Update on Income and Cash Inflows vs. Operating Expenses

May 13, 2014
Unaudited FY13-14 cash activities for non-bond assets and liabilities
Where are the non-bond assets and liabilities?

HOUSING FINANCE FUND

- HMRB Special Obligation (A-Bbb2)
  - single-family
  - $538M of TCLP-supported VRDOs

- CalHFA General Obligation (A/A3)
  - multifamily
  - $170Mn of TCLP-supported VRDOs

- Non-bond liabilities: Pays approximately $40Mn of annual operating expenses

Contract Administration
- non-Agency funds
FY13-14 (9 months): Income falls short of Expenses by $1.2Mn
FY13-14 (9 months): Cash inflows exceed Expenses by $32.6Mn

YTD Additional Cash Received: +$33.7Mn
YTD Income: +$26.8Mn
YTD Expenses = -$28.0Mn

YTD Surplus = +$32.6Mn
So has the Agency’s cash position grown?
Strategic uses of unencumbered cash have bolstered our credit ratings and eliminated reliance on TCLP (expires in Dec 2015)
Have used $165Mn of unencumbered cash to redeem VRDOs since 2/1/13
Most redemptions targeted VRDOs in MF-III, which has received significant upgrades.
As a result, the Agency's cash position is actually lower
Sources and Uses of unencumbered cash from 2/1/13 to 3/31/14

Cash and Securities 2/1/13: $306.0

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>2/1/13 to 6/30/13 (5 months)</th>
<th>7/1/13 to 3/31/14 (9 months)</th>
<th>Total (14 months)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Inflows</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mortgage repayments and prepayments</td>
<td>$11.7</td>
<td>$31.8</td>
<td></td>
</tr>
<tr>
<td>Release of Earthquake Insurance</td>
<td>$1.8</td>
<td>$2.0</td>
<td></td>
</tr>
<tr>
<td>Income from Loan Servicing</td>
<td>$1.5</td>
<td>$3.5</td>
<td></td>
</tr>
<tr>
<td>Fee income</td>
<td>$9.4</td>
<td>$12.0</td>
<td></td>
</tr>
<tr>
<td>Interest on mortgages/securities/cash</td>
<td>$5.3</td>
<td>$11.3</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$29.7</strong></td>
<td><strong>$60.6</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Cash Outflows</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payroll expense (salaries and benefits)</td>
<td>$(11.3)</td>
<td>$(19.4)</td>
<td></td>
</tr>
<tr>
<td>Rent (Agency) expense</td>
<td>$(1.2)</td>
<td>$(2.0)</td>
<td></td>
</tr>
<tr>
<td>Prorata expense &amp; General Expenses</td>
<td>$(5.0)</td>
<td>$(6.6)</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$(17.5)</strong></td>
<td><strong>$(28.0)</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Net Cash Inflows</strong></td>
<td>$12.2</td>
<td>$32.6</td>
<td>$44.8</td>
</tr>
<tr>
<td><strong>Redemptions of VRDOs</strong></td>
<td>$(34.1)</td>
<td>$(130.5)</td>
<td>$(164.6)</td>
</tr>
</tbody>
</table>

Cash and Securities 4/1/14: $186.2
Decline in collateral posting requirements justifies having a lower cash balance
Continue conservative set-aside for collateral risk, but lowering set-aside for OpEx to 1-Year

The Agency does not use this set-aside for ongoing operating expenses. As shown on Page 5, the Agency has paid its operating expenses with income and cash received. Moreover, Page 20 shows the Agency will generate sufficient income and cash to pay for its Operating Expenses for FY14-17.
What is the impact of the new lending activities described in the FY14-15 Business Plan?
SF: projected fee income from new lending activities

History of lending activity
(# of 1st lien loans)

FY03-04: 6,668
FY04-05: 6,060
FY05-06: 5,409
FY06-07: 6,436
FY07-08: 4,792
FY08-09: 1,655
FY09-10: 8
FY10-11: 1,014
FY11-12: 373
FY12-13: 0
FY13-14: 39

Averages:
FY03-14 = 2,950
FY03-08 = 5,873

Fees (High)
Fees (Moderate), 927 loans
Fees (Low)

Fees (High)
Fees (Moderate), 1,230 loans
Fees (Low)
SF: projected fee income and loan receivables from new lending activities
MF: projected fee income from new lending activities

| FY03-04 | 24 |
| FY04-05 | 32 |
| FY05-06 | 32 |
| FY06-07 | 11 |
| FY07-08 | 14 |
| FY08-09 | 02 + 02 |
| FY09-10 | 00 + 01 |
| FY10-11 | 00 + 22 |
| FY11-12 | 00 + 04 |
| FY12-13 | 07 + 01 |
| FY13-14 | 03 + 02 |
| FY03-14 | 16 + 5 |
| FY03-08 | 23 |
| FY14-15 | Fees (High) |
| FY15-16 | Fees (High) |

Fees (High):
- FY14-15: 0
- FY15-16: 0

Fees (Moderate):
- FY14-15: 0
- FY15-16: 0

Fees (Low):
- FY14-15: 0
- FY15-16: 0

History of lending activity
lender/issuer + conduits

History of lending activity
BAHP + MHSAs
MF: projected fee income and loan receivables from new lending activities
Projected FY14-17 cash activities for non-bond assets and liabilities
Declining cash surplus can be offset by increasing income from new lending activities.
Brief history of new loan production and balance sheet restructuring efforts since 2009
New loan production since 2009

**2009**
- **Multifamily**
  - U.S. Treasury announced the New Issuance Bond Program ("NIBP")

**2010**
- **Single Family**
  - 2 deals: ($240Mn)

**2011**
- **NIBP**
  - Conduit transactions:
    - 20 projects ($287Mn)

**2012**
- **NIBP**
  - Lender/Issuer:
    - 7 projects ($70Mn)

**2013**
- **Single Family**
  - BoA terminated their Master Servicing business on 12/15/11

**2014**
- **NIBP**
  - Lender/Issuer:
    - 3 projects ($39Mn)
- **New Lending Initiatives**
  - TBA:
    - 39 loans purchased; 41 loans in the pipeline
- **New Lending Initiatives**
## Balance sheet restructuring efforts since 2009

<table>
<thead>
<tr>
<th>Year</th>
<th>Multifamily</th>
<th>Single Family</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>U.S. Treasury announced the Temporary Credit and Liquidity Program (&quot;TCLP&quot;)</td>
<td>TCLP: $3.5Bn</td>
</tr>
<tr>
<td>2010</td>
<td>Sold $95Mn of multifamily whole loans to Citibank</td>
<td>$3.3Bn</td>
</tr>
<tr>
<td>2011</td>
<td>Securitized $119Mn of uninsured multifamily loans into Fannie Maes</td>
<td>Saved $38Mn by repurchasing $440Mn of discounted fixed-rate bonds</td>
</tr>
<tr>
<td>2012</td>
<td>NIBP Refunded $92Mn of VRDOs</td>
<td>NIBP Refunded $466Mn of VRDOs</td>
</tr>
<tr>
<td>2013</td>
<td>Initiated a new prepayment policy ($105Mn received to date)</td>
<td>Re-purchased loan servicing rights from BoA (1,800 loans, $300Mn)</td>
</tr>
<tr>
<td>2014</td>
<td>Under consideration Replace TCLP with Letter of Credit from private banks</td>
<td>Under consideration Refund VRDOs with fixed-rate bonds</td>
</tr>
</tbody>
</table>

**TCLP: $932Mn**