needs to really be evaluated, because giving somebody what we're talking about here isn't giving them really anything in the real world, at least today. Even if we just say, that's okay, but we're not going to -- we're going to do 12-month inspections for two or four or five years and after that, you have to comply. I mean, there's all kinds of things you could do, and I think it's something that we should just put on the table and, you know, everybody get their thoughts down and try to come up with some consensus plan that is supportable.
ACTING CHAIRPERSON CAREY: Let me suggest that we allow our other two speakers to speak, and we can discuss it more completely.

MS. BLAKELY: Thank you.

ACTING CHAIRPERSON CAREY: Thank you both --

MS. WOLD: Thank you for your time.

ACTING CHAIRPERSON CAREY: -- for being here.

The two speakers that I have are Anne Jordan and Katharine Jordan.

MS. KATHARINE JORDAN: Good morning.

ACTING CHAIRPERSON CAREY: Good morning.

MS. KATHARINE JORDAN: My name is Katharine Jordan. I am one of your mortgage holders. I live in Sacramento, and I purchased my property for $200,000 five years ago.

Since purchasing this property, I -- I -- it was my dream place. I could -- I'm visually impaired. I had public transportation to my office. I could walk to a grocery store. I could walk to school. It was perfect for me.

My life changed dramatically when my father passed away and I had to take care of my family. When that occurred, my mom moved in with me, and my condo proved to be too dangerous to live in. The way the stairwell is constructed, there's a place where you can
actually fall three stairs down. That happened three
days after my mom moved in with me, and she had a severe
concussion.

The place where I live is no longer safe for
me and my family. I want to do the right thing and
continue to pay for it, however, I know that I cannot
physically move back in, one of your requirements when
it is possible. It's never going to be possible.

I have gone through the paperwork for
consideration for hardship and found that the definition
of hardship is only financially related. It does not
take into consideration other life issues which make
moving back into a property still unfeasible.

As a consequence of this, I have, similar to
the previous speaker, had my checks returned time and
time again. That is heartbreaking when you know you're
trying to do the best thing possible.

I do understand, though, your position as a
state agency. You have regulations that are federally
imposed, as well as ones that are tied to financing. I
get that.

So what I hope you can do is think outside the
box for solutions. Part of this might be the expansion
of the definition of hardship. Another alternative
could be finding a lender who's willing to do a
public-private partnership to move people who are in my kinds of situations, or situations where their life has changed, off of your product into a similar product that is able to proceed without those kinds of ties.

However, as previously noted, the market is a horrible place right now. I -- and I'm going to actually dispute the figure that was proposed of 30 percent of properties. I'm going to say for the population of mortgage holders that you have, you're going to have a higher level of difference in underwater just because you are dealing with the shorter homes out there. Those are the ones that are not bouncing back as quickly.

My property that I paid $200,000 for, the last one in my complex to sell was $65,000. I have tried to -- I've approached several lenders on the situation to see if I could refinance, and no one is even willing to look my numbers just because of that major difference.

However, as a state agency, you can create a partnership to find a group who's willing -- most of us are good, strong people who care about their credit score, care about doing the right thing -- who would take us on as just assuming our loans as they were so we can continue to pay and not have to break your rules of
renting out.

I would also ask for consideration in this new policy that when you do allow for rentals, that it be longer than a 12-month period. When I received the permission to rent out back in February or March of 2010, it took me six months to find a qualified renter, which means six months in, I still had a lease going and I wasn't able to get permission again to continue on the lease. So it put me in a very tough spot. Since the whole moratorium occurred, I was okay. However, this is a situation that really creative thinking can work around.

With me right now is my mother, Anne Jordan. She is a recent retired policy analyst, and she took some time to take a look at your proposed policy and has found some comments that she'd like to share with you right now.

MS. ANNE JORDAN: I've recovered from the concussion, but I will tell you that the design feature that was a problem was totally up to code. This is not something that is even fixable. It's an old switchback style of stairs that have a triangle at the turn. And if you don't catch that triangle just right, you are not only falling, you are propelled. And I was propelled and hit my head down on the concrete. So it only took
me three days to figure that that triangle wasn't going
to work.

It became apparent that my daughter, who had
worked very hard to be independent and had a solution
that really worked -- she didn't tell you some of the
other issues that came with it. Some of the
accommodations you do when you are disabled have to be
how do you get to work? How do you do things in life
that other people do? It's not just the ability to use
your house. It's where your house is and how those
steps fit in.

It turned out that the connection of the bus
to the light rail, there was a real issue at the light
rail. It's important for you to know that these are
parts of it. It's uncomfortable to say, but when she
would get there in the morning, sometimes the condition
of the elevator at the Watt Avenue light rail was soiled
with human excrement or pee. And she couldn't take the
elevator one day and had to take the stairs. They
hadn't maintained the light bulb. She went down the
stairs, and there was more feces. She fell down, ended
in the hospital.

She has also had another instance where people
rushing to get on and off are very irreverent. They --
they have a focus, which is not necessarily your safety.
It turned out that this very good plan had to be modified in many ways. And Katie is very good at it. She is a manager with the State, and she's accomplished, and she will go places, but one of those places will not be her condo.

At her request last night, I took a look at the supporting documents that were provided for today's meeting, and I found some inconsistencies. I found some opportunities. And I don't know how to best use your time, but I will quickly tell you some things that I have found, but I would like to offer my time to assist in anything you would like to do in terms of developing a policy. I am technically a retired annuitant working policy for the Department of Financial Institutions, and they would allow me to come over on my own time to provide some assistance.

I will follow up with some written comments. As in all policy, I can only suggest, I can recommend, and I can give you my reasoning, but I respect that it's your job to figure out what meets the laws, what meets the intent.

So in beginning my comments, I had some general ones. I commend the focus that says it looks at the intention of the base laws, the rules that were here, and did you intend to live in the home versus did
you intend it as a rental property. I can tell you in
my daughter's case, absolutely that was her home. It
was going to be almost her home for life, unless the
lottery came through.

House values, as you know -- as she stated,
she's not alone. This is a big issue for our community.
I've worked for Department of Financial Institutions.
From what I know, this is not a short-term fix-all. It
is going to be a prolonged recovery. I share Katie's
opinion that your organization would, if the data became
available, likely have a higher percentage than the
average in California who would fall into this shortfall
area strictly because they're the folks with lower
income going in. They are individuals who maybe don't
have as much career going for them yet. They just
haven't evolved.

I would say that a condo in particular will be
the very last thing in this environment to recover.
People will look at condos, because you have HOAs, and
those HOA folks are raising their HOAs to cover people
who've bailed.

I've found it heartbreaking that on one
occasion a person not to be named but with CalHFA said,
"Well, as long as you do it, it will be a short sale.
It will only take you a while to restore your credit,
and then we can make the house available to another low income person," instead of what I think now in your policy is the focus is what was the intention? And the intention was to live there. It wasn't to be a -- if anything, Katie was a reluctant landlord. She didn't want to have to do that. And she actually did set up the amount of rent based on trying to keep with the intent, and she wanted to make sure people were creditworthy but not necessarily stellar. She wanted to make sure that it was still fair. She charged a little bit less than other people, thinking that might attract. It was her circumstance.

The ability to pay will be a very difficult thing. This is a comment as a policy analyst. People had a hardship. That hardship was probably related to something financial in their life, a demotion, cut-back at the office, a loss of a job, unable to make their payments, so they move out of a house into another family member's house, and the renter is helping, combined, to break even on the house.

I think that their ability to pay should, as a policy, look at their ability to pay personally as well as with the rent that's coming in, because you're going to have a lot of people in that gray area with a shortfall. Choose what you need, but be aware that is
one of your target groups.

I, too, had a difficulty with the 12-month issue for its practicality on workload and the kinds of documentation that would be necessary to generate. It was very difficult, even going back to the tenant at Katie's house when they had to implement the new rider that says that CalHFA has rights to the rents, and yet they give you -- "you" meaning Katie -- the license to keep those rents. And it's only to protect CalHFA at a certain time should Katie no longer meet the overall obligation. It takes time.

That 12 months, the kind of documentation that you want, I would want to make it practical, streamlined and something where you don't jeopardize the tenants there. Some tenants -- now Katie's had to go to month to month because she wasn't empowered to do a year lease, and they wanted to do a year lease. And so instead of having the financial stability, she faces -- even if they granted it -- having to go out and secure another tenant when she had a tenant right in place.

In looking at the borrower's rental agreement, I found it interesting and problematic in the No. 1(C) it says -- I'll read it to you. It says: Borrower has occupied the residence as borrower's principal place of residence since the date of the loan. If Katie were to
apply using this now to see if, okay, under the new
guidelines will they let her have it, she can't answer
yes because under a previous agreement, she had a
renter. She currently has a month-to-month person.

I would think that it would be more
representative of your intention here to have language
that went -- you initially had it X number of years and
since the rental period, you haven't lived there but you
have maintained compliance with CalHFA rules, just
something that recognizes that you're going to come
back. People will come back much sooner than you will
see a house value get up to the price that you need,
regardless of what number you determined, 10, 20, 30
percent. Banks are far more conservative in what they
will make available.

I thought that the rider was very good at
protecting it, your interests. I thought that making
sure that the renter knows that this is in place was
good.

I thought that the copy of the CalHFA
agreement with Katie had to be shared. It seems kind of
embarrassing that you have to other parties know this
condition, but I can see how it protects your interests,
but this licensing structure is really a little
difficult for me to take.
In state business, a license is really something. Are you going to issue a document to Katie that you consider this is a license and this license is available for renewal? I think having a confirmation letter --

MS. PETERS: I'm sorry, what are you talking about?

MS. ANNE JORDAN: Okay.

MS. CAPPIO: In the rental agreement.

MS. ANNE JORDAN: It would be in the termination of consent, A.

MS. PETERS: A? I'm looking at a different document. Is it titled "Borrower's Rental Agreement"?

MS. CAPPIO: It's --

ACTING CHAIRPERSON CAREY: Yes.

MS. CAPPIO: -- page 119.

MR. SMITH: The assignment of rents?

MS. ANNE JORDAN: You know, I have to back up on what I'm referring to.

MS. CAPPIO: Section 4.

MS. PETERS: Oh, okay.

MS. ANNE JORDAN: It would not be the section I referred to because it would have been the earlier document.

MS. PETERS: 4, assignment of rents?
MS. CAPPIO: Yeah, it's 4. It's CalHFA
confers borrower license to collect --

MS. ANNE JORDAN: The license came in, a
license to collect.

MS. PETERS: Right. Now I'm with you.

MS. ANNE JORDAN: That's the borrower's
agreement there. I apologize.

MS. PETERS: That's all right.

MS. ANNE JORDAN: I did refer to the wrong
document.

ACTING CHAIRPERSON CAREY: Got you.

MS. ANNE JORDAN: It would be nice to have
something a little nicer that says this is a license for
you to do it subject to the terms. It's prettier when
you give it to a renter, but they were afraid they were
going to get kicked out. Rather than feeling assured by
the document, it made them uncertain.

Looking at the rider document that was part of
the package, I believe there lacks clarity and an
opportunity for CalHFA to make a very affirmative
statement. In protecting tenants at a foreclosure act,
which is No. 3, there are certain acknowledgments that
the tenant is making. And it says in 4, which is a sub
of B -- I'm sorry for the reference, so 3B Roman numeral
IV, which are -- excuse me subsidized due to a state,
federal or local subsidy. Are you really expecting a tenant to understand what that means? Does it mean, as for Katie, can she no longer take somebody who is a renter who gets some kind of subsidy themselves, or is it we have to tell them the source of the funds for all the different loans, the main loan and the little orphan ones? I don't know the official name.

Katie's package has many different things in it. It's not just a single CalHFA loan, and that language tends to confuse. It might be helpful for CalHFA to send a definition of what means state, federal or local funded, especially in a particular case that you're asking a tenant to sign a document.

And lastly, I'll take you to the comments on the policy itself, although I have mentioned them along the way with the other supporting documents. Going down the page, you know in No. 2 the 12 month. I do you have a recommendation. I think it is within the intent. Make it an 18-month one. And also, at the 18-month period, don't ask for a lot of documentation, but do ask -- the underlying premise here is there will be a hardship, not only to the person you've originally given the loan to, but also to the borrower's -- to the funders, should she have a short sale and not be able to cover all that's there. The Agency stands to lose money.
So I think the real issue is have an updated comps, what is selling in the area of a similar product and what is the price, what are the things that are really selling now. It could address how long this situation might occur. You may see a little rebound. One year it's -- the latest was 65,000. Maybe next year it be will 90,000. Maybe it will be worse. But it would give you a pulse test on the conditions for that particular one. I think that's a critical piece that would be helpful.

And the language in the third one, carrying it further, that the loan balance relative to the market value, I had also said or suggested a percent to be determined. I honestly don't have data. I have no point of reference. I just know that I hear complaints through our consumer line of people who were denied loans and they thought they were great. They could show they could pay for it. But there is a reluctance to take the risk, and there's more reluctance to take it at your target group, which is a lower income, less education, or maybe less experience in the workplace. So banks and the averages really are not what your target office has, so I would just say to be determined and then do a good healthy research on it.

The next one was No. 6. You're walking into a
hornet's nest. It says through the -- the borrower
demonstrates through a standard set of income and
expense questions supported by the documentation. You
have now raised the fear of every person who was gone
through trying to get a loan for a mortgage. They had
to not only do 15 pieces of paper, they had to go back
and get it again. When I -- after my husband died and I
had a period of time I had to adjust, I realized I
wanted a home. And I can tell you I am well-qualified
for a home. And it took three months and 52 documents,
many of them two and three times, just because banks
were reluctant to do money.

If you start telling individuals ahead of
time, are you creating -- are you protecting your
interests at the expense of a lot of anxiety that is not
necessarily going to efficiently give you what you want?
So my recommendation is that tell people like Katie this
is the information we're going to be asking you for.
These are the points.

If you look to the cover letter that said you
have moved from hardship as a focus to those three very
important key points, did you intend to stay there, et
cetera, there is an inconsistency here. Hardship really
is a factor, and I think you need to add a number on
here that the hardship is evaluated at that time so it's
not just income and expense. It suggests that it’s income and expense.

If you asked Katie right now, she now has resources that would be outside your eligibility criteria if it was solely on that, but she got in the door. You assume people will proceed and be better able to manage their houses as they advance in their career, but what happens when the circumstances change? So do not eliminate hardship is my policy comment to you, that it is important.

In No. 7, the borrower shall submit a list with complete addresses of all real property that the borrower owns. You're making a big assumption they have got something. They may, in fact, have. Right now Katie and I were actively concerned that you are going to move to foreclose on her case because she doesn't meet the financial hardship. She meets that safety criteria that's missing here. It's not safe for her to live in that home. And her vision isn't going to get any better, so that the circumstances that she faces and the family faces have to be part and parcel on how you go forward or you're going to have totally unnecessary foreclosures, people who can absolutely afford to do it, who have the moral conviction not to walk away from something that is $120,000 under.
In the eighth point, you use the word "feasible." It's a wonderful bureaucratic phrase. I use it myself, but it is problematic. It says the borrower shall execute an affidavit stating that when feasible a borrower will reoccupy the home. If you have that as a criteria -- criterion, Katie can't sign that in good faith. Or she could sign it, but it wouldn't be in good faith.

The reality is there's something structurally that cannot match a physical disability that she has. It is difficult to say in front of my daughter, but it's important for you to hear. Are you really going to want her to sign a statement that when feasible, knowing that it will never be feasible? I would wonder if you want to add if it's for economic reasons, then sign that, when it's feasible and have documentation, but have a process where you accept that it will not be feasible and that a person is granted permission to rent out the property, not in perpetuity but until the house value matches what they owe, where there's a break-even point and not make a profit off it. Then they turn the deed back over to you. I think that that would meet your ongoing obligation without risking those things.

ACTING CHAIRPERSON CAREY: Could I -- could I ask you --
MS. ANNE JORDAN: Yes.

ACTING CHAIRPERSON CAREY: -- for your conclusion?

MS. ANNE JORDAN: You're right.

ACTING CHAIRPERSON CAREY: Thank you.

MS. ANNE JORDAN: The only thing I would say is do not give CalHFA sole discretion of one person to determine whether or not you can renew on an annual basis. There should be a right of appeal for reconsideration that goes outside the organization and to this body.

I know my comments were long, but I do thank you very much.

ACTING CHAIRPERSON CAREY: They're very targeted and helpful, I think.

Are there any questions?

MS. PETERS: Comment, I guess.

Thank you to all the speakers. This was incredibly informative because we don't get down into the weeds when we're on the Board, and sometimes we need to, so we appreciate you coming forward, and especially DFI. I work with DFI, so I'm proud to have you onboard with us there.

I think Mr. Shine is correct that this is something that we're probably not going to sort out
sitting here today because there are a lot of details that I think we need to address and digest. I think we're on the right track. I think we have the moratorium.

I commend staff for putting this together, and I commend the attorneys. But for the points I acknowledge that you've made, I was really happy to see that it wasn't an 87-page document that they were going to ask the tenants to sign, so I think we're well on the right track here.

I'd love to see staff perhaps convene a stakeholder meeting with other similarly situated folks who can give us some, you know, insight into how a real person is going to react to this when they get it and how they're going to read it and what things they're going to see that we don't see. You raised a lot of good and interesting questions that need to be digested.

And I also want to thank all of the speakers, particularly for understanding the very complex legal environment in which we've been operating and dealing with this heartbreaking issue for quite some time now. And thank you for understanding that it wasn't just we were, you know, sticking to our guns 'cause we thought it was a good idea to take people who were paying their mortgages and foreclose. We're really, really trying,
and I think we're on the right track, so thank you.

ACTING CHAIRPERSON CAREY: Any other comments or questions?

You can return to your seats, if you'd like.

MS. ANNE JORDAN: Thank you.

ACTING CHAIRPERSON CAREY: Get off the hot seat. Thank you very much.

MR. HUNTER: I just had a comment on the 12-month period. I spent a lot of years of my life renting, and I could never find anybody who would sign a lease for more than six months in the commercial market, and then it always converted to a month-to-month lease at the end of six months, and then there was a standard time for termination.

So, you know, I don't -- I mean, we have some advice to offer to the owners about tax implications if they rent for more than a year. That's one thing. But I -- you know, I just have got to say my own personal experience in the private rental market was nobody would rent me anything for a year, and I had very good credit scores and income, so that wasn't the issue. It was just the standard practice in the commercial rental market. But it also, you know, at the end of six months converted to a month-to-month lease.

And so I think that's one of the places where
we need to rethink this and try to figure out what it is
we're trying to do and that maybe we need to be clear
with the borrower and whoever the renter might be that
on an annual basis we're going to reevaluate this. We
have to, given our obligations. That should not be
something -- that should be something we impose on us
rather than others.

And that's all I'll say. I think, you know,
that the -- yeah, I'll stop there.

ACTING CHAIRPERSON CAREY: Other thoughts?

Ms. Creswell.

MS. CRESWELL: I appreciate the effort and I
also -- and I do think it's -- it was a -- it's a very
reasonable approach to dealing with a very complex
issue.

But I do think it feels like it's -- it needs
more work or consideration in a number of policy areas.
So at least it seems to me it would be appropriate to
spend some more work on it before we vote, and I'm happy
to participate in that. But I also think your
suggestion of sort of reaching out to folks and getting
some public input would be helpful as well.

ACTING CHAIRPERSON CAREY: Other thoughts?

MR. SMITH: Yeah, I'd just say to staff I
think you've done a great job. It's not an easy thing
to do. And I do think, you know, it's great you didn't put a 60-page attachment there. I think you covered the essential items. And I think it just needs a little bit more flexibility, from my point of view, so that we have the discretion not to have to foreclose when it doesn't make any sense. So I would -- I'm assuming there's a moratorium so we don't have to --

MS. CAPPIO: We have placed a pause in anticipation of revising the policy. At this point many comments have been made that are worthy of more thought and possible revision. I will note that this is not before the Board for a vote. This was for your review and consideration. But I certainly appreciate the feedback, and I think we have a couple of tweaks we could make. And I appreciate all the good comments. I mean, as weedy as it was for a while, I think we got a lot out of it, and we will now take that under advisement and revise the policy.

And we want to get this out as soon as we can because there's people obviously being affected by this. So it's our intention to get it out as quickly as possible.

ACTING CHAIRPERSON CAREY: From my point of view, I think the starting point is the -- the constraints of bond law. Obviously we have to meet
those --

MS. CAPPIO: Be consistent.

ACTING CHAIRPERSON CAREY: -- those tests.

Beyond that, I think we ought to strive for the absolute maximum flexibility that we can.

MS. CAPPIO: We got it. Thank you.

ACTING CHAIRPERSON CAREY: Because every -- every policy affects people.

MR. SHINE: I take it that going to Treasury for a little help is useless?

MS. CAPPIO: You mean asking the IRS for like a letter confirming that we're not able to --

MR. SHINE: -- had to say it.

MS. PETERS: We wouldn't do that as the first five or six options.

ACTING CHAIRPERSON CAREY: And I would -- I would echo the comments, in particularly appreciate Ms. Wold and Ms. Jordan for personally bringing issues up. I know it's not easy to come up here and present in front of a group, so I appreciate that.

Okay. So --

MS. CAPPIO: We got it.

ACTING CHAIRPERSON CAREY: You got it. All right.

--o0o--
Item 8. Report of the Chairman of the Audit Committee

Item 9. Discussion, recommendation and possible action to select an auditor to perform the yearly financial audit of both the California Housing Finance Fund and the California Housing Loan Insurance Fund

ACTING CHAIRPERSON CAREY: Moving on, we have report of the chair of the Audit Committee, Mr. Smith.

MR. SMITH: Yes. I'd like to report back to you that, as you know from the last meeting, we talked about the RFP process, which we went through. We had a number of questions that we reviewed in response to the RFP. And through that process, we selected ClifftonLarsonAllen as the new auditor, or recommend to this Board that we take that action today, but the committee is recommending that.

ClifftonLarsonAllen is the tenth largest firm now. They have just recently had a merger. They scored the highest in terms of the RFP, and they also came in with the lowest price proposal. We think that the way that they have proposed their arrangement to work with us will be one where we would get a lot of hands-on higher level of folks working with us and do it at a price that's less.

Also, you should know that they currently represent four housing agencies, some of which are very
similarly situated to ours in terms of issues that they face, so we think that they, while they're not in the one of the top four in terms of the Big Four, they are very qualified, and we think they'll do a good job for us.

I do want to say that, you know, Deloitte has been with us for 12 years, and I think the staff and certainly the Board would say it's been great working with them, and we want to thank them for all the work that they have done. But as we talked at our last meeting, we needed to open up the process, and we went through the process, and ClifftonLarsonAllen is the one that came out on top in terms of the RFP and in terms of the price proposal.

So with that, I would leave it with the Board to make a decision on approving our recommendation or asking any questions.

MR. SHINE: So moved.

ACTING CHAIRPERSON CAREY: Let me -- let me ask for public comment before we proceed. Is there anyone in the public who'd like to comment on the item related to Resolution 12-04?

Seeing, none --

MR. SHINE: Moved.

ACTING CHAIRPERSON CAREY: Jack moved approval
of the resolution.

MR. HUNTER: Second.

ACTING CHAIRPERSON CAREY: Mr. Hunter seconds.

I was saying earlier this is the most exciting agenda item I've ever seen because to open it up and find some blanks left me with suspense.

(Laughter.)

ACTING CHAIRPERSON CAREY: With that, roll call.

MS. OJIMA: Thank you.

Ms. Creswell.

MS. CRESWELL: Yes.

MS. OJIMA: Mr. Hunter.

MR. HUNTER: Yes.

MS. OJIMA: Ms. Carroll.

MS. CARROLL: Yes.

MS. OJIMA: Mr. Shine.

MR. SHINE: Yes.

MS. OJIMA: Mr. Smith.

MR. SMITH: Yes.

MS. OJIMA: Ms. Peters.

MS. PETERS: Yes.

MS. OJIMA: Mr. Carey.

ACTING CHAIRPERSON CAREY: Yes.

MS. OJIMA: Resolution 12-04 has been
Item 10. Update on the status of proposed new energy efficiency lending program

ACTING CHAIRPERSON CAREY: Next up, item 10, update on status of new energy efficiency lending program. Mr. Spears.

MR. SPEARS: Mr. Chairman, given the hour, I will make this very brief.

Just to let the Board know that we're still exploring the Agency's participation in an energy efficiency financing proposal. I know the California Public Utilities Commission is very, very involved in this with the investor-owned utilities. They issued a ruling last week that is specifically targeted at getting ideas to the CPC on energy efficiency financing.

It's been identified as a very high state objective.

And they particularly mentioned that low- and moderate-income homes have not been adequately served and multifamily homes have been particularly served, so they're very interested in ideas with regard to -- to those two areas. And I think that's our sweet spot, so we may be able to participate, at the very least a pilot
program for their own borrowers on the single-family and multifamily side.

I think, frankly, given everything else that's going on, I think we're going to have to choose. Because I think if we try to do something in both single family and the multifamily area on a statewide basis, it's a lot. So what seems most likely now is to work with our multifamily borrowers and try something in that area.

And the only problem there is -- here's a new buzzword for you -- split incentive. In the multifamily area, you have the owners of the building owning the energy equipment, and they're the ones who make the investment, but the tenants, who receive the benefits of the reduced, you know, energy consumption and reduced bills. So some participation by tenants is being looked at through their utility bill, something along those lines. So there are a few obstacles left to investigate, but there may be something there for us to help out with.

So I'd be happy to answer any questions along those lines.

MR. HUNTER: I noticed that issue about the tenants, you know, the individual metering in the report from last month. And the -- you know, there are a lot
of the -- particularly the high-name projects,
supportive housing projects, that are overstocked that
don't have individual metering. And so the -- the costs
of the utilities really is bound to the operating costs
of the owner/operator of the building, so since
they're -- they're a really high priority need because
they're trying to preserve these very narrow operating
margins because of the extremely low rents, it seems to
me. Again, I'd have to say we could look at that.

MR. SPEARS: That might be some of the lower
hanging fruit. We could, you know, try that first
because you wouldn't have to worry about this objective.
And there may be -- there's the PACE approach, the
property accessed clean energy, that on the
single-family side it's been made more troublesome
because of a decision that was made by FHFA, that Fannie
and Freddie loans cannot be purchased with those.
That's kind of put the brakes on that. But what they're
looking into is perhaps you could do that on the -- on
the commercial side where you could place that payment
on the property tax bill of that supported housing
owner. Unfortunately, if it's a nonprofit and they're
not paying property taxes, that creates a problem.

So ongoing repayment is something that they're
looking at seriously through this ruling process.
They've asked for comments by the end of the month.
There's a workshop that's planned in February and more
after that. So it's real focused.

The only problem is that if we could get
something done through the PUC, we still have the rest
of the state with municipal -- you know, like SMUD, East
Bay MUD, L.A. Department of Water and Power. That would
have to be -- you'd have to approach those individually
to bring those -- the people in those service areas into
the -- into the fold.

That's it.

ACTING CHAIRPERSON CAREY: Good to hear it's
still real.

Item 11. Reports

ACTING CHAIRPERSON CAREY: Anything specific
in the reports that Board members have questions about?
I did notice that the sales are up and the REO
inventory is down, which is great.

Item 12. Discussion of other Board matters

ACTING CHAIRPERSON CAREY: With that, any
other Board items?

Item 13. Public testimony
ACTING CHAIRPERSON CAREY: This is an opportunity for the public to address the Board on any remaining non-agenda items. If there's anyone who wishes to address the Board, please indicate.

There's someone in the back. I see a hand.

MR. SCHWALB: Hello. My name is Charlie Schwalb, and I'm not exactly prepared to be here today because I got an e-mail from NACA last night, and so they told me about this meeting today.

We bought our house in December of 2003, and the -- it was a fixed rate of 5.25 from Washington Mutual. And CalHFA purchased that loan shortly thereafter. And, you know, there was nothing to ever say that CalHFA would purchase the loan.

Subsequently, I worked for a wholesale heating and air conditioner distributor for 18 years, a branch manager. And we -- because of construction being way down, we had a lot of cut-backs, 7-percent pay decrease. The final straw was three days of work furlough per month, which affected my income drastically.

So I did find a new job that paid about $65,000 a year. Our mortgage is $2800 a year -- a month. And so my wife proceeded to, you know, try to get a restructure from CalHFA.

CalHFA kept coming back to us saying that
basically we'd have no hardship because I found another job, basically, that paid what I was making. Well, you know, we submitted all the documents to them showing them of where our monthly expenses were. Well, when you take $2800 out of 65,000 a year, it doesn't take much to do the math to figure out that there was not enough left, and basically credit card debts keep increasing.

So CalHFA was insisting that, you know, we had no problem because my mortgage was kept current. My mortgage is kept current because I keep running up the credit cards. When I got the loan in 2003, I had no debt, okay. None. It was paid off.

And so we recently -- well, I actually lost the job in July of -- of 2011. And we were able to -- at that point, now CalHFA is willing to help out because we actually have a real -- what they consider a real hardship because I don't have a job anymore. So we were able to actually get the mortgage assistance program, which is great, and they're paying the mortgage for six months. Great. Appreciate that. You know, I'm still looking for work.

But as far as restructuring the loan, CalHFA is insistent that we don't really have a problem, when it doesn't take a rocket scientist to do the math and figure it out.
So I mean, my wife wrote a letter to the Governor, and then, you know -- then CalHFA pays a little more attention because the Governor sent the CalHFA a letter.

So, you know, I'm sure there's a lot of homeowners in my same predicament, that just because we're keeping the mortgage payment current and because that's important to us, doesn't mean that we're not struggling, and -- and so you need to look at the big picture and look at -- I mean, your debt ratio should not be over 35 percent, max, of your income that goes toward housing.

So I mean -- and CalHFA is given money by the federal government and the federal -- to help homeowners like myself to, you know -- but yet CalHFA is also telling us that because of their bonds, that they're not able to basically restructure the loan because of bonds. And I got a piece of paper that says that here.

And so, I mean, I don't under-- I mean, I didn't get my loan with CalHFA. CalHFA didn't tell me that the bonds would not be, you know -- they couldn't restructure. I'm not thinking at that point, anyways, but now my loan is owned by CalHFA, but yet my hands seem to be tied as to what -- what I can do, even though the government has provided this money to help
So I guess I would like to get a little feedback as to, you know, why, you know, CalHFA isn't, you know -- isn't putting out the money that the -- and why, if they can't -- if they can't, you know -- the bonds are going to be a certain rate that's promised to the bondholders, okay, well, why can't they subsidize that in a different way?

ACTING CHAIRPERSON CAREY: Yeah, sure.

MS. CAPPIO: I don't know the exact circumstances of your situation, but I would be glad to talk with you after and set someone up with you and review your circumstances and the facts and see what we can do. I just want to make sure that we give that extra effort to you in an effort to either come to a different conclusion or tell you exactly why in another way we're limited in -- in helping you out. I would be glad to do that.

MR. SCHWALB: That'd be good, but I'd also like to -- I mean, this just isn't about me. There's a lot of homeowners out there. That's why NACA was here today. There's a lot of homeowners out there, where we went to NACA, NACA ends up submitting the information to CalHFA, and CalHFA ends up, you know, letting us know that they can't -- even though CalHFA was basically
asking the same information, the information that was submitted from NACA, they can't work with. You need to resubmit the whole package again.

I mean, I'm not just here on behalf of myself, on behalf of -- of other homeowners who are in this circumstances.

MS. CAPPIO: I appreciate that.

ACTING CHAIRPERSON CAREY: And I think we did hear quite a bit this morning from a number of folks from NACA and their interest, the organization's interest, in working more closely with CalHFA, and that will be looked at.

MR. SCHWALB: All right. Thank you.

ACTING CHAIRPERSON CAREY: Thank you for taking the time.

Is there anybody else who wishes to address the Board?

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Item 14. Adjournment

ACTING CHAIRPERSON CAREY: Seeing none, the meeting is adjourned.

(The meeting concluded at 1:55 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 1st day of February 2012.

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