STATE OF CALIFORNIA
CALIFORNIA HOUSING FINANCE AGENCY

BOARD OF DIRECTORS

PUBLIC MEETING

Holiday Inn Capitol Plaza
300 J Street
Sacramento, California

Tuesday, September 16, 2014
10:00 a.m.

Minutes approved by the Board of Directors at its meeting held:
March 17, 2015
Attest: [Signature]

Reported by: DANIEL P. FELDHAUS
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APPEARANCES

Board of Directors Present

MATTHEW JACOBS  
(Former CalHFA Board Chair)  
Co-Managing Partner  
Bulldog Partners, LLC

TIA BOATMAN PATTERSON  
Executive Director  
California Housing Finance Agency  
State of California

ANNA CABALLERO  
Secretary  
Business, Consumer Services & Housing Agency  
State of California

CLAUDIA CAPPIO  
Director  
Department of Housing and Community Development  
State of California

KATIE CARROLL  
for Bill Lockyer  
State Treasurer  
State of California

JANET FALK  
formerly Vice President, Real Estate Development  
Mercy Housing

THERESA GUNN  
for Peter J. Gravett  
Secretary  
California Department of Veterans Affairs

MICHAEL A. GUNNING  
Vice President  
Personal Insurance Federation of California

JONATHAN HUNTER  
Consultant  
JCHunter Consulting
APPEARANCES

Board of Directors Present
continued

TIENA JOHNSON-HALL
Vice President and Community Relations Officer
BBVA Compass

ERAINDA ORTEGA
for MICHAEL J. COHEN, Director
Department of Finance

PRESTON PRINCE
CEO/Executive Director
Fresno Housing Authority

DALILA SOTEOLO
Principal
The Sotelo Group

Participating CalHFA Staff

SHERYL ANGST
Housing Finance Officer

KENNETH H. GIEBEL
Director of Marketing

TIMOTHY HSU
Director
Financing Division

VICTOR J. JAMES II
General Counsel
Legal Division

JAMES S.L. MORGAN
Chief
Multifamily Programs

JOJO OJIMA
Office of the General Counsel
Legal Division

Daniel P. Feldhaus, CSR, Inc.  916.682.9482
Appearances

Participating CalHFA Staff
continuing

DIANE RICHARDSON
Director
State Legislation Division
and California Mortgage Assistance Corporation

Public Testimony

BILLIE JEAN CARTER
Alliance of Californians for Community Empowerment

JOSEPH TAIT
Raymond James

RICHARD TALIAFERRO

JOSE VEGA
Alliance of Californians for Community Empowerment

GENNY ZENTELLA
Alliance of Californians for Community Empowerment
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Daniel P. Feldhaus, CSR, Inc.  916.682.9482
BE IT REMEMBERED that on Tuesday, September 16, 2014, commencing at the hour of 10:02 a.m., at Holiday Inn Capitol Plaza, 300 J Street, Sacramento, California, before me, DANIEL P. FELDHAUS, CSR #6949, RDR and CRR, the following proceedings were held:

--o0o--

CHAIR JACOBS: I'm going to call to order today's meeting of the California Housing Finance Agency Board of Directors, September 16th, 2014.

(Brief discussion off record)

CHAIR JACOBS: Welcome, everybody.

Welcome to our new Board member, Tiena Johnson-Hall.

If you'd like to wave to everybody.

I'm going to ask you to introduce yourself and say a few remarks. If you'd like, you could do that now or later, your pleasure.

MS. JOHNSON-HALL: Now would be great.

CHAIR JACOBS: Great.

MS. JOHNSON-HALL: While I'm fresh off coffee.

My name is Tiena Johnson-Hall, and I work for BBVA Compass. I've been in the banking business for well over 20 years now. I started out working with a small nonprofit developer, now known as Abode Communities.

And I'm very grateful to those folks for getting me in
this industry. I’m very passionate about housing, and very specifically, about housing for the state of California, for specifically working with underserved communities.

So I’m very grateful that I was appointed by the governor, Governor Brown, for this position. And I look forward to working with the Committee.

Thank you.

CHAIR JACOBS: And we are glad to have you here.

---o0o---

Item 1. Roll Call

CHAIR JACOBS: All right, let’s start with the roll call.

JoJo, Madam Secretary is here, so let’s do it.

MS. OJIMA: Thank you.

Ms. Caballero?

MS. CABALLERO: Here.

MS. OJIMA: Thank you.

Ms. Cappio?

MS. CAPPIO: Here.

MS. OJIMA: Ms. Falk?

MS. FALK: Here.

MS. OJIMA: Ms. Gunn for Mr. Gravett?

MS. GUNN: Here.
MS. OJIMA: Mr. Gunning?

MR. GUNNING: Here.

MS. OJIMA: Ms. Johnson-Hall?

MS. JOHNSON-HALL: Here.

MS. OJIMA: Mr. Hunter?

MR. HUNTER: Here.

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

MS. CARROLL: Here.

MS. OJIMA: Mr. Prince?

CHAIR JACOBS: He is here but had to leave until 10:30.

MS. OJIMA: Okay.

Ms. Sotelo?

(No response)

MS. OJIMA: Mr. Alex?

(No response)

MS. OJIMA: Ms. Ortega for Mr. Cohen?

(No response)

MS. OJIMA: Ms. Patterson?

MS. BOATMAN PATTERSON: Here.

MS. OJIMA: Mr. Jacobs?

CHAIR JACOBS: Here.

MS. OJIMA: We have a quorum.

CHAIR JACOBS: Great. Thanks.

//
Item 2 Approval of the minutes of July 8, 2014,

Board of Directors meeting

CHAIR JACOBS: All right, July 8th meeting.

Any comments or corrections to the minutes?

(No response)

CHAIR JACOBS: Would anyone like to move to approve the minutes?

MS. FALK: So moved.

MS. CABALLERO: Second.

MS. OJIMA: Thank you.

Ms. Caballero?

MS. CABALLERO: Aye.

MS. OJIMA: Ms. Cappio?

MS. CAPPIO: I believe I have to abstain.

MS. OJIMA: Thank you.

MS. CAPPIO: Even though I was here.

MS. OJIMA: Ms. Falk?

MS. FALK: Aye.

MS. OJIMA: Ms. Gunn?

MS. GUNN: I abstain.

MS. OJIMA: Thank you.

Mr. Gunning?

MR. GUNNING: Aye.

MS. OJIMA: Ms. Johnson-Hall?

MS. JOHNSON-HALL: I believe I have to abstain.
MS. OJIMA: Thank you.

Mr. Hunter?

MR. HUNTER: Abstain.

MS. OJIMA: Mr. Prince?

(No response)

MS. OJIMA: Mr. Jacobs?

CHAIR JACOBS: Aye.

Are we short?

MS. OJIMA: We are short.

CHAIR JACOBS: We can take it back up when Mr. Prince is back.

MS. BOATMAN PATTERSON: You know, we just have some legal advice.

MS. CAPPIO: Yes, we could switch. And I was here, but I'm just acknowledging the minutes, I was present at the meeting. So if you could switch my vote to a "yes."

MS. OJIMA: Thank you.

CHAIR JACOBS: Very good.

MS. CAPPIO: It's a great way to start off. Anytime you need to do that, let me know.

MS. OJIMA: Okay, and then when Mr. Prince comes...

CHAIR JACOBS: We can finish it off.

Okay, all right, so we'll hold on those.
Item 3 Chairman/Executive Director Comments

CHAIR JACOBS: Before we dig into the agenda,
I guess I'd like to ask our new Executive Director if
she's got some comments for the Board and staff, and
members of the public.

MS. BOATMAN PATTERSON: Well, I want to thank
you. It is nice to be here in a different capacity,
sitting next to my partner in housing, to my right here.

The last board meeting, you had asked about
a couple of thoughts, my immediate goals, in sitting in
this new capacity. And my primary goal -- I think
Claudia had laid out five essential goals when she was
departing, which are all very true and relevant now.

And they say imitation is the sincerest form of
flattery. So I will not change those goals. I will
be -- and her goals were raising the level of discourse
for housing. And that has continued to be the case. And
I think she has done a phenomenal job with that. And
we'll continue to work on that together collaboratively.

She wanted to increase the financial stability
of the Agency, and she worked tirelessly with staff to do
that, in which she increased our bond ratings. And so
that gave me a good opportunity to come in and then focus
on Goals 3 through 5, which her Number 3 goal was
increasing the number of affordable housing units. And
I think by working collaboratively and utilizing both our administrative resources and state resources together, we will be able to work on that goal.

And 4 and 5, which was the organizational and operational efficiencies of the actual agency, I want to truly be able to focus on that. So for the next six months, I have committed to staff to do a thorough assessment organizationally. We won’t be doing any new hires or promotions, but we will be looking at the internal efficiencies, our agency policies, and just basically shoring up our walls internally, so that we can be in the best position we can be in when we start increasing our revenues and becoming the best housing finance agency in the nation.

So, thank you.

CHAIR JACOBS: Thank you.

Before we get into our agenda, which is fairly dense today, I guess I’d like to see if there’s any members of the public who would like to speak to the Board?

(No response)

CHAIR JACOBS: You don’t have to fill out a card if you wish to speak. Anyone is welcome to raise their hand.

(No response)
CHAIR JACOBS: All right, seeing none, we'll open the public comment later on in the meeting. Are there speaker slips today?

MS. OJIMA: Yes.

CHAIR JACOBS: Okay, on the rear table, there are speaker slips, so if anyone would like to speak.

The gentleman right by the front door has got them.

All right, let's move on to Item Number 4, the single-family --

MS. CARTER: Hello, everyone. We're with the group ACCE.

CHAIR JACOBS: You're out of order, ma'am.

MS. CARTER: And we're here to specifically refer to *Keep Your Home California*.

*(Gavel sounded)*

CHAIR JACOBS: You're out of order. We have speaker cards if you'd like -- if you'd fill out --

MS. CARTER: Okay, we have -- *(Gavel sounded)*

MS. CARTER: We have California citizens losing their --

CHAIR JACOBS: You need to fill out a speaker card.

MS. CARTER: -- homes while *Keep Your Home*
California is holding funds that are supposed to be used to keep Californians in their home. They’re receiving payroll --

(Gavel sounded)

MS. CARTER: -- while people are losing their homes.

Over one billion --

CHAIR JACOBS: Mr. Jose Vega --

MS. CARTER: -- dollars is being held and not distributed. And we are here to demand that Keep Your Home California release these funds to homeowners, to keep people in their homes.

CHAIR JACOBS: All right, Mr. Jose Vega has filled out a speaker card.

MS. CARTER: We have a list of demands here.

CHAIR JACOBS: Mr. Vega?

MS. CARTER: And they are very simple demands, okay.

ACCE is calling on California. California -- Keep Your Home California to make the following changes.

CHAIR JACOBS: All right, ma’am --

MS. CARTER: Increase relief for homeowners --

CHAIR JACOBS: Ma’am, you need to fill out a speaker card.

MS. CARTER: -- most in need.
CHAIR JACOBS: You need to -- you need to fill out a speaker card.

MS. CARTER: Increase the total amounts --

CHAIR JACOBS: We’re not going to listen to you, until you follow the rules of this meeting.

MS. CARTER: -- of homeowners are eligible for in each program based on homeowner needs.

Please don’t try to talk louder than me. We are human beings here.

We’re not talking about inanimate objects.

We’re talking about Americans losing their homes. And there are monies available to keep people in their homes; and these monies are not being given to U.S. citizens, human beings.

Please don’t try to talk louder than me. I won’t allow it.

Increase direct outreach to potentially eligible borrowers.

CHAIR JACOBS: All right, we’re going to adjourn the meeting.

(Gavel sounded)

(Recess from 10:10 a.m. to 10:16 a.m.)

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Item 9. Public Testimony

CHAIR JACOBS: All right we’re going to resume
the meeting. And, please, everyone, just respect for everyone.

We are going to advance to public comment, Item Number 9. We're going to take two speakers, as I understand it.

Is it Jose Vega and -- the two speakers who filled out cards. And Director Patterson is going to read this paper.

MS. BOATMAN PATTERSON: So this is part of the public comment period, and I want to respond to ACCE appropriately, that on -- Di, do you have a copy of the letter that they originally sent?

MR. GUNNING: Right here.

MS. BOATMAN PATTERSON: Okay, so on August 19, 2014, the organization ACCE, which is the Alliance of Californians for Community Empowerment --

AUDIENCE MEMBER: That's us.

MS. BOATMAN PATTERSON: -- sent a letter.

They're a statewide community organization made up of low- and moderate-income Californians, organized to fight for social, economic, and racial justice.

And if I could read and summarize a portion of their letter. But they are, the Home Defenders League is a statewide group of homeowners working to save homes from foreclosure and protect our neighborhoods, our
members, and have a strong concern about policies of the California Housing Finance Agency’s Keep Your Home California Program.

And so this letter came in on August 19th. We will make this letter available to the public by making it a part of our official record. And this will be published on the Web site.

We responded to ACCE’s letter, which was dated August 19th, on September 12th. My first day in the Agency in this new capacity was August 11th. We sent this letter out on September 12th, which would have been Friday. And we are setting up a meeting with ACCE to review our response to ACCE’s demands. And so ACCE, as part of the public comment, asked that I read a list of their demands. And so I will read that. But it is also going to be part of the public record, which will be published as part of our minutes. And we will be making that available to the public, and the Agency’s response to that letter.

And we’ll make sure that you get that for the minutes and the public piece.

So I’m going to summarize the list of demands, because it will be available in writing for the entire public.

ACCE is calling on Keep Your Home California to
make the following changes:

They would like to increase relief for homeowners most in need.

They would like to increase direct outreach to potentially eligible borrowers.

They would like to change the loan-to-value ratio requirement.

They would require that loan modifications accompany all principal reductions.

They would like us to allow delegated authority by allowing batch-servicing and much of the initial screening and processing to be done by the servicer.

They would like to facilitate participation by public entities and CDFIs in the principal-reduction program.

And they would like us to create a retroactive program.

And so these are a list of a summary of the demands that they are making. It is all laid out in the letter of August 19th that they had written. And our response -- staff response to those will also be made available. And so at this time, we’re going to ask two homeowners who have filled out speaker’s cards, to come up. This allows us to respect the public process and the public-comment period, to hear those needs; and that all
of this information will be available to the public, so
that we can resume with our meeting and take care of the
State’s business.

Thank you.

CHAIR JACOBS: We actually have three speaker
cards.

So go ahead, Mr. Vega.

MR. VEGA: Right here.

Hello. My name is Jose Vega. I am a homeowner
in Pittsburg, California, Contra Costa County, which is
one of the hardest-hit areas in Northern California, in
the Bay Area.

My house went from $500,000 to $228,000 by the
time it hit bottom. It’s come up a little bit by now.

Anyway, after five and a half years of fighting
my bank -- by the way, it finally took its toll on my
family. I’m going through a divorce right now.

Okay, these are real stories here. We have
real people. I have worked my entire life, since I was
15 years old. And I’m about to lose everything, while
the very same entities that caused this chaos are
reporting record profits.

Now, we all know, and we fought very hard to
get the banks to pay back some of that money they stole
from us. And it came to you guys to help us.
After three modification attempts, one foreclosure, one rescission, and countless hours of work and sending documents and talking to the bank people, and then trying to take my house over and over again last year, they -- referred me to you guys for a program called the Hardest Hit Fund, which as I understand, it gives $100,000 towards my principal so I can keep my house.

I was on the phone for almost two hours, getting an interview with the Hardest Hit Fund people, okay. And after that telephone call, they said, "Okay, you qualify. You have to send us all these documents," which, by the way, are even more than the bank requires. About 60 pages' worth.

A week later, they called me and said, "You know what? You don't qualify for the Hardest Hit Fund because you are too hard hit. You are too far underwater. We cannot help you."

Now, I would like somebody to explain to me, how dare you call it the Hardest Hit Fund if it's not going to help the hardest-hit communities.

AUDIENCE MEMBER: Yeah.

AUDIENCE MEMBER: Yes, that's right.

MR. VEGA: I am a human being. I have worked my entire life. Like I said, I put all my savings into
that house. And it’s not fair that the money is there to help me after years of fighting and trying to get to some kind of agreement with the banks, just for you guys to say, “Oh, guess what? You don’t qualify. You’re too far underwater.”

You know, these are lives that are being destroyed. My children are traumatized by all this. This is some form of emotional torture that we’re put through. I just want you to know that, and keep it very clear in your minds when you’re making decisions about us, okay. Emotional torture, which finally has taken its toll on my family as I am filing for divorce.

You know, I don’t know what else to say, people. I really don’t. But I am so angry that this money is out there to help us. And it -- this seems to me another political stunt, just like the HAMP program was.

The HAMP program, which was put in by President Obama when he first took office, was designed to keep millions of people in their house. And its success ratio -- percentage, in case you don’t know, is less than 10 percent -- less than 10 percent of those people that they are supposed to help, they have helped.

How can you call that a success?

I don’t know what your percentage is for all
those people; but, you know, we -- there's a lot of people out there still losing our homes -- their homes, regardless of what the media says. You know, there's a lot of us going through this hell that they put us through when they ask us for the same things over and over and over again.

So I ask you to please reconsider these rules that have been instituted to just make it so difficult for us to qualify for any kind of program.

The money is there. It needs to be used for what it was meant to be, not to go back to the State.

AUDIENCE MEMBER: Yes.

MR. VEGA: So please use that money.
Thank you so much.

CHAIR JACOBS: Sir, if I can have you fill out your address.

MR. VEGA: I'm sorry?

CHAIR JACOBS: Your address. It would be helpful if you could fill out --

MR. VEGA: You need my address?

CHAIR JACOBS: Yes, just so we can research it.

Genny Zentella.

And, if you can, we've got a fairly heavy agenda; so if you could keep your comments to three minutes, we'd appreciate that.
MS. ZENTELLA: Hi.

CHAIR JACOBS: Hi.

MS. ZENTELLA: Right here?

CHAIR JACOBS: Yes.

MS. CARTER: Take your time. It's over a billion dollars, so take all the time you need to get this money distributed.


AUDIENCE MEMBER: Louder.

MS. ZENTELLA: My name is Genny Zentella. I live in the San Pablo area. I purchased my home in 1989. I've been paying all that time. And then in 2005, I refinanced with a broker.

And what happened was, he put me in a loan that was an adjustable interest rate, basically a predatory loan with World Savings, Wachovia.

These loans later went to Wells Fargo; and they were deemed -- there was a class-action lawsuit against these loans and they were deemed predatory.

So they went to court. And as a result, these loans were supposed to be modified. So I have not gotten my modification.

At the time, I told them, "This isn't going to work." These were -- the loan was too hard for me to
pay. I was paying the minimum payment. The loan kept increasing. They wouldn't help me modify, so the equity just went up. My home devalued more than half of what, you know, my house was worth.

And then I tried to apply for a modification. "No, you have too much money," so they wouldn't give me a modification.

Later on, I found out about Keep Your Home California, so I tried to apply with them, like the third time.

So the first time, they denied me. Then the second time, they said my income's too low, so now I don't have enough money. So either way, something is always -- there's always some excuse.

There's this money sitting there that would -- should be given to us. $1 billion by 2017, it won't be available anymore. You won't be able to apply.

So I don't know what the situation is with me; but I just want to get a modification. I want to stay in my house. I've been paying all this time. And I just urge you to let these funds -- get these funds to the people that need them.

They've approved me for the principal-reduction program, and the bank is refusing to take the money. And that's all. That's my story, you know.
I’ve been doing this for the last three years -- three or four years, working with the bank; they give me the runaround, nobody knows anything, and they just refuse to help me. So I just want a modification so I can stay in my home that I’ve been paying since 1989.

I’m a single person, and I don’t have any other bills except payment on my home. I don’t want to lose my home.

It’s just -- that’s my story.

Thank you.

CHAIR JACOBS: Thank you.

Can we get your address also?

MS. ZENTELLA: Sure.

CHAIR JACOBS: David Shou or Shoe [phonetic]?


CHAIR JACOBS: Okay, all right, we appreciate the comments. We will look into your individual cases. You guys have been heard. We will look into this.

We have an agenda item coming up, a review of where the program is. It’s been improving considerably, but there’s still work to do. We understand that, and we appreciate your attendance today.

Thank you.

MS. CARTER: Okay, so thank you so much.

CHAIR JACOBS: Ma’am?
MS. CARTER: Could you publicly then comment and commit to meeting with ACCE? Can you do that?

MS. BOATMAN PATTERSON: We reached out to ACCE on Friday to set up that meeting. And I know my assistant, Kris O’Daly, is working with -- is it Mr. Weeks? -- on setting that appointment up. And so we hope to have that meeting scheduled within the next two weeks.

MS. CARTER: Within the next two weeks?

MS. BOATMAN PATTERSON: Yes.

MS. CARTER: I thought you had said within the next week?

MS. BOATMAN PATTERSON: I have to check my schedule. And so Kris O’Daly is my office assistant and controls my schedule, and so I have not met with any members of the public. You will be the absolute first member of the public that I will be meeting with. And --

MS. CARTER: And it will be no later than two weeks, and not within a week?

MS. BOATMAN PATTERSON: And we’re going to get it scheduled -- we’re going to get it scheduled for the next two weeks.

MS. CARTER: Okay. And also we would like the Board to discuss this issue today, of getting these funds released.
MS. BOATMAN PATTERSON: Ma'am, this is during the public-comment period. And so we're getting ready to close the public-comment period --

MS. CARTER: That's all I'm saying, though. I understand.

MS. BOATMAN PATTERSON: And in order for an item to be on the agenda --

CHAIR JACOBS: Ma'am? Ma'am?

MS. CARTER: We do very much want the Board to be aware --

MS. BOATMAN PATTERSON: -- we have to follow the Brown Act in a public process.

MS. CARTER: -- of this and discuss this issue.

MS. BOATMAN PATTERSON: And so --

ACCE AUDIENCE MEMBERS: Spend the funds. Spend the funds.

CHAIR JACOBS: All right, public comment is closed. The meeting is going to adjourn for a five-minute recess.

(Gavel sounded)

(Recess was taken from 10:31 to 10:33 a.m.)

CHAIR JACOBS: All right, we're going to resume the meeting.

Thank you, ACORN, for an interesting presentation.
MS. BOATMAN PATTERSON: Claudia, was that in the job description?

You failed to tell me about that part.

MS. CAPPIO: No comment.

--o0o--

Item 4 Discussion, recommendation, and possible action to modify terms of CalHFA Single-Family loan products

CHAIR JACOBS: Let’s jump to agenda Item Number 4, the single-family loan program modification.

Ken?

MR. GIEBEL: Good morning, Chairman Jacobs, Members of the Board. We’re here to talk to you today about some adjustments we’d like to make to the single-family program; hopefully, to just simplify it a little bit for borrowers in this day and age of complexity.

Just FYI, I’m trying to buy a house, and we’re on page 250. And we have to sign the papers this week. So it’s not like it used to be.

So let me take you through -- Sheryl and I are going to take you through what we’ve done over the last year. Because our first -- our lending program started on August 26th of last year.

Here’s what we’ve done with your approval over
the last year. On the 26th, as I said, we started with
our FHA first mortgage released.

On 2/10, we permitted manual underwriting on
FHA loans at the request of our lenders.

And on 3/24, we increased the debt-to-income
ratios from 43 to 45.

We had -- originally, when we set up some of
these standards, they were based on the Consumer
Financial Protection Bureau's regulations. Those were
released in October, November of last year. And then the
FHAs, nonprofits, and localities received exemptions.

One of those exemptions was the ability to go
to 45 DTI's, which -- debt-to-income ratios -- which you
approved.

On May 19th, we received approval for
conventional products, first mortgages -- that's a
Fannie Mae product, and we'll talk to you some more about
that -- and the California -- what we call our EEM, our
Energy Efficient Mortgage.

On 6/16 we extended our program to
non-first-time home buyers. We have four, okay.

And we also, in June, permitted our lender fees
to increase from 2 percent to 3 percent, with a $3,000
ceiling on them.

So those are the updates.
No doubt, Michael, you’ll be interested in this.

When we talk about the blue line at the top, we refer to those as stand-alone CHDAP 3 percent down-payment assistance with first mortgages that are not CalHFA’s.

So you can see, the last two weeks it’s been a little soft. But we can tell you in the last five days, it’s back up into the high twenties. So yesterday, we received 28 of them.

The red line is our first mortgages since the beginning of the fiscal year. And you can see, they continue to climb a little bit. They were soft over the Labor Day week; and then last week -- what did we do last week? -- we did 12, or something like 12.

And then we do mortgage-credit certificates. And they’ve continued to -- they’re always about the same, except we just increased the income limits. So we should see a bump in MCCs. They increased, while home prices -- the sales-price limits went down considerably from 2012’s numbers to 2014.

So our first-mortgage purchases, you can see in July we didn’t have many; but in August, we are almost at 35.

What does that translate to in dollars? Ten?
MS. ANGST: Right, it’s $10 million.

MR. GIEBEL: $10 million.

And you can see the stand-alone purchases. In July and August, they went up. In September, they’re probably back down to July’s numbers right now.

Sheryl is going to take you through this chart so you get a feel for what the loans look like.

MS. ANGST: This chart is basically just a comparison of our current conventional -- CalHFA conventional first mortgage, our CalHFA FHA first mortgage, and the CHDAP stand-alone.

As you can see, the CHDAP stand-alone actually has a lower first-mortgage loan amount. The down-payment assistance is lower. And the borrower’s income is basically the same as a regular FHA.

The FICO score is significantly lower, and the debt-to-income ratio is equal.

The counties remain basically the same, other than the conventional product, which happens to go into Placer County, Orange County, and Contra Costa, which with the higher loan amount, is getting into a little bit higher areas.

Our Hispanic population is mainly in the CHDAP stand-alone; however, it is still pretty high on both the other two products. And our African-American population
has increased with our first mortgages over the CHDAP
stand-alones.

MR. GIEBEL: One thing to consider on the CHDAP
stand-alones, the Hispanic number will tend to be higher
because some of that business is broker business. We
can’t, right now, do broker business through U.S. Bank,
our master servicer. But we are in the process of
releasing an RFP, so we can get a master servicer that
will handle the broker business for us. In California,
it’s about 20 percent of the mortgage business is done.

But in the ethnic groups, they tend to be a
little higher on the broker side of the business. So
that’s why, on the stand-alones, you’ll see that the
makeup of the demographics is a little bit different
because of how the loans are originated.

CHAIR JACOBS: Do we break down numbers for
Asian Americans?

MS. ANGST: It’s less than 2 percent.

MR. GIEBEL: Okay, so we want to look at kind
of easing the ability on our first mortgages to do
business with CalHFA. Let me just tell you a couple
things.

These are all our overlays. We also have
overlays from US Bank, our master servicer, and from
Fannie Mae.
I’ll just give you an example.

So we have put in a manufactured -- we will accept manufactured FHA -- manufactured home loans from FHA.

FHA’s FICO score, they don’t have FICO scores, per se, on their regular first-mortgage business; but on manufactured homes, it’s 640.

US Bank’s is 660. So there are overlays that we have to deal with our master servicer and Fannie. So that’s an issue; and we’re trying to make -- reduce the number of overlays we have.

So that’s one.

The other thing is, we’ve been looking at all our affidavits. And CalHFA requires a number of affidavits. And we’ve combined a bunch of them.

On the CHDAP stand-alones, we’re down to four. But on a CalHFA first mortgage, you have to have seven affidavits. So when you’re a loan officer -- these are all requirements by statute on our loans. So when you look at all the overlays of doing business with CalHFA, it gets -- it’s a little bit more burdensome. Some probably my two-hundred-some-odd loan documents would be maybe 280.

Anyway, so here’s some of the things we’d like to do.
On the first one, we'd like to increase the loan-to-value from the current 103 to 105. And there's two primary reasons. We're going to talk to you a little bit about adding some down-payment assistance to our CalPLUS products, that's the ones that have the ZIP attached to them, 3 percent; and two, on the Fannie Mae conventional preferred products, they permit 105. So that's the standard for Fannie on our conventional product that is one-of-a-kind. It's the only 97. And it's a very competitive product.

Half of our business right now is on the conventional side of the business, that they're conventional loans.

We want to eliminate the borrower contribution. If you remember, if your FICO score is 640, we ask for $1,500. If it was 680, we asked for $1,000.

So, for example, on a $250,000 loan -- which is about our loan amount, as you saw -- we're giving you $15,000 in down-payment assistance, 3 percent from the ZIP loan on the first, on the CalPLUS; and then CHDAP is another 3 percent. And we're going to ask you -- we have a pool of money that Sheryl is going to talk to you about, which will add about another 2 percent to the ZIP loan.

So in the end, we're asking you for -- we're
giving the borrowers $20,000 on a $250,000 loan. And then on the back side, we’re asking them for either $1,000 or $1,500.

We can tell you -- and Sheryl can explain this to you -- it gets lost in the closing costs, in the transaction. Basically, it becomes a wash. They kind of get the money back. Because what they’ll do is, they’ll work with the first, and they’ll give them -- what’s it called? -- they’ll give them some money back in the closing, and it will cover that.

So in the end, when it’s all said and done, we’re just asking them to do extra stuff that’s not going to make a difference to them. You know, they give them rebates, and the rebate comes back. And it’s all covered in the end.

I mean, I’m kind of going through that now; and it’s like: Well, if you put this up-front, you get it in the back -- in the end, so...

MS. ANGST: It follows the GSE guidelines.

MR. GIEBEL: Yes, it follows the GSE guidelines.

So that’s one. That’s the second one.

We want to reduce the home warranty to one year for first-time home buyers. They can’t buy a two-year.

So we’re asking -- and for us to track the two-year is
very -- I mean, we'd have to assign a couple people, to
call the people and go, "Can you send us your warranty
for two years?"

So we're good with them being covered for one
year.

And we do want to eliminate the home-buyer
education for the non-first-time home buyers. So that's
just an add-on. We don't -- these people have already
owned a loan, and they're already coming in for their
second loan.

Now, effective in January 2015, we're going
to change our rules a little bit, in that we're going
to ask all CalHFA-approved lenders -- we have over
90 CalHFA-approved lenders, we have 43 who have submitted
a reservation on a CalHFA first, and we have 25 who have
actually done a purchase loan. Reservations count but
they can get canceled, and they pay $250, and they're out
of the deal. So we really count the purchase, and that's
what our number is built against.

So we're going to ask them to do four firsts --
CalHFA firsts -- in six-month periods. This is not
atypical of what we've done in the past.

So we are now accepting FHA loans for
manufactured homes. So we started that on September 1st.

Also, as you know, the CHDAP money is bond
1 money. We have two loans: The manufactured-home loan, which I mentioned a little earlier; and our energy-efficient. And we want to just make sure that they use our loans so they can get the CHDAP on that.

2 We added a 4 percent grant, which gets you to 9 percent total grant on the Energy-Efficient program. We have a loan, and we have a lot of interest in that loan. We have FHA behind us, and we have a number of the people who specialize in these loans.

3 And on the manufactured-home side, they are riskier. So, I mean, Fannie won’t do them and a lot of banks won’t do them. These manufactured homes are on foundations. Permanent foundations, so...

4 CHAIR JACOBS: Would the manufactured include multifamily that’s made from prefabricated? Or is it just single-family?

5 MR. GIEBEL: No. I think it’s a single-family for an FHA loan; right?

6 MS. ANGST: Yes.

7 MR. GIEBEL: Yes.

8 And the last thing is, on the MCCs, we have a provider who does all that work. They have upped their costs.

9 Our cost, when you do an MCC with a CalHFA first, is 350. And we were charging the same amount if
it was just an MCC one-off, what we would call an "MCC stand-alone."

Because of the added costs by the provider and the added costs of doing the stand-alones, if you’re going to do a stand-alone, we’re going to charge $500. It’s just more work for us. When it’s built into the CalHFA first, we just -- we see it in the loan package. The other ones, we don’t see.

Sheryl, all yours.

MS. ANGST: As Ken mentioned, we’re going to augment the Zero Interest Program, or the ZIP, on the CalPLUS loans. And this will be on the CalPLUS conventional loan only.

At present, we cannot augment the ZIP on an FHA loan. There are subordination issues; and it requires legislation approval, which I believe it’s 2016 before we’ll be able to go in front of it for an FHA.

MR. GIEBEL: Just to follow up, though, I am sending a letter to our contact in Santa Ana at HUD FHA to ask them for a waiver while we get the legislation.

That has to go to Washington, so we all know how long that could -- we’ll have the legislation first.

MS. ANGST: The augmentation of the ZIP on a conventional loan will significantly enhance the program. It enables the borrower to pay the mortgage insurance as
a single-family premium up-front versus their monthly mortgage insurance.

This is going to save the borrower, on an average $250,000 sales price, $260 a month-plus. And the "plus" is depending on their credit score. 120 -- I'm sorry, I was going to say 120, and that is based on having a 700 FICO score.

So if they have a 680, it's going to save them $160. And it goes up from there.

This screen here is a sample of different loan amounts using the augmented ZIP, or the ZIP-plus loan. It just shows how, as you're augmenting the ZIP loan, the actual LTV on the first is going to go down slightly to stay within the 105 CLTV. And it shows what the payments are.

And the sales prices, we used four samples. The $150,000 is 21 percent of our total volume of loans. The 250 is around 20 percent. So you can see where our volume is.

Down on the bottom, it does show this closing cost and what the borrower's out-of-pocket is.

MR. GIEBEL: Any questions on that?

It is a little bit of a --

MS. ANGST: It's a lot of data.

MR. GIEBEL: It's a lot of data, but we just
wanted to show you that --

CHAIR JACOBS: We have one question.

MR. GIEBEL: Sure.

MS. CABALLERO: Okay. So, a really good presentation.

Just for future reference, if you would do the modification that you have in our packet, relate to the diagram. It’s a little bit easier to follow.

MR. GIEBEL: Okay.

MS. CABALLERO: Because you have some new things on here that weren’t part of the report.

So one of the questions I had -- and I’m just trying to -- I’m assuming that most of these goals -- or most of these changes are to make the program more usable.

MR. GIEBEL: Yes.

MS. CABALLERO: And to reduce, for lack of a better word, a bureaucratic obstacle that doesn’t add any value either to the loan or to the process. And I appreciate that, because that’s really where I think we need to go.

Sometimes we have these rules, and nobody is really sure why they were there in the first place.

So I had a question, and now I’m all -- okay, so on page number 7, in the first bullet, it talks about...
requiring all the CalHFA-approved lenders to originate
for CalHFA first mortgages within a six-month period.
And I'm not exactly sure what purpose you're trying to
get there. Is it, to distill down the number of lenders
to a manageable number? And if so, why is that
important?

I'm just trying to understand how this fits in
with some of the other proposals that you've suggested.

MR. GIEBEL: Again, lenders, like I said, we
have 90 of them, and we train them. We have a whole
outreach department, and we go around the state, and we
meet with them. And we train them on how to use an MCC,
how to use a CHDAP, how to use our first program.

In reality, we want them to use our product,
use those products with our firsts. And for all the
extra work we have to do the CHDAP compliance, we have to
look at all those loans, period. And then again, we pay
someone to look at the MCCs.

We want to tie the -- get them to use our
first-mortgage products because it's a better deal for --
especially on the conventional side -- for our borrowers.
It saves them a considerable amount of money.

If you compare this conventional -- CalPLUS
conventional -- loan with an FHA loan, they're saving a
considerable amount of money, well over $200 a month,
because they’re not having to pay the mortgage-insurance premium on an FHA loan.

FHAs have a huge problem right now; and we haven’t really started to promote the products that start this month. We haven’t done much; and already 50 percent of our business is on the conventional side. We think this is going to be 60 to 75 percent of our business with this added down-payment money, because this is a way-better deal.

First of all, you’re paying probably $120 to $160 more a month with an FHA; and that never goes away. So --

MS. CABALLERO: So is it fair to say that the reason you’re trying -- you’re making this requirement, is to force them to use a product where they’ll recognize the value for their -- their --

MR. GIEBEL: We’re trying to incentivize them.

MS. CABALLERO: Okay, that’s fine.

MR. GUNNING: A follow-up. One follow-up.

I guess, Ken, I’m just struggling with that because, you know, right now, less than 50 percent even make reservations, and less than that actually go to loans.

So how are you going to require them? I mean, that seems anti-competitive to me.
MR. GIEBEL: Well, right, we’ve checked with the legal department; and we are --

MR. GUNNING: Which legal department?

MR. GIEBEL: Ours.

MR. GUNNING: Victor?

MR. GIEBEL: Our department.

And starting in April until December 31st -- because we had just introduced this -- we asked them to do one, one loan.

And going forward, we’re going to need them to do more of our firsts. And this way, because of the products are better, we don’t believe we have an issue with that. And we can ask them to perform because they get -- we train them, and we spend lots of time with the loan officers, and we give them leads.

So when we advertise and promote, we put our 800-number on there. A borrower calls us, we take that lead, we send it to a CalHFA-preferred loan officer, and they get that lead, and they have 48 hours to get in contact with that borrower. And we track that lead for six months.

And last year, we probably sent out -- we do about 400 leads a month. So we’re sending out to loan officers, you know, over 4,000 loans. So we are providing a service to them and a benefit.
MR. GUNNING: So what's the penalty? If the --

MR. GIEBEL: Oh, the penalty is, those failing
to do the four loans have to come in to be recertified.
And we will ask them why they didn't do it, what the
issues are; and we'll recertify them and give them
another six months to perform.

MR. GUNNING: Ken, I'm a little frustrated here
because as Anna has said, I know we're tweaking this to
make the program work, but it seems there is just a
fundamental flaw if, with these, we've got to be doing
these types of tweaks. I mean, eliminating the
down-payment contribution, which I think we all -- even
if it's symbolic, it's skin in the game for a borrower.
And it seems like these are too little, too late.

MS. ANGST: In the last several years, we have
been in and out of the first-mortgage lending business,
as you all know.

Most of our lenders today find it very easy.
They get a loan. They don't think of CalHFA as a
first-mortgage lender. They think of us as a CHDAP.
I mean, how many times I pick up the phone: "This is
CHDAP?" I mean, I think that our name is CHDAP, not
CalHFA.

What we want to do is convince them that we are
a first-mortgage lender again by asking them to do one,
or now four loans, a year, they are getting used to us as a first-mortgage lender again. We're giving them their appetite.

Of the lenders who are actually doing our program currently, they aren't doing one; they're doing five, they're doing four. You know, I mean they're doing multiple loans. Once they do it, I get the phone call: "That was easy."

So we're trying to convince them that we're not trying to eliminate the CHDAP, but we're trying to convince them to use us, and to see how we are back in the first-mortgage business again.

MS. BOATMAN PATTERSON: If I could respond to the Board members, too, on the improving the efficiencies. And I think staff tried to get at this.

When you are -- we're trying to leverage our funding and our product with our down-payment assistance, and the staff time and resources that goes along with that is the same staff time and resources that goes just with the down-payment assistance alone. And so if you're trying to incentivize and maximize your staff time and resources, you're incentivizing it to work with your money. And it's a leveraging opportunity to get your funds out the door.

And when we visited Idaho, the single-family
and the TBA model came up repeatedly amongst the housing
finance agencies in the state. And I think we have some
folks that will testify about how that program works.
And many states require that their down-payment
assistance go along with their lending. So we’re not
making it a requirement, but we’re trying to incentivize
it. But there’s many of the housing finance agencies
that require that their state down-payment assistance go
along with their first mortgages.

MR. GUNNING: But it seems like if they already
know about the down-payment program, because that’s what
everyone knows. So what our goal there is to make them
look at the first-mortgage program. So, I mean, that’s
the push.

MR. GIEBEL: Right. And we’ve been working on
that for the last year. And it’s getting a loan officer
to change their behavior. Because all they do is go --
on their original amortization system, “I’m putting the
CHDAP on this,” because it’s easy for them. And to get
us into their system to say, “Push a different button”; and, two, we’ve just developed a calculator that we will
send them, because you’re going to see something on the
next page that put our numbers in and put your numbers
in, and see where you come at the bottom.

And you know, to get a loan officer to do that,
it takes a while.

CHAIR JACOBS: How much more work is our loan product for the loan officer and for the borrower, compared to just going through a regular FHA loan?

MS. ANGST: There’s, right now, we have the affidavits, which we’re in the process of combining and making into one larger affidavit versus the seven affidavits. And we have the income -- our income limits, which we do incomes totally different than any other lender. But other than that, it’s the same process. It is the exact, same process.

CHAIR JACOBS: Is there a way to reconcile the income-limit determination, or not really?

MR. GIEBEL: No, you have to -- it’s a formula. We just did these. We were using 2012; now, we’re using 2014. And you have to do the formula for the CHDAPs that we work with HCD on, because you have to do the federal guidelines on those income limits. And they’re low. You know, they’re 80. They’re 80 percent AMI.

CHAIR JACOBS: Claudia?

MS. CAPPIO: So I appreciate the willingness to sort of tweak this and make it more competitive. The balancing act is who is a good borrower. And I know that we have previously discussed feedback mechanisms and statistical and data collection. Because the market is
really different; and we’re trying to find our place in
that market. It’s iterative. So we’re getting close to
the edge of: What is it?

    I mean, I’m all for being competitive, but what
is it that will distinguish us, that will make us, “Oh,
that’s a CalHFA -- let’s go for that CalHFA loan,” beyond
increasing the loan-to-value ratio?

    MR. GIEBEL: Well, if --

    MR. GUNNING: That’s exactly the point I made.

    MR. GIEBEL: Right.

    MR. GUNNING: We haven’t figured it out.

    MR. GIEBEL: Right. If we’re going to add
money to the -- the 2 percent to the ZIP product on the
CalHFA conventional, as you can see from -- well, let me
go back here.

    As you can see, you’re going to get to --

    Scott, can you fix this?

    MS. ANGST: I’ve got it.

    MR. GIEBEL: You’re going to get, what are the
LTVs here across the board?

    MS. ANGST: 94, 95, 96, 96.

    MR. GIEBEL: Yes. And then what are the --

what’s the DTIs?

    MS. ANGST: You can’t do a DTI.

    The CLTVs are all under 105.
MR. GIEBEL: They are all at -- we would have to get to 105.

You can see the CLTVs, the combineds are 104.9, 107 -- just to add the money.

Additionally, if a locality wants to add money and they can't get this money, it gives them another 2 percent to add money in the locality. I mean, localities, they have a lot more money than 2 percent. So that would permit us.

But when you get down to the loan-to-value, the double-asterisk, you can see when it gets down, that takes the loan-to-values way down, and that permits them to get a lower MI rate. And when you can pay the MI -- you can see the mortgage insurance. There isn't any payment across, because we've covered that up-front.

MS. CAPPIO: So just as a -- one last follow-up. So what research and data collection and analysis are you doing to make sure that we know this is a good idea?

MR. GIEBEL: Well, we've been watching -- we watch our DTIs on --

MS. CAPPIO: After the loan closes?

MR. GIEBEL: We can look at them with reservations, if we need to.

MS. ANGST: No, we can't.
MR. GIEBEL: You can't?

MS. ANGST: No. We look at them at approval. I mean, we have our maximums that we look at.

The conventional first mortgage is being underwritten by a mortgage insurer, in addition to us looking at it.

MS. CAPPIO: Okay.

MS. ANGST: So it definitely has -- and if it's above 95 LTV, it's also being underwritten by our master servicer. So the risk is actually going away on that one, even with the higher LTV in the CLTV.

MS. CAPPIO: Okay.

CHAIR JACOBS: Preston, did you have any comments or questions? Because I know you raised this a couple meetings ago about the risks.

MR. PRINCE: Well, I think I'm following up on Claudia's concerns.

So there's going to be a report that shows our delinquencies are, like, over 10 percent; right? So my question is, how do we know we're not going to create another pool of loans that are going to -- I think your same question, right? How do we know we're going to --

MS. CAPPIO: Well, but we don't own the pool.

MR. GIEBEL: We don't own the loans.
MS. CAPPIO: That’s a big one.

But the degree of scrutiny is pretty layered.

MR. PRINCE: Right.

MS. ANGST: There’s three.

MS. CAPPIO: Thank you. I hadn’t realized there was...

MR. GIEBEL: Right. There’s three of us, looking at every conventional loan.

And HFAs, there’s two: There’s us and there’s the master servicer.

And as Sheryl said, when there’s conventional, it’s the MI company. In this case, it’s Genworth is looking at that.

And right now, if you just look at make-up of our loans from a FICO and a DTI, our conventionals are 721, and our HFAs are 686. And we go down on an FHA to 640. And even the stand-alones are at 680 -- almost 680. And we’re not even close on our DTIs to 45.

MS. CAPPIO: Yes, I guess the comment I’m left with is, we need a new characterization of who is a good bet. And we’re shooting somewhat, trying to refine the factors. But the data and analysis that’s required to come to some conclusion in short order, so that we can know our place in the market, is what I’m after.

MR. GIEBEL: Okay. Well, we can --
MS. CAPPIO: So the data you're collecting is great, and it's just a matter of what is it that sets us apart in this financial environment. It's tough, I realize that.

MR. GIEBEL: Yeah. And, Claudia, for sure, it's going to be the conventional product.

MS. CAPPIO: So we just need a little more record of that, and see how that --

MR. GIEBEL: Yes. And the other thing is, we do finance -- Tim and Tony's group has access to the pools of the loans. We can't look at individual loans because they're not our loans; but we can look at how the pools are performing as they buy it.

MS. CAPPIO: Got it.

MR. GIEBEL: Okay, so that's the other thing we'll watch. And we haven't any issues with that at all, so...

CHAIR JACOBS: Jonathan?

MR. GIEBEL: The other thing is, if on a Fannie product, on the 97, if it goes delinquent in six months, the master servicer is responsible for that loan. They have to buy it, so...

MS. ANGST: Yes. There's no buy-back.

MR. GIEBEL: There's no buy-back.

MR. HUNTER: I'm following up a little bit on
something that Michael touched on briefly. And this may be just, you know, my methodology from the past, but that the only one -- the only one of these tweaks that stood out to me was the no longer requiring financial participation by the borrower. Because I -- my lessons, even in sliding-scale counseling for alcohol and drug addiction, is that that's a mistake.

So I was concerned about that.

But then I looked at this chart, and you have down here, borrower out-of-pocket, still having a significant amount of money.

Is that because of closing costs?

MS. ANGST: That is closing costs, correct.

MR. HUNTER: So we're not -- so the buyer is still putting some financial --

MS. ANGST: It is. We are also assuming the seller is not paying any of the closing costs. But based on a 4 percent closing cost standard across the board, the CHDAP being used for both a combination down -- the CHDAP and the ZIP being used for a combination down payment to pay the mortgage insurance, they will have some money still in the game.

MR. GIEBEL: But, again, as Sheryl said, you can get a rebate from the --

MS. ANGST: Down on the first mortgage.
MR. GIEBEL: Yeah, but you can get back from the seller.

MR. HUNTER: Yes, I understood. I caught that comment about the pragmatic difference, so...

MR. GIEBEL: Okay, and then the last slide is some of the things on the -- go ahead.

CHAIR JACOBS: Before you jump, there's just one.

MS. GUNN: Sorry. I wanted to go back and follow up on page 7 with just a couple more questions, where requiring lenders to originate for first mortgages, and you said that you’re disbursing 400 leads a month.

MR. GIEBEL: Yes, about.

MS. GUNN: What’s the lead conversion rate to a loan?

MR. GIEBEL: Here’s the issue with the leads: Typically, the vast majority of the borrowers who come in are not prepared to buy yet.

MS. GUNN: Okay.

MR. GIEBEL: So they come in; and, you know, they have their credit issues, they’ve already -- a lot of them have looked at a property and don’t know how they have to qualify. So that process can take anywhere from six months to a year to a year and a half. We track them for six. It has a very low rate of converting into
either a CHDAP stand-alone or a CalHFA. Because most of those buyers are not ready yet. But it does get them prepared, and it keeps the loan officers at least looking at one of our products with them.

We’re getting more calls for MCCs, mortgage credit certificates: “How do I do that?” And then we tell them. That one’s an easy one. The other two get more difficult. Because, again, it’s all about their credit and their ability to source a loan.

MS. GUNN: So how did you determine that four loans every six months is the right number, or an achievable number?

MR. GIEBEL: Well, in the old days, it was no problem.

MS. ANGST: It was three a month.

MR. GIEBEL: Plus, it’s like one month, we looked at, like, one -- if they could do four in six months, and we also looked at our goal of 927, and based this on how many lenders we think we’re going to have December 31st. Because not all of them are going to do our first mortgage. They have to -- with 45 days to close that loan, they have to have those loans in by about the end of the first week in November for them to get processed through our system, our compliance, and then the master servicer.
MS. GUNN: Okay.

CHAIR JACOBS: Ms. Johnson-Hall.

MS. JOHNSON-HALL: Thank you.

Going back to the $1,500, the $1,500, does that come in from the applicants up-front? Are you at all concerned that -- I mean, back in the old days, once you put money down, you tend to stay with the deal longer than you would if you weren't putting anything down. So are you concerned that we might lose perspective as far as not putting in money up-front?

MS. ANGST: No. What's happening is, it's still the initial deposit that is required when they sign a contract. It goes into escrow. But what happens on most transactions, by the time they use the CHDAP -- particularly the lower loan amounts. But by the time they use the CHDAP, the seller credits, the buyer rebates -- because I'm looking at my CHDAP only on this particularly -- the borrowers are getting that $1,000 or $1,500 back at the close. They cannot get anything over and above what they've put into the transaction per the GSE or government-sponsored enterprises guidelines. So if they put $1,500 in, they're allowed to get the $1,500 back.

MS. JOHNSON-HALL: I understand that. But I'm not sure that you understood -- that I'm understanding
you. So I want to repeat it again.

At the start of this process, the prospective borrowers put their $1,500 into the --

MS. ANGST: And they still are still are, through --

MS. JOHNSON-HALL: And they still --

MS. ANGST: They are still putting the $1,500 in.

MS. JOHNSON-HALL: Okay.

MS. ANGST: They’re just getting it back.

MR. GIEBEL: Later.

MS. ANGST: At the close of escrow. They’re putting it in at the signing of the contract. They’re still putting their earnest money --

MS. JOHNSON-HALL: They’re still putting it in?

MS. ANGST: Yes.

MS. JOHNSON-HALL: Thank you.

MS. ANGST: Thank you.

MR. GIEBEL: All right. So we are a little bit -- so we have been watching the CHDAP stand-alones. And as you can see, the volume is considerable. It’s, you know, 90 percent of our work right now, and we wish it was 50-50.

So we want to take a look at that, because we do not see those firsts. They’re not our firsts.
They're not our master servicer, per se. We don't know very much about them. We just look for the compliance on the CHDAP loans.

So right now, the combined loan-to-value is 103. We're asking for -- on CalHFA to go to 105. We want to keep it at 103 because that's an industry standard.

We have an exemption to go to 105. The HFAs have an exemption.

We want to put their debt-to-income ratio at 43. Ours is 45. We have -- okay, we don't want to pass our exemption on to the whole marketplace.

They have to conform to all other CalHFA first mortgage requirements. So, again, that would be the home-buyer education -- we make them do that on CHDAP -- and the home warranty. So we want to stick with that. That's a requirement right now.

And also, what we're doing, again, we want to make sure the loan officers certify that they have shown the potential first-mortgage borrower a CalHFA loan versus what they've got. We're going to ask them to run the numbers. We're going to give them the calculator and say, "Put this number in" -- that's the CalHFA loan -- "against a loan that you have on your piece of paper," so at least they can see.
Our reviewers are in the process now when we get a CalHFA stand-alone come in and we know our product is better, we try to convert them to the CalHFA loan because it saves the borrower money.

So we're doing it. That's a one-off. But we just want the loan officers to start looking at this. And we've developed a tool for them to do that.

So, again, helping them to get to the four.

We're going to give them all the tools and train them to get to the four.

And we wouldn't be doing it if we didn't think our product was better. And we can prove that on paper.

CHAIR JACOBS: Sheryl, just one underwriting question for condominiums. Are we making -- are we doing special underwriting to make sure that the building is not going to have special assessments or anything like that?

MS. ANGST: Special assessments?

CHAIR JACOBS: Yes.

MS. ANGST: No.

CHAIR JACOBS: In addition to the HOA, there's no sort of risk assessment on that or...?

MS. ANGST: Well, on the conventional product, the maximum LTV is 95, versus the 97 percent. But there's nothing over then having to be approved by FHA,
CHAIR JACOBS: Okay, Madam Secretary did bring up the point that the four-loan requirement isn’t in the resolution as written.

MR. GIEBEL: No, it’s not.

MS. CABALLERO: And to that end, I’m assuming it’s a policy that you’d want to be able to use. And, obviously, if it’s working well, we’d like to hear about in the future. If it’s not, just come back and tell us.

MR. GIEBEL: We will.

MS. CABALLERO: I think it’s -- the way you’ve explained it, it makes a lot of sense to me. And it’s a training opportunity, I think.

MR. GIEBEL: Right, right.

MS. CABALLERO: And we’ll hear about it if it’s not -- it’s burdensome or it doesn’t work.

MR. GIEBEL: Oh, trust us. We’ll hear about it.

MS. CABALLERO: Right. I know we will.

MR. GIEBEL: Well, the first shock treatment will come on December 31st, when -- of the nineties-plus, they go, “Well, I didn’t know about that.”

We tell them every month. We tell them through social media. We tell them in letters. We tell them every way we can -- in training. And, you know, people
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1. don’t get things until there’s a consequence.

   MS. CABALLERO: Just like teenagers.

2. CHAIR JACOBS: Do we have a resolution?

3. MR. HUNTER: Yes, I’ll move adoption of Resolution 14-08.

4. CHAIR JACOBS: Do we have a second?

5. MS. FALK: Second.

6. CHAIR JACOBS: Janet.

7. Okay, is there any public comment before we vote on this?

8. (No response)

9. CHAIR JACOBS: Seeing none, let’s go to the roll.

10. MS. OJIMA: Ms. Caballero?

11. MS. CABALLERO: Aye.

12. MS. OJIMA: Ms. Cappio?


14. MS. OJIMA: Ms. Falk?

15. MS. FALK: Aye.

16. MS. OJIMA: Ms. Gunn?

17. MS. Gunn: Aye.

18. MS. OJIMA: Mr. Gunning?


20. MS. OJIMA: Ms. Johnson-Hall?

MS. OJIMA: Mr. Hunter?
MR. HUNTER: Aye.
MS. OJIMA: Ms. Carroll?
MS. CARROLL: Aye.
MS. OJIMA: Mr. Prince?
MR. PRINCE: Aye.
MS. OJIMA: Mr. Jacobs?
CHAIR JACOBS: Aye.
MS. OJIMA: Resolution 14-08 has been approved.
CHAIR JACOBS: Good luck with the changes.
MR. GIEBEL: Thank you.
MS. ANGST: Thank you.
CHAIR JACOBS: Before we jump to the next item, I wanted want to recognize that Mr. Prince did return to the room before that item came.

--oo0o--

Item 2 Approval of the minutes of July 8, 2014, Board of Directors meeting continued
CHAIR JACOBS: Can we reopen the minutes?
We’re just waiting on your vote to approve the prior.
MR. PRINCE: So, I vote “aye.”
CHAIR JACOBS: Okay, there we go. Now they’re approved.

//
Item 5.A Reports - Update on SEC Municipalities

Continuing Disclosure Cooperation

CHAIR JACOBS: We've got some informational reports.

Does anyone want to actually have a discussion on -- I know there was a SEC reporting matter. It didn't seem to be anything significant.

Does anyone want to have discussion of that?

(No response)

--o0o--

Item 5.B Reports - Homeownership Loan Portfolio Update

as of July 31, 2014

CHAIR JACOBS: All right, seeing none, let's go to 5.B, the loan portfolio update on delinquencies.

Did anyone have any questions or want to call that for discussion?

(No response)

CHAIR JACOBS: All right.

MR. PRINCE: You know, what I think might be helpful -- I mean, it's a lot of data there to read, but it would be nice to know, what should we be looking for; right?

I mean, as I go through it, I get a little overwhelmed by it, so it would be nice if there's somehow a little bit of a summary of "here's either a trend" or...
"here's something important." Just an idea.

MS. CABALLERO: Right.

CHAIR JACOBS: That 30-day trend did tick up actually recently, which was interesting, which was sort of surprising.

MR. PRINCE: Right. But looking at -- I mean, it's kind of being left for us to find something there. It would just be nice for you all to be able to say, "Here's what you should note within this, Board."

CHAIR JACOBS: Actually, a discussion of that, I think just a brief memo, an analysis of the trends, maybe at the next meeting, and just going forward, just to sort of brief what we're seeing.

Okay, great.

--o0o--

Item 5.C Reports - Agency Bond, Interest Rate Swaps, and Financing Risk Factors Report

CHAIR JACOBS: Swaps and financing. Does anyone have any questions on that?

MR. PRINCE: I have the same kind of thing. I mean, there's a lot of information there. It would be nice just to say, "Here's what you should be paying attention to, Board."

I mean, I know we have this training later on today; right? And our role is not to be staff. So I
would love for us to be able to not have to analyze it, yes.

CHAIR JACOBS: Okay, any questions?

MR. PRINCE: Especially, because I don’t understand most of it. So help me understand it.

MS. CABALLERO: I agree. I agree 100 percent.

For me, what’s really helpful is to understand what the trends are. You know, where is there something to be worried about, if anything.

MS. BOATMAN PATTERSON: Is Tim here?

Tim, can I have you come up?

One of the most important things that I think out of these reports, was the item that -- in one of Tim’s reports regarding the disclosure. So if you want to just give them kind of the brief update on the disclosure requirements and the things that were -- during our window of amnesty period. I thought that was out of our reports. To me, that was one of the most salient pieces that probably we need to discuss with the Board. And it will fit in --

MR. PRINCE: That was actually the one that I understood.

MS. BOATMAN PATTERSON: Okay, well, you understood. That’s important.

MR. PRINCE: Yes, but it’s like, when I look at
the data is when I get a little confused. I still think talking about findings makes sense. Oh, yes.

MS. BOATMAN PATTERSON: Okay.

MR. HSU: Well, actually, why don’t we talk about delinquencies a little bit before we talk about disclosure?

In general, I know there’s a lot of information there; but I think the take-away is that our total delinquency ratio is actually less than 10 percent for the first time for quite some time.

Our REO inventory is way down. We used to be up at about 1,100 or so. Now, it’s in the -- it’s less than a hundred. I think it’s about in the 50 or 60 range.

Our recovery ratio is way up. I think that in the depth of the real-estate crisis, our recovery ratio before all the credit enhancements hit -- meaning, that before all the MI insurance hit -- it used to be about 45 cents to the dollar. And now, it’s closer to, like, high seventies, or possibly low eighties.

So losses are down, inventory is down, total delinquencies are down.

The number of loans that go from current to 30-day delinquent, because you were trying to stave off loans from becoming delinquent at all, is also down.
I think in the last nine months or so, seven out of nine months we're below trend; and one month out of that nine-month period we spiked because of the transfer that we did with BofA. That would be effected about the early part of this year.

So I think in terms of delinquencies, we could do a one-page summary. But in general, everything looks better.

As for the disclosure: I'm glad that the memo makes sense. I did spend some time writing that.

In short, what this effort is from the standpoint of SEC, is to get people to voluntarily -- my word is, confess that if they have, in the past, represented that they were compliant with their disclosure obligations but they were not in compliance. Meaning, that you did a bond transaction and in your disclosure documents you said you were in compliance, where you were actually not in compliance. So this obligation is placed both on the underwriters and also on the issuer.

So we've been in conversation with the underwriters about what they have found; and we also have done our process, our diligence of what we have found.

So in general, most of them -- no, all of them -- I shouldn't say "most." In general, all of them
have not found anything that we have not found, meaning, that they’re not reporting on anything that we’re not reporting ourselves. So because of the nature of the program, that kind of created a little bit of incentive for the underwriters to over-report, because they gave them a cap on their liabilities on everything they report.

So they have sort of these incentives to -- they have an incentive to over-report.

And Katie knows all about this, and please correct me if I’m at any time wrong in that. And we have two bond counsels behind me, too.

So they have a tendency to over-report, whereas we don’t really have any incentives to over-report.

So in that light, they have not found anything they want to report that we wouldn’t report ourselves. So we haven’t reported yet.

They have reported -- all the underwriters reported last week. So we’re in the process of gathering their reports, to make sure that they follow through on what they told us on the phone, that they wouldn’t report on anything that we wouldn’t report ourselves. And then before the next board meeting, we are going to report ourselves, which is before the deadline -- I believe the deadline is the year-end -- so that we can share that,
what we report to SEC with the Board.

And then we're also going to bring to the Board something that we've been working on for some time, which is the best practices of disclosure. These are sort of a set of internal agency procedures that we are going through the process of adopting, so that we can also bring to the Board that we now have this set of best practices, disclosure practices that we've adopted internally, that we will enforce going forward.

CHAIR JACOBS: Thanks, Tim.

Any other questions on these items? John?

MR. HUNTER: On any of the reporting?

CHAIR JACOBS: No. Well, I think I do want to bring up "F," Item F, and just sort of track on how we've been working on the maturing loans and what we're doing to keep those rolling forward, the affordability.

--o0o--

Item 5.E Reports - Keep Your Home California

CHAIR JACOBS: Keep Your Home California, should we do an update on that?

MS. BOATMAN PATTERSON: We had one.

CHAIR JACOBS: I think we --

MR. PRINCE: I missed it, so maybe -- that actually is the one place where I had a comment --
question, wax poetic, whatever -- on the report.

I really appreciated -- I just wanted to say, I really appreciate the Keep Your Home California update, particularly these wonderful geographic maps. It actually was very helpful in terms of getting a picture of where the products are going.

I just have one comment on the notion of ranking. These counties are ranked from one to ten, in terms of sheer numbers. And so LA County is always going to be number one because it has the most people, the most options that fail.

But I think it's worth looking at sometimes, you know, how would the counties rank if we looked at the percentage of loans that are in foreclosure, compared to the number of loans out in that county, or number of foreclosures -- number of households foreclosed as a percentage of all households in the county.

And the reason I bring that up is that when targeting resources, sometimes it's the percentage of need that is going to be the bigger indicator, the more important indicator of where the greatest need is.

Now, I don't think it's particularly a problem -- one of the things that I looked at, is that I went back and looked at our own portfolio. So, for instance, our county, where we have the biggest problem
in terms of the highest percentage of foreclosures, is Riverside, followed closely by Kern. And so, you know, if we looked at the percentage of loans that we have trouble with, it’s more, you know, Riverside, Kern, Fresno -- some of the counties that don’t have the sheer volume but have a much higher percentage of need.

And the other thing I did one time, when we were looking at these reports, was to look at the counties by their unemployment data. And the unemployment data also skews how we look at need.

So I’m not suggesting that the staff do a lot more work and a lot more mapping. I just kind of wanted to -- particularly, since I did kind of try to do a couple of those other applications of the ranking, and they weren’t all that far off.

So I think really looking at all the factors, I’m actually pretty impressed with how well we’re doing with the Keep Your Home California program in terms of geographic distribution, household distribution, income distribution, et cetera.

But I would just have us keep in mind that sometimes sheer numbers -- volume, doesn’t equate with level of need.

That’s it.

CHAIR JACOBS: Any other questions or comments
about Keep Your Home California?

(No response)

--oOo--

Item 5.F Reports - Update on Multifamily Portfolio

Projects maturing on or before September 2019

CHAIR JACOBS: Jim Morgan, do you want to talk about the projects maturing?

MS. MORGAN: Good morning.

So what we -- as requested from the last board, we had discussed our projects maturing within the last five years.

What are the -- what is the composite of those projects? You know, ownership project type, Section 8, regulatory, affordability, subordinate loans.

And so we could just have apples to apples. We did September of this year to September 2019, and you came up with about 34 projects.

So what you see out of those 34 projects, and what I forgot to put, is a summation of what the outcome was.

You have about 60 -- almost 70 percent of those are nonprofit. 30 percent -- 30 percent are for-profit ownerships.

The project types, you have 60 almost -- you’re pushing 60 percent at family, 30 percent at senior, the
rest at special needs. You have 12 projects that have
Section 8.

And then you have a subordinate debt total of
around $26 million.

As far as affordability is concerned,
71 percent are at 50 percent AMI and below, with the --
I'm sorry, 75 percent.

71 percent of that 75 is at 50 percent AMI.
The rest are at 35 and 30.

So for us, what we plan to do is, we're going
to do some pre-work with our Asset Management folks, get
together, obtain that partnership structure, contact
information; get our most recent inspections, operating
statements, debt service -- get all the data we can, and
develop a process, strategy to do a direct marketing
campaign.

What we've decided as a group is, we're going
to commence that come November 1st.

There's a new financing product that's coming
out for the HFAs that is due out by the beginning of
October. And we're going to be meeting back at the
National Council of State Housing Agencies, their annual
classification, NCSHA, on October 18th, to meet with HUD
D.C., with the Treasurer's office, and also with
MassHousing, New York Housing Finance Agency to discuss
And the preliminary indication is, if we are able to go out in the marketplace with this product, it's pretty -- "favorable financing" is quite the adjective. Although that's two words. But it looks really good.

So we want to get our arms around that structure, and we feel it will be very favorable as far as interest rate, to the tune of about 75 basis points, a hundred base points. Very favorable. So get that -- get our arms around that, and then commence with our campaign with those projects, and then also new projects as well.

In anticipation of that, we also met with our Marketing Department, have had a brainstorming session to kind of re-brand who we are, what we do in Multifamily. So we're putting that process and that product together as well.

CHAIR JACOBS: Any questions on this?

(No response)

CHAIR JACOBS: A good starting place.

MS. MORGAN: Absolutely. Thank you.

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**Item 5.G Reports - Results from Fannie Mae Document**

**Custodian Audit**

CHAIR JACOBS: We had a couple of audit items.
Does Lori Hamahashi want to do a bit on those?

(No response)

CHAIR JACOBS: Does anyone have any questions for her?

(No response)

CHAIR JACOBS: Any questions?

(No response)

CHAIR JACOBS: It’s fairly self-explanatory.

--o0o--

**Item 6** Informational workshop discussing the role and responsibilities of the Audit Committee

CHAIR JACOBS: Let’s go to the workshop.

Just because of sort of the delay this morning, I’m going to not do a recess. If anybody needs to duck out for a minute, we will understand.

But let’s get into the training then.

Is there a presentation?

MS. HAMAHASHI: Good morning, everyone.

At the request of Mr. Gunning, our current chair of the Audit Committee, CliftonLarsonAllen is here to provide a general overview of board governance and the role and the responsibilities of the Audit Committee.

Seated next to me is Nancy Jones. She is the current audit principal on our audit engagement. And we have Clifton here today because they offer training for
clients and their respective boards.

And I just thought that I’d also mention that today’s training is free of charge.

So at this time, I will turn over the mike to Nancy, and then she can begin.

MS. JONES: Okay, and hopefully worth every penny.

I’m not sure if I even know how to change these slides.

Well, here. We’ll do this.

Okay. Okay, obviously, I’m failing at the technology, but that’s okay, because I don’t have to be technologically competent. Thank goodness, I have excellent support.

So one of the things that we’re going to talk about today is the role of the board and the role of the audit committee, and what it means to be a board member.

Having also been a board member myself, I know I would have appreciated some background information before I took on my role. I understand that a lot of you already have a great amount of experience. And hopefully, this just reinforces what you already know and what you’re already doing.

But we’re going to talk about understanding your fiduciary duty. Because as a board member, you do
have a fiduciary duty to the organization. And then understanding how you’re going to govern your agency and the accountability and responsibility that you have for California HFA with specifics added in as we talk this morning.

So our overall goal is to just set a knowledge base. And forgive me if you already have that knowledge base, but reinforcement sometimes really helps.

Having sat in the back of the room this morning and heard some of the questions that you all asked and the discussion over the presentations, I’m not sure how useful you’re going to find this because you’re already very engaged and very involved. And so you may already be very comfortable with this.

Now, you know the role of California HFA and the three active lines of business that you’re currently managing: the single-family, multifamily, and the contract-administered programs. And we’ve heard some of the reports in on how that’s going, this morning.

One of the things that we want to talk about is determining the different roles. Your role is a role of governance. So you ultimately have the responsibility to ensure that the organization is governed effectively. Then management -- management is on a day-to-day basis.

So I haven’t had the pleasure of meeting Tia
yet in person. But as the new executive director, you’ll be working with her, evaluating her performance. And she is responsible for day-to-day operations, while you’re responsible for the overall governance and oversight.

Now, typically, what you’ve done is, you have enacted measures so that the operations can go on, on an annual basis. You set the budget. You work to determine what’s going to be available so that the programs can go on. And then you’re going to review and look at that business plan that goes right along with that operating budget, and ensure that that business plan is set so that it actually meets the objectives of the budget and the funding that you have available. And then you review and approve any contracts.

So this is all refresher. You all know what you do.

The purpose, though, is that you’re going to provide organizational oversight. And you’re going to maintain the accountability of the agency to the public and to the law. And we saw some of that in action, again, this morning. This is the first board meeting I’ve had where members of the public have actually come in and had a presentation, so that was unexpected. So that was very edifying for me. So thank you all for that experience.
But your responsibility is to ensure the future, the mission of the agency, that the governance of the agency is effective, so that it is doing what it is supposed to be doing with the funds that have been entrusted to it; and that it's doing it effectively, so that the operations that you've approved are actually meeting those objectives and furthering the purpose.

So one of the questions that you ask yourself, as you go through this process, is not so much how do we do this, how do we make this work, but should we be doing this, what is it we should be doing with these funds to make the most difference.

When we talk about governance responsibilities, you establish the mission and the philosophy. You plan to meet that mission. You're going to supervise the executive director; and you're going to ensure that you have the resources that are adequate to meet your responsibilities, and that you manage the resources that you have.

So in this instance, your agency is self-supporting. And so you raise the revenue that then is available to meet your objectives.

And then you need to set those policies to guide those operations and the programs, and make sure that the monies that are available are used appropriately.
based on what it is that you’re trying to accomplish.

And then one of the key roles as well, is then to evaluate how well that’s coming together. So you know what you’re trying to do, but then you have an evaluation process where you say, “Okay, now, did we do it? Did this work out the way we thought it should work out?”

Okay, and I skipped right past a slide on “organizing the board to work effectively.”

So within your group, you have to delegate some of the responsibilities, because not everybody can do everything.

For example, I know that you have committees that then report back to the Board. So you have to work within, to organize how everything will get done.

A couple of committees we’ll talk about in a little bit are the Audit Committee and the Executive Committee -- the Executive Evaluation Committee.

And then you have to ensure the legal and ethical integrity of the organization. So this requires certain duties from you. And we consider those fiduciary duty. And you’ll hear that mentioned a lot, that the board members have a fiduciary duty.

One of the duties within that is the duty of care. That is to come to the meetings, to know when those meetings are, and to actually use good judgment.
when you're at those meetings. So it's a diligence to actually be there and to participate and to have a voice in what you're charged with.

The duty of loyalty. And that's to put the interest of the agency ahead of any personal interests, or anyone else that -- another person or any other organization. You serve on this board. This board should be your primary source of loyalty; that you should be loyal to this board.

Then you have to act with fidelity in order to ensure that you are meeting the organization's mission.

Now, when we talk about duty of care, that is attending the board meetings, that's actively participating in the work of the Board, that's actually hearing the reports back in from the committees, asking questions from the committees, not giving blanket approvals, but to really understand what it is that you're approving; and then participating in any board actions. So making sure that you have a quorum, and that your quorum actually takes action.

And then to know the books and the records of the agency that you're on the board for.

So what is the financial position of the agency? What are the results during the course of the current year? What are the trends that you've seen in
the current -- in the past years? Know what's happening
with the financial information.

And one thing is that Lori and her group are
here to help you, to assist you if you have questions
on the books and records of the organization and on the
financial results. They're an excellent resource for
you, and they can provide insight and analysis, if
necessary.

And then the next thing that you need to do in
your duty of care, is to protect the organization's
assets.

And then when you're authorizing activities or
programs or income-generating activities, you want to
make sure that what you're doing is going to provide an
adequate resource and not cost more than the benefit it
provides. So that's part of that.

And then another thing that you have to do, is
to investigate and report any theft, or potential theft,
or mismanagement.

So sometimes an employee may come to you to
say, "Hey, I've noticed something that doesn't seem quite
right to me." That, as a board, you really have a duty
to assess that risk, and to investigate and report on
that.

And as your auditors, if we happen to notice
those things, we’re required to also present that to you, and to bring that to your attention. And then your part of that is to then take action and do further investigation.

Clear, so far?

Claudia, did you have a question?

MS. CAPPIO: No.

MS. JONES: Oh, you’re just waving to me.

Good. Okay, all right.

Okay, and then when we talk about ensuring the financial accountability, one is the oversight of the agency’s executive director and verifying that those resources were used prudently.

There are many demands on the resources that you have. We saw today that you have money in the bank, and there are demands on that money. And individuals from outside the agency may think it’s available because it is in the bank. But there are restraints and constraints that you have to use to utilize those funds; and it’s your responsibility to ensure that those restraints and constraints are observed, and that you use that money prudently.

And then, working with the accounting individuals -- your controller -- ensure that you have adequate, accurate financial information from which to
make decisions. Because if you make decisions from the wrong financial information, or information that is not correct, you could potentially make the wrong decisions.

Yes, did you have a question?

MS. FALK: Yes. How are we supposed to know that? That it’s accurate --

MS. JONES: How are you supposed to know if the records are accurate?

MS. FALK: Yes, without -- you know, we’re not looking at the books, we’re not getting in the weeds. How do we know that?

MS. JONES: Sure, okay.

Now, at the end of each year, you’re going to get an audit report on the external financial statements. And those external financial statements we’re going to present to you in accordance with generally accepted accounting principles. And then the basis of accounting that’s used throughout those, should be presented faithfully throughout the year.

So you’ll get quarterly financial information. And as you have seen from the end-of-the-year financial information that has been audited and that we’ve been able to say whether or not it is materially correct, then as long as those quarterly statements follow those same basis, and you don’t see large swings and changes in the
way that the amounts are presented, then you should be able to somewhat rely on that.

However, it's up to you to say, "This doesn't look quite right. Why has this changed? Why does this not look quite appropriate given what we knew at the end of last year?"

And so that's kind of a large task.

But Lori is here to help you with that as you go through the year. So be sure to ask questions.

If you see that the financial -- the results of revenues and expenditures do not appear to align with the budget, that's the time you say: "Okay, why isn't this aligning with the budget?" "What are the differences?" "Does the budget need to be amended or adjusted because of changing conditions?" Or, "Are there possibilities that the information is not being rolled into the appropriate areas, and being representationally faithful to the actual expending of funds?"

Did that answer the question?

MS. FALK: Yes. Although I don't -- have we been getting quarterly budgets?

MS. HAMAHASHI: Quarterly budgets? No. The quarterly financial statements are produced; and they're posted.

MS. FALK: Do they just go to the Audit
Committee?

MS. HAMAHASHI: No, no. It actually does not go out to the Board members. It’s produced and placed on our Web site.

MS. CAPPIO: So it’s available.

MS. HAMAHASHI: So it’s available on the Web site, right.

MS. FALK: There’s no Board presentation or discussion?

MS. CAPPIO: Not historically.

MS. HAMAHASHI: Not historically. It’s been at the end of the year.

MS. FALK: So once a year, we get to see whether we were -- how we’re doing?

MS. CAPPIO: So it’s within our power to change that up.

MS. CABALLERO: That’s right.

MS. FALK: So we’ve got to ask questions.

MS. JONES: Uh-huh. Now, certainly the information is posted and available, but a presentation of the information is not outside the realm.

MS. HAMAHASHI: No.

CHAIR JACOBS: It would be simple enough to do that as an informational item.

MS. FALK: Well, I would like to see at least a
MS. CAPPIO: We do have a midyear report.

MS. HAMAHASHI: We do have a midyear review when we're discussing the May.

MS. FALK: Income, revenue.

MS. JONES: Okay, so one piece of that, is that the financial information that you see throughout the year is accurate; that you'd want to be looking at that financial information to see if anything looks like it possibly is inaccurate.

Another piece of information that you need to be aware of is, are the duties that you have within the accounting and financial reporting group, are they adequately segregated so that you have protected the assets of the entity?

For example, you don’t want the same person to have responsibility for both initiating a transaction, authorizing a transaction, recording it in the books and records, and then having access to those assets to actually transact the business. So those duties really need to be separate.

And so the notification that you get at year-end, as part of your audit process, we do look at the internal control structure and the actual internal controls that were in place during the year, and we will
notify you if there is an issue in this area.

But additionally, as you're adding programs and
as you're changing roles, you need to be aware that
that's something that really falls to you to monitor and
oversee, so that you can be sure that the information
that you have is, again, representationally faithful, but
that your assets are also protected, so that someone
could not walk away with them.

And then the internal controls that you have in
place are appropriate in order to ensure that.

And remember, it's always a cost benefit. So
you have to realize that if you have the option of --
you see that you have an inadequate segregation of
duties. One way to fix that might be to add a person to
that role. But another way may be to change the way that
the activity is undertaken, and a different level of
oversight, so that you don't have to add a person. You
have to balance the costs and the benefits of internal
controls.

And so that is part of the role of the Board,
partly as an oversight of the daily operations.

So Tia, herself, will also be actively involved
in making sure that this structure is appropriate. Lori
and her group are actively involved in designing the
controls and ensuring that they're appropriate to what
needs to be done. Your role is the oversight, to follow up to see if those controls are adequate and actually functioning.

And then as you make decisions, you need to ensure that any decisions that you’ve made are documented in your board minutes. And I’ve reviewed your board minutes, and they’re very meticulous. So I don’t think you have a problem with that.

The duty of loyalty is to avoid conflicts of interest, or what might appear to be a conflict of interest.

If you have a question on that, certainly the burden of proof goes to you. But you have staff available to assist you in answering any questions on this.

And then there is a written policy on avoiding conflicts of interest. Use that written policy to guide your actions. And that’s the duty of loyalty.

And then also, this agency, like many others, administers a larger amount of funds. You have a duty not to divert any corporate business opportunities for your own personal gain. You need to look at the IRS rules for self-dealing, to see whether or not there is a -- whether or not you might be making that diversion. So use that as your guideline.
And then one thing we want to emphasize is, the agency itself has some policies in place. You have a limit of $440 a year on gifts. And then you are required to disclose any gifts from any individual source if they're more than $50.

And so that Form 700, I believe, is the filing that you make on an annual basis.

Now, additional requirements: You have an Open Meeting Act requirement, which goes not just for the board but also for the committees of the board. And then you have duty of disclosure of your economic interests.

When we talk about the Open Meeting requirement, you have to have ten days' advance notice, you can only vote on those items that were in that published agenda, a majority of board members cannot convene and communicate except in an open meeting. And your audit committee, which consists of three members, cannot discuss and convene and make decisions without being in an open meeting.

Now, you can have closed sessions, and I believe you're going to have one today. Those are authorized by law, and they have to be on your agenda in order to hold a closed session.

If there is an emergency and you do need to meet, there is a caveat that you can have an emergency
meeting with less than ten days' public notice, but there are special circumstances for that.

Okay, the duty of disclosure of economic interest, the agency's Form 700. It's a yearly disclosure requirement that you need to complete. And then if you do have any financial interests, you need to disclose that. If there is going to be a vote that's involved in your financial interest, then you need to recuse yourself from those deliberations.

And you're required to report your potential conflicts if you knew about them or if you should have known about them. So if a reasonable person would have known that that was an investment that they held, then you should have disclosed that also.

When we talk about the financial reporting, there are three groups that participate in that process of ensuring that you have materially correct financial information: The governing body, financial management of the institution, and your independent auditors.

And the governing body is the top in that group. So you all have the oversight and governance to ensure that the financial information is appropriate.

And then you will work with financial management, who will make those day-to-day decisions, and help put in policies and procedures, and administer those
programs, and account for things appropriately.

And then your independent auditors, what we will do is, we're available for consultation if you have questions. Obviously, my phone number is in here if you need to call me. I'm also backed by a large pool of individuals within my firm. So it's not just me.

But then also, we're going to report to you on an annual basis, before we start your audit, what the scope of the audit is.

And I met with Mr. Gunning a couple of months ago, I guess it was now, to go over the scope of the audit, as head of the Audit Committee. And then we'll report back to you as a full board in November, to give you the results of the audit.

So one of the things is, when we present those financial statements at the end of the year, be sure that you ask questions, if you have questions on what the information is relaying, and how they -- the financial statements are laid out; because you need to understand the content of those financial statements in order to make sure that you're making appropriate decisions based on those.

Again, you need to ensure the protection and the appropriate use of the organization's assets. When we talk about "protection," we mean protection from
theft, protection from misuse, ensuring that they’re used appropriately, and also, that the accounting for those is appropriate, clear, and open.

You need to have objectives as for revenues and expenditures. And that’s part of your budgeting process.

And one thing we’d like you to know, is that when you are budgeting, you’re a self-supporting entity, so you need to use income-based spending, meaning that you don’t spend more than what you have, okay.

Typically, if you have reserves, those reserves you wouldn’t want to dig into on a regular basis. Those reserves are there for a reason.

And then you want to thoroughly discuss that annual budget, and understand that you know that the decisions that you make are based on the strategies that you have in place. And so they should be consistent with those strategies. And the way that you’re going to use the money should actually be representational of the decisions that you’ve made on what you’re going to be undertaking for the year.

Regular review of the financial statements:
They’re posted online. Definitely, I would say that a quarterly basis, that’s -- the typical is that you should be reviewing the financial statements throughout the year. If they’re available quarterly, then certainly
look at those quarterly. And if you have questions, then bring those up to management to help address those.

And then if you have questions on the internal controls that are in place and if there are risks that the organization is undertaking, you need to know what those risks are, and ensure that that's something that you're comfortable with the organization taking for those risks: Risks in internal controls, risks from external entities that might want to defraud the entity. That's part of your responsibilities, is to ensure that you have a grasp on what those risks are.

And then to establish appropriate policies from which the organization can manage the day-to-day activities. And, where possible, have an operating reserve, which in this instance, you have a significant operating reserve.

When we report to you the results of the audit, we will tell you if there are internal-control weaknesses, whether there are significant deficiencies or material weaknesses. And we’ll go over what level of concern that you should have with that. But you’ll review then what management’s comments are, and how they’re going to address those issues, if there are any issues. And it’s your job then to say: “We agree with that plan. That seems to be something that would be a
reasonable response to this finding."

And then we'll report to you whether or not there are any areas where we had issues of non-compliance. We do a single audit for the organization, meaning, that you're administering federal funds, and compliance is a big part of that audit. We'll report on that to you. And it's your responsibility as a board to make sure that any findings that we have, that you respond appropriately to.

Okay, let's see. The risk assessment. As I mentioned, you can be at risk from outside forces or internal forces; and about annually, you want to update that risk assessment. And I know Claudia had started a risk-assessment program. And that's in its first full year, I think, at this point.

Your two committees are the Audit Committee and the Evaluation Committee.

The Audit Committee, what you have on the Audit Committee responsibilities are, the Audit Committee is responsible for selecting the audit firm, defining the service expectations, ensuring that the audit firm works within those service expectations. We talk about the scope and the timing of the work. And we need to ensure that the Audit Committee is comfortable with the scope and the timing of the work.
As I mentioned, you have a single audit, which is performed in accordance with three levels of standards. And so the Audit Committee needs to ensure that the auditors are aware of those standards, and that we are planning our audit to meet those standards.

The Audit Committee then presents information to us if they have concerns that we need to be aware of as we perform our audit. And then, of course, to respond to any audit findings or recommendations. To present those annual financial statements, so the Audit Committee may go into great detail in reviewing the financial information, and then present that financial information to the Board for approval.

If there are conflicts between management and the auditors, an audit committee would normally resolve those conflicts. They would be the person that referees and ensures that the interests of the agency are observed and that we have worked through conflicts; and you agree with the resolution of any issues.

And then any audit letters that go along with the report, that those have been reviewed and approved.

You make the recommendations for the selection and retention of the auditors. You review those audit findings, and you report those to the board.

Now, the Government Finance Officers

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Association has put out an article on best practices for audit committees, that came out in about 2008. And I highly encourage you, if you want more information, to take a look at those best practices.

What they say for audit committees, really, is that everybody on the audit committee should possess a basic understanding of governmental financial reporting and auditing. Because, remember, this is the governmental group. So they’re saying a basic understanding of governmental financial reporting and auditing. That you should have access to at least one expert on your group. And you should have enough members to ensure meaningful discussion, but not so many that you just spend a lot of time discussing. So they’ve recommended about three members, basically.

CHAIR JACOBS: Though, we wouldn’t object to a fourth member.

MS. JONES: Yes, they just -- it wouldn’t make sense to have the full board be the audit committee. But they say three, at least.

And then one other thing that you need to do is to exercise professional skepticism.

As your auditors, we hear that we need to exercise professional skepticism, and we’re cognizant of that when we perform our procedures. But in addition,
the audit committee itself should be skeptical of the information that it receives, and ask those follow-up questions.

So you’re going to provide an independent review and oversight of the financial reporting processes; the internal controls that the organization has in place; you will look at the risks that the organization faces, and whether those controls are appropriate; and you’ll look at whether or not the independent auditors are meeting the needs of the organization.

You also are responsible for establishing procedures for individuals to make complaints or to bring issues forward; to say if something doesn’t seem quite right. So that’s the receipt, retention, and treatment of complaints about accounting, internal control, or auditing matters.

And then annually, to present to the full board, a written report of how the audit committee discharged its duties to meet its responsibility during the year.

Now, granted, those are best practices. Some will be practical for you; some will not. So it’s up to you to determine those practices that you make part of your planning and operations. But certainly, these are
in place and accepted practices for audit committees.

So I appreciate everybody’s attention. I know it’s not exactly the most exciting topic.

Do you have any questions for me?

MS. CAPPIO: What’s the difference between “professional skepticism” versus “amateur skepticism”?

Do you have to be more polite when you’re professional?

MS. JONES: Yes, I think so. I don’t think you can call names when you’re being professionally skeptic.

CHAIR JACOBS: All right, any other questions?

MR. GUNNING: I have a comment, Michael.

Nancy, thank you.

MS. JONES: You’re welcome.

MR. GUNNING: I thought that was outstanding. And as you mentioned when we talked about this at lunch, I naturally said, “Wow, no one’s ever talked to us. This would be something of value.” And it certainly has been for the Board.

If you could, or Lori, get us a copy of those best practices, because I saw a few people taking notes on that. So I think that would be of interest.

MS. JONES: Sure. That’s an easy thing to do. They have published it on the Government Finance Officers’ Web site. I’m a member. I can easily download
that and send it off to you.

MR. GUNNING: That would be perfect.

CHAIR JACOBS: Thank you very much for that.

MS. JONES: Thank you.

CHAIR JACOBS: All right, we’ve got a --

MR. PRINCE: Can I ask a question?

CHAIR JACOBS: A general question?

MR. PRINCE: Yes, it’s around that same topic.

So I blindly jumped on the chance of becoming a board member. I have no idea what our protections are.

MS. CAPPIO: None.

MR. PRINCE: So is that the truth?

So I assume under state law, there’s protection to Board members making decisions, unless we do something that breaks the law.

CHAIR JACOBS: Egregious.

MR. PRINCE: Yes, but I have no idea, is there a director’s and officer’s insurance?

CHAIR JACOBS: Victor can explain that. But there’s a certain degree of trust that we have in the work product given to us by staff.

Victor, maybe you can address that.

MR. JAMES: Right.

(Ms. Ortega entered the meeting room.)

MR. JAMES: I guess two levels. I think the
direct answer to your question, Preston, is, should any
member of the Board get sued by someone while performing
the duties of the Board while acting within the course
and scope --

MR. PRINCE: That is my question.

MR. JAMES: I kind of thought it might be.

Yes, you have immunity. You have both
prosecutorial immunity, as well as -- we have an
obligation to provide you with both financial-liability
immunity, indemnity, and also defense indemnity. So
it's a cost that gets picked up by the agency if you were
sued in your capacity as a Board member, or based on
performance of duties associated with your status as a
Board member.

So if you were individually named, there would
have to be a determination -- if you were named as an
individual, there would have to be a determination that
it was within the course and scope of your membership
status. And if it was -- and I'm sure it would be -- we
would offer you that defense and the indemnification from
damages.

MR. PRINCE: Thanks.

CHAIR JACOBS: Can the minutes reflect that
Ms. Ortega has entered the room?

MS. ORTEGA: Yes.
CHAIR JACOBS: Thank you.
Just actually in time for a great
closed-session discussion of litigation.

MS. BOATMAN PATTERSON: Do you want to do 7 and
8, and then jump to closed session?

CHAIR JACOBS: Can we do that?

MR. JAMES: I'm sorry?

MS. BOATMAN PATTERSON: Can we take 8 and 9?

CHAIR JACOBS: And then just go into closed
session -- or adjourn the public meeting, go into closed
session?

MS. BOATMAN PATTERSON: Take 8 and 9.

MR. JAMES: No, we have -- I think we have to
wait and --

CHAIR JACOBS: Keep everybody --

MR. JAMES: -- and go back into open session
before we -- you have to go back into open session after
close, for adjournment.

CHAIR JACOBS: For adjournment? All right.

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Item 8 Discussion of other Board matters

CHAIR JACOBS: Are there any other board
matters anyone wants to raise before we go with that?

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CalHFA Board of Directors Board Meeting – September 16, 2014

Item 9. Public testimony

CHAIR JACOBS: Is there any member -- are there any members of the public that wish to speak at this time?

We have two members of the public.

MR. TAIT: I’ll be brief. My name is Joe Tait. I am representing my firm, Raymond James.

I just wanted to make a public comment with regard to the single-family lending program adjustments that you’ve mentioned today.

Obviously, you’ve voted “yes,” so I’m not trying to influence your decision. I just thought it might be helpful to place your decision in context.

My firm runs 27 programs for -- programs for 27 HFAs, similar to the program that Cal Housing runs using the TBA market. And I can tell you that of those 27 programs, the adjustments you have made are certainly in line with, or bring you much closer to the 27 programs that we run for our clients.

I can’t really -- I don’t have the details of 27 programs in my mind, but I can tell you that most of them do have higher combined LTV thresholds. So the steps you’ve taken today bring you much closer to the large number of programs we run.

In addition, out of our 27 programs, there are

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no other clients that I have that provide down-payment
assistance exclusively away from the first-mortgage loan
product. And I find it interesting that Cal Housing
does.

There are -- HFAs get down-payment assistance
money from various sources. Sometimes it’s through
premium pricing of mortgage loans. Sometimes it’s
settlement monies from the Attorney General, and so
forth. But there are none that I can think of that run
programs to provide individual down-payment assistance
loans to homeowners.

So that concludes my comments.

CHAIR JACOBS: Thank you, Mr. Tait.

MR. PRINCE: Can I add on to that? Because I
eloquenty had a question earlier about it.

So if we provide additional down-payment
assistance, $6,500, if I read that right, and someone
saves $130 a month, that’s about five years, six years,
right, before they -- that net present value; right?

So my question is, are they going to take that
$130 savings and actually keep it, right, and maybe spend
it towards their families? I think that’s our
assumption. Maybe they’ll put it towards principal.

Hopefully they’ll buy school supplies. Hopefully,
they’ll do something, or will they just get a larger
mortgage?

So that’s where my question is, are we pushing into something where people are going to be leading to defaults? What are we doing that allows us -- whether it’s getting the right lender, or the right borrower -- you know, that process.

So that’s why I didn’t really quite say it very well. But for me, it’s really, are we pushing the bubble, are we just getting into the mix just for the heck of it; or are we actually targeting someone that wouldn’t have gotten helped otherwise? Are we finding people who take the savings and put it towards education or put it towards some other things that are important?

So that was my question.

And I’m glad to know that we’re not out of line of all of the other HFAs. So that’s good to know. So I actually appreciated those comments. It did make me --

CHAIR JACOBS: Yes, it comes back to the underwriting question that Claudia raised.

MR. PRINCE: Yes, it really does.

CHAIR JACOBS: Another comment?

Sir, please come up.

MR. TALIAFERRO: My name is Richard Taliaferro. I’m a homeowner. And I applied for Keep Your Home California after being in a trucking accident and
breaking my arm. And I was approved for that. And I had been through divorce. And I was approved, I believe, for the maximum amount; but my lender, Ocwen Loan Servicing, simply refused on the basis that I hadn’t given them enough documentation.

To date, I’ve given them over a thousand pieces of documentation: By mail, by fax, and by -- you know, over the phone, scanning documents and e-mailing to them.

I have filed a complaint with the Consumer Protection Financial Bureau. They got back to me, and I got back to them. Basically, this has been going on for about five months.

I filed another complaint when I found out that the Department of Business Oversight -- I guess that’s the California Attorney General’s office --

MS. CAPPIO: Yes, it’s a state agency.

MR. TALIAFERRO: -- is now taking action specifically against Ocwen.

They were supposed to -- Ocwen was supposed to get back to me by the first of this month. That’s the deadline.

I have a letter here dated September 10th, and postmarked September 11th, telling me that -- from a third ombudsman -- that’s a hard word to say. But I am still on disability, and my prospects for work, because
I'm still -- you know, I'm suffering from post-traumatic stress, still -- and I'm going to lose my house if something isn't done here pretty soon. And I just don't understand why it is.

In my complaint to the Department of Business Oversight, the remedy that I sought was to have them go back to the time that I was preapproved for the loan; and they're also a part of the court order that they're under, is that they have to pay out $2 billion over the next -- $3 billion over the next two years to underwater homeowners.

Well, I qualify on two fronts.

If this continues past November, I'm not going to have a home anymore. And I want to know what can be done; and if there's anything else that I can do, that I haven't done already.

CHAIR JACOBS: Can we get your information and try and follow up afterwards --

MR. TALIAFERRO: Sure, yes.

CHAIR JACOBS: -- just with them, and put a little -- as much pressure as we can?

MR. TALIAFERRO: Should I talk to you after the meeting?

CHAIR JACOBS: Fill out their --

MS. CAPPIO: Di can get your information.
CHAIR JACOBS: Di? Okay, you’ve got it.

All right, thank you.

Anyone else from the public?

(No response)

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Item 7  Closed Session

CHAIR JACOBS: Okay, we’re going to go into closed session.

We’ll reopen briefly before adjourning.

But thank you, everyone.

(The gavel sounded.)

(The Board of Directors met in closed session from 12:17 p.m. to 12:51 p.m.)

CHAIR JACOBS: We’re back in open session.

Any other matters, or members of the public who wish to speak?

(No response)

Item 10.  Adjournment

CHAIR JACOBS: Seeing none, we’re going to adjourn this meeting. Thank you.

(The gavel sounded.)

(The meeting of the Board of Directors concluded at 12:51 p.m.)
REPORTER'S CERTIFICATE

I hereby certify that the foregoing proceedings were duly reported by me at the time and place herein specified;

That the testimony of said witnesses was reported by me, a duly certified shorthand reporter and a disinterested person, and was thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for either or any of the parties to said deposition, nor in any way interested in the outcome of the cause named in said caption.

IN WITNESS WHEREOF, I have hereunto set my hand on the 6th day of October 2014.

DANIEL P. FELDHAUS
California CSR #6949
Registered Diplomate Reporter
Certified Realtime Reporter