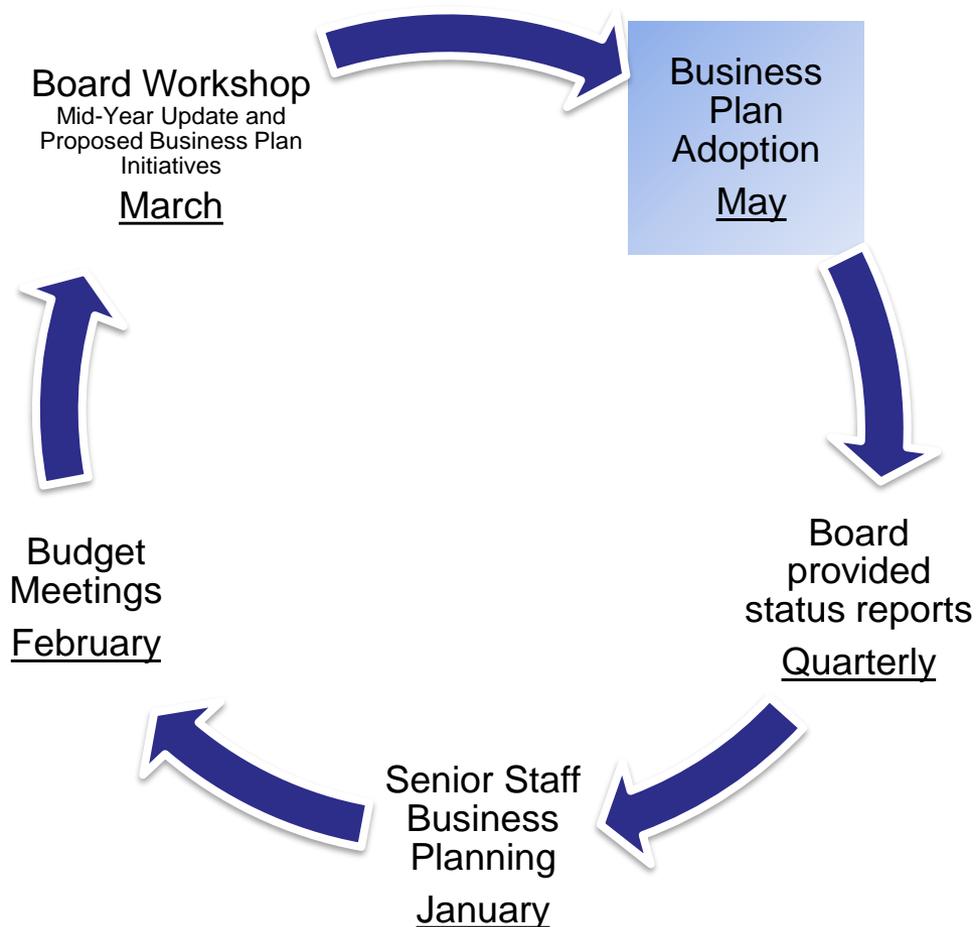


Fiscal Year 2020-21 Business Plan & Operating Budget

May 14, 2020

Business Planning Cycle



Business Planning Prelude

- Successes
 - Crisis Management
 - Single Family
 - Multifamily
- Lending Goals
 - Forecasting through uncertainty



Fiscal Year 2020-21 Proposed Business Plan

Goal #1

- Promote state-wide affordable housing production and opportunities for homeownership while maintaining financial sustainability and independence

Goal #2

- Continue to improve operational efficiencies through the use of technology, workforce planning, and the implementation of best practices

Goal #3

- Collaborate with other housing entities, lenders (both public and private), and stakeholders who complement CalHFA's lending objectives and policy priorities in order to deliver effective and innovative housing solutions

Single Family Programs

Fiscal Year 2020-21

Goal #1 – Promote statewide affordable housing production and opportunities for homeownership while maintaining financial sustainability and independence

Promote sustainable homeownership opportunities by expanding product offerings while serving a broad range of income and housing types

- Target \$2.0 billion in 1st mortgage loan purchases estimated to generate \$30.0 million in revenue
- Target \$67 million in MyHome down payment assistance loans resulting in \$3.3 million in administrative fees
- Target \$40 million in Zero Interest Program (ZIP) subordinate loans for closing cost assistance
- Launch the FHA 203(h) for disaster victims
- Implement Fannie Mae's upload process for Universal Residential Loan Application (Form 1003)
- Complete Keep Your Home California (KYHC) wind-down and transitional activities to CalHFA's oversight
- Initiate Phase 1 efforts to select, acquire and develop schedule for implementation of OCR software

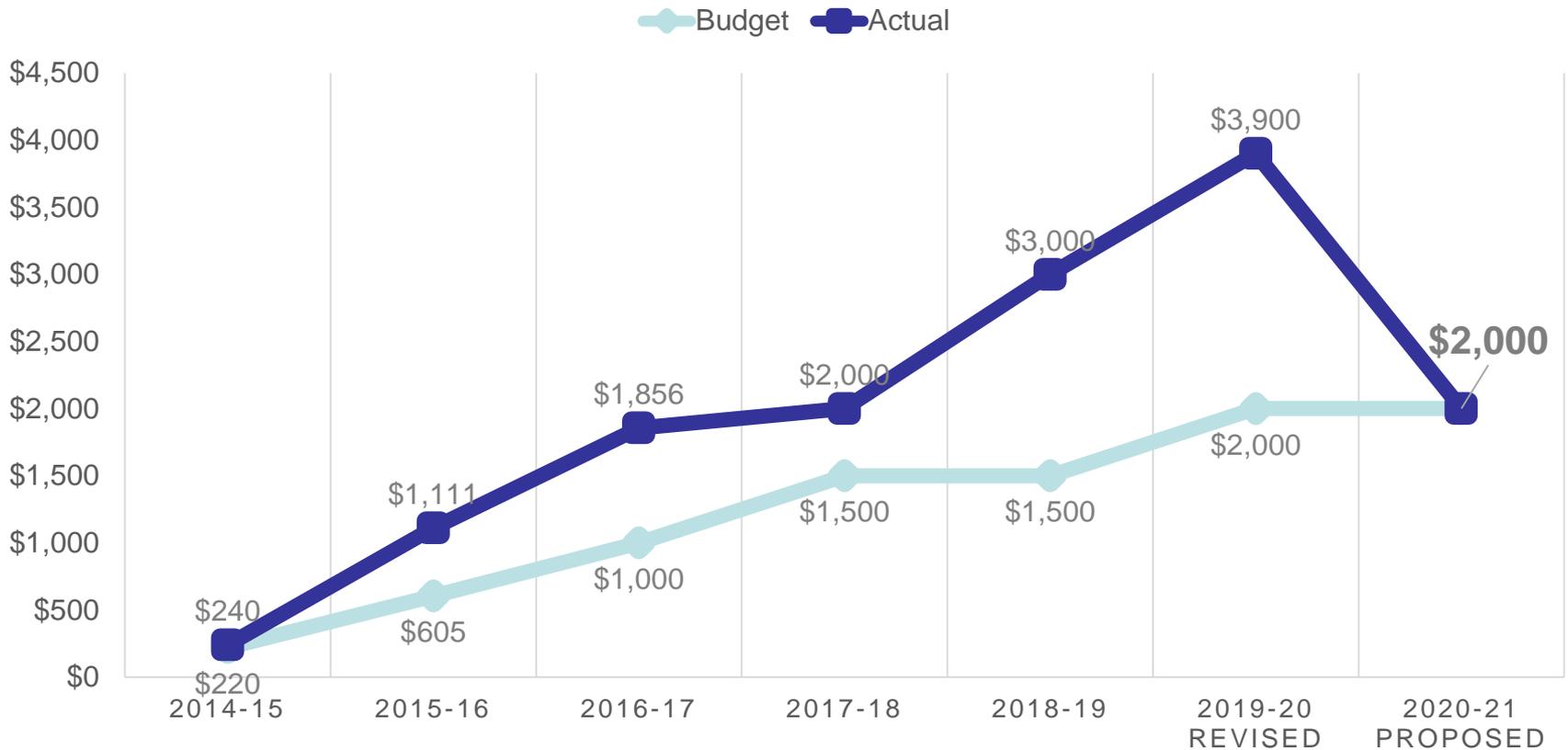
Single Family Lending Programs

Lend Volume	FY 2019-20 Goals	FY 2019-20 Revised	FY 20-21 Proposed
First Mortgage Program	\$ 2.0B	\$ 3.9B	\$ 2.0B
Subordinate Lending	\$110M	\$220M	\$107M
Totals	\$2.1B	\$4.12B	\$2.1B

Revenue Generation	FY 2019-20 Goals	FY 2019-20 Revised	FY 2020-21 Proposed
First Mortgage Program	\$20.0M	\$59.0M	\$30.0M
Subordinate Lending	\$ 3.5M	\$ 6.9M	\$ 3.3M
Totals	\$23.5M	\$65.9M	\$33.5M

Single Family 1st Mortgage Program

VOLUME (IN MILLIONS)



Menu of loan products and clients

	<u>FHA</u>	<u>VA/USDA</u>	<u>Fannie</u>
Down Payment Assistance			
- School, Fire, VA loans, New Const, MH, ADU	3.5%	3.5%	3.0%
- All other borrowers/loans (lesser of 3.5% or \$10K)			
Closing Costs Assistance	2.0%/3.0%	2.0%/3.0%	2.0%/3.0%
Home Improvement – 203(k)	Yes	--	--
Manufactured Housing	Yes	--	Yes
Leaseholds	Yes	--	Yes
Community Land Trusts	--	--	Yes
Non-FTHB Disaster Victims	Yes	Yes	Yes
HUD 184 Home Loan Guarantee Program	Yes	--	--
<u>FY20-21 New Initiatives</u>			
Home Improvement – HomeStyle Energy Efficient	--	--	FY20-21
HUD 203(h) for disaster victims	FY20-21	--	--
<u>Future Ideas</u>			
Fannie’s Duty to Serve			

Multifamily Programs

Fiscal Year 2020-21

Goal #1 – Promote statewide affordable housing production and opportunities for homeownership while maintaining financial sustainability and independence

Expand multifamily lending opportunities and unit production while addressing preservation needs and providing incentives for mixed-income housing

- Finance \$1 billion in multifamily lending activity for approximately 3,525 units
- Continue portfolio preservation strategy to retain portfolio projects set to pay off in the next 5 years
- Continue responsible wind-down of the Special Needs Housing Program (SNHP)
- Close out Traditional Contract Administration (TCA) activities in coordination with HUD
- Expand the Preservation Program Platform to include Tax Exempt Bonds resulting from Bond Recycling Program
- Initiate phase 1 effort to transition multifamily asset management activities to a new system
- Continue efforts to expand Conduit Issuance to communities that are underserved and lack capacity

Multifamily Lending Programs

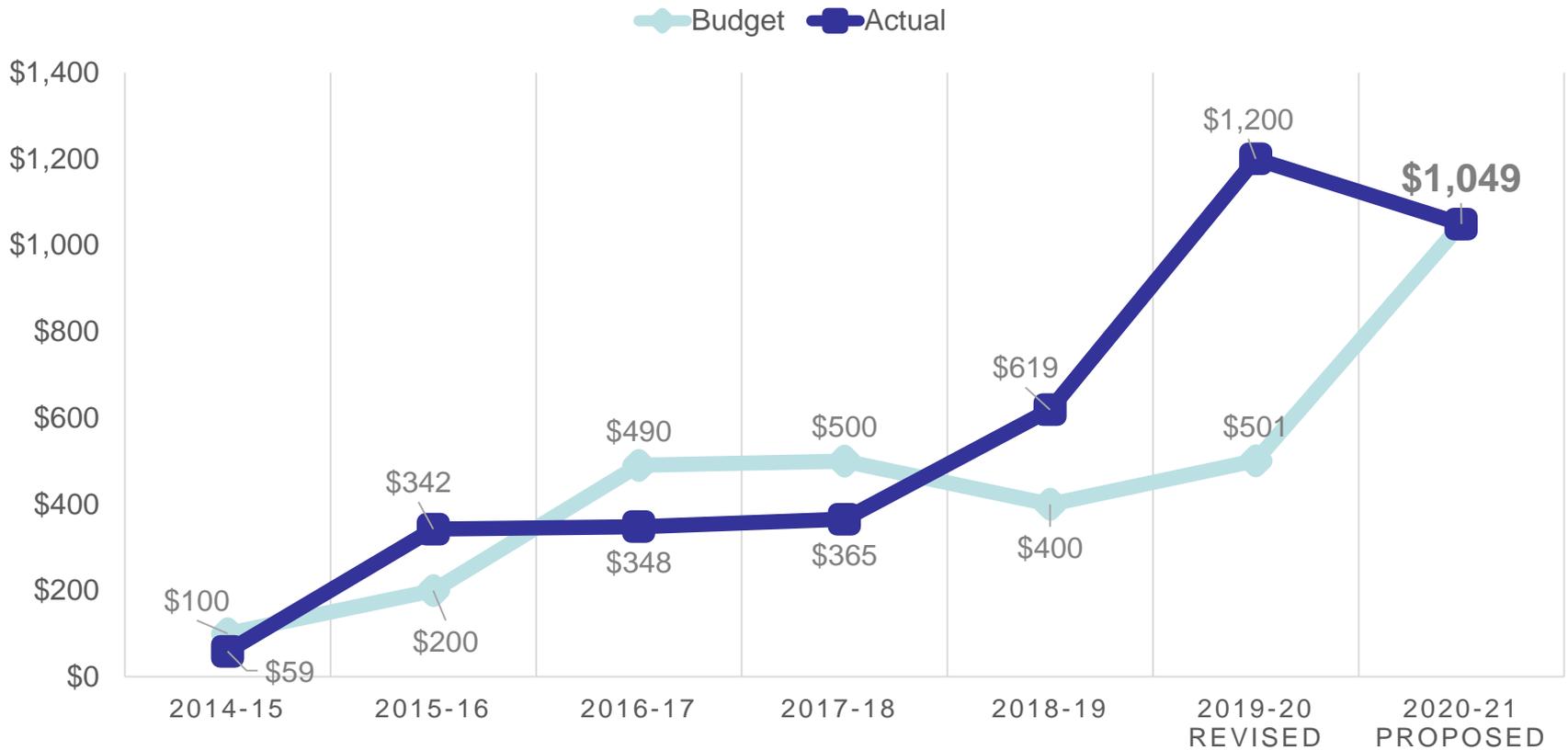
Lend Volume	FY 2019-20 Goals	FY 2019-20 Revised	FY 2020-21 Proposed
Conduit Issuance Program	\$321M	\$1.1B	\$713.8M
Permanent Loan/Subsidy Loan Conversions/Commitments	\$120M	\$73M	\$220.8M
Mixed-Income Program MIP	\$ 40M	\$45M	\$73.9M
SNHP Loan	\$ 20M	\$24M	\$40.5M
Totals	\$501M	\$1.24B	\$1.05B

Revenue Generation *	FY 2019-20 Goals	FY 2019-20 Revised	FY 2020-21 Proposed
Conduit Issuance Program	\$0.39M	\$1.24M	\$1.13M
Permanent Loan/Subsidy Loan Conversions/Commitments	\$1.40M	\$0.86M	\$0.98M
Mixed-Income Program MIP	\$0.55M	\$0.62M	\$1.29M
SNHP Loan	\$0.25M	\$0.40M	\$0.87M
Totals	\$2.59M	\$3.12M	\$4.27M

* Revenues represent upfront fee income and not present value of future annuities from lending activity

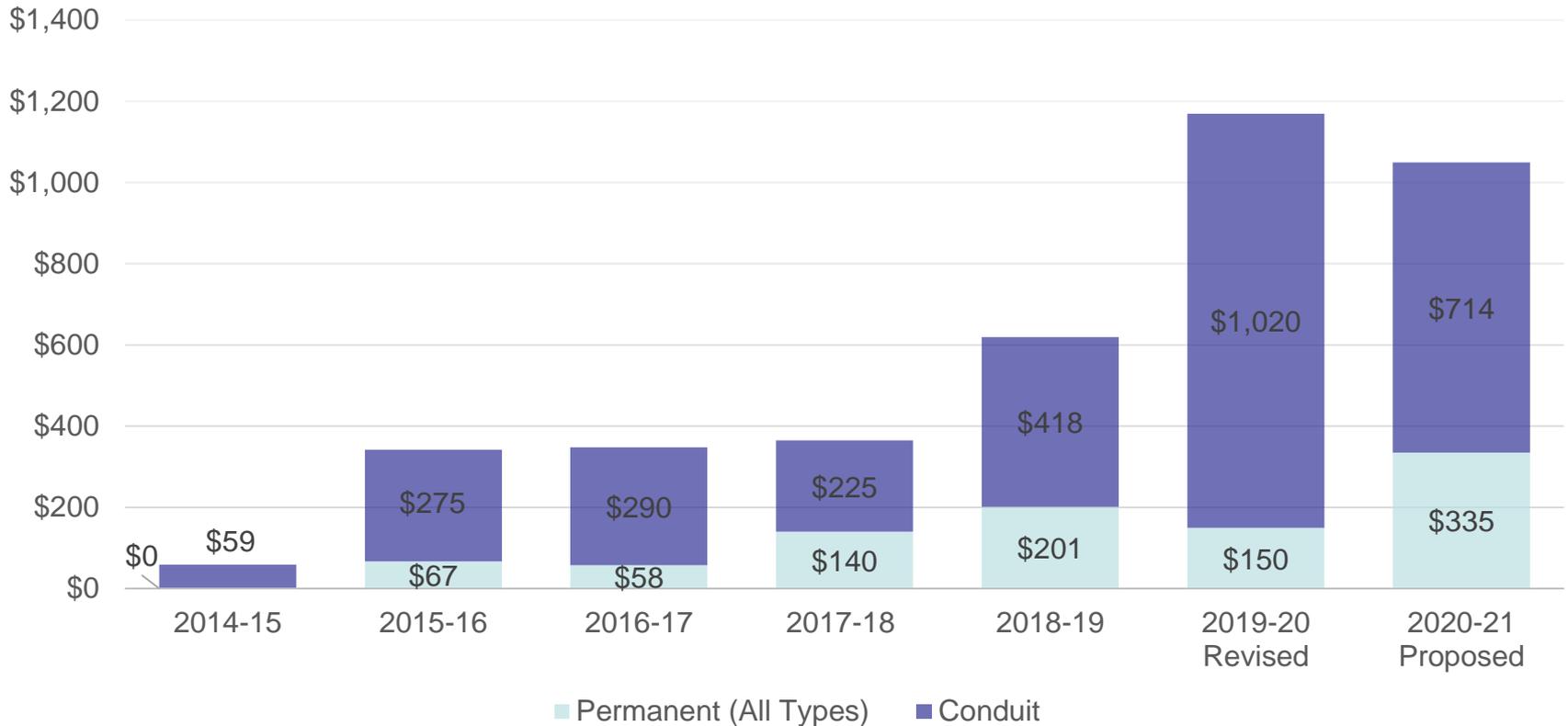
Multifamily Lending

VOLUME (IN MILLIONS)



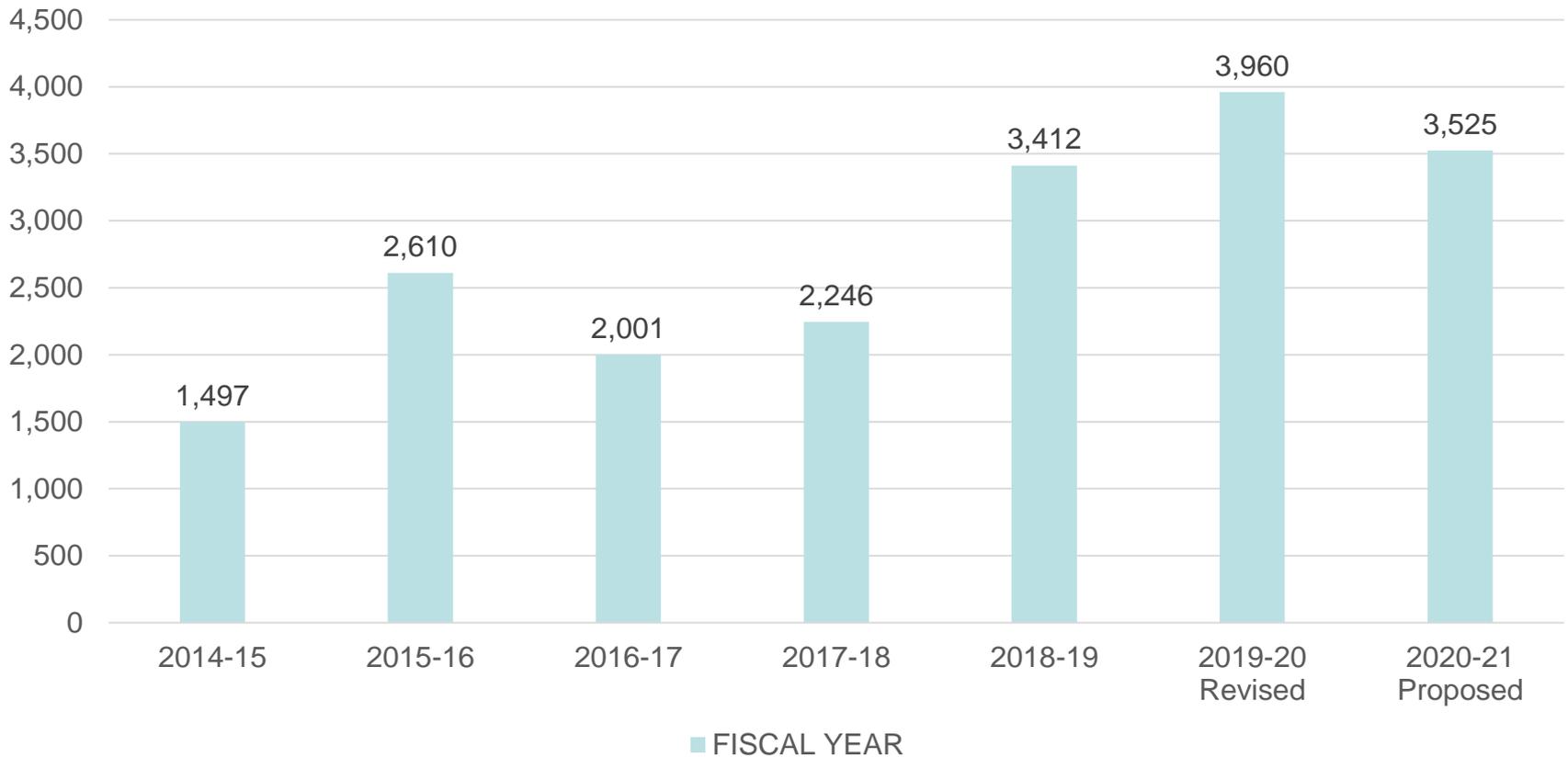
Multifamily Lending

VOLUME BY TYPE (IN MILLIONS)



Multifamily Lending

VOLUME IN HOUSING UNITS



FY19/20 Multifamily Program Initiatives

Results

- Mixed-Income Housing Program
 - MIP 1.0 NOFA - Deploy \$40M in SB2 funding
 - MIP 2.0 – Over the Counter Program – Deploy \$180M SB2/AB101 funding
- Implement effective portfolio preservation strategy
 - Mine existing loan portfolio for maturities, expiring regulatory agreements or tax credit compliance periods in the next 5 years
- Wind-Down Special Needs Housing Program
 - Clear the way for HCD No Place Like Home Program
 - Application Deadline – January 3, 2020
 - Construction Loan Closing Deadline – June 30, 2022
 - Transition remaining funds to Counties

Opportunities FY 2020-21

- Well developed CalHFA infrastructure to respond to market demand
- Robust AH New Construction Market
- Unmet need for refinancing sources in year 15
- New Partnerships
- Bond Recycling

Challenges FY 2020-21

- Availability of Funding
 - Bond Cap
 - State Tax Credits
 - Ongoing Resources
- Market Instability due to COVID 19
 - Increased costs and spreads
 - Changing equity pricing

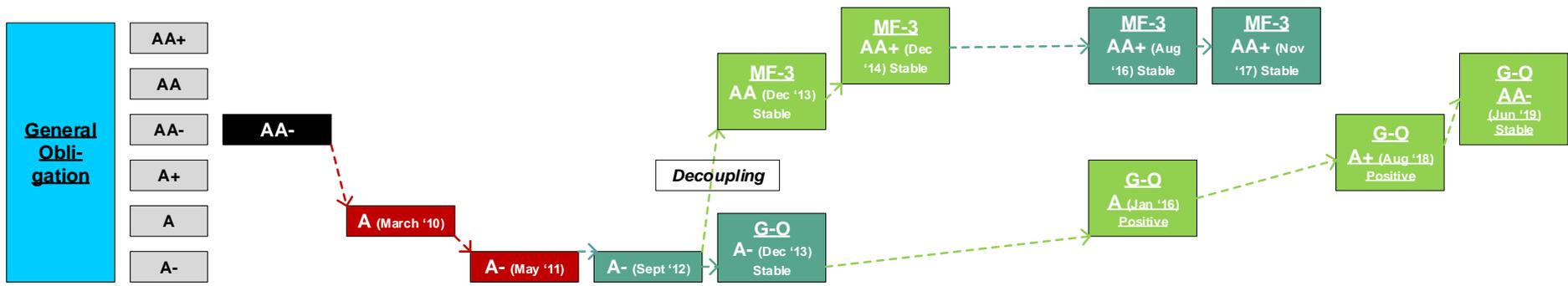
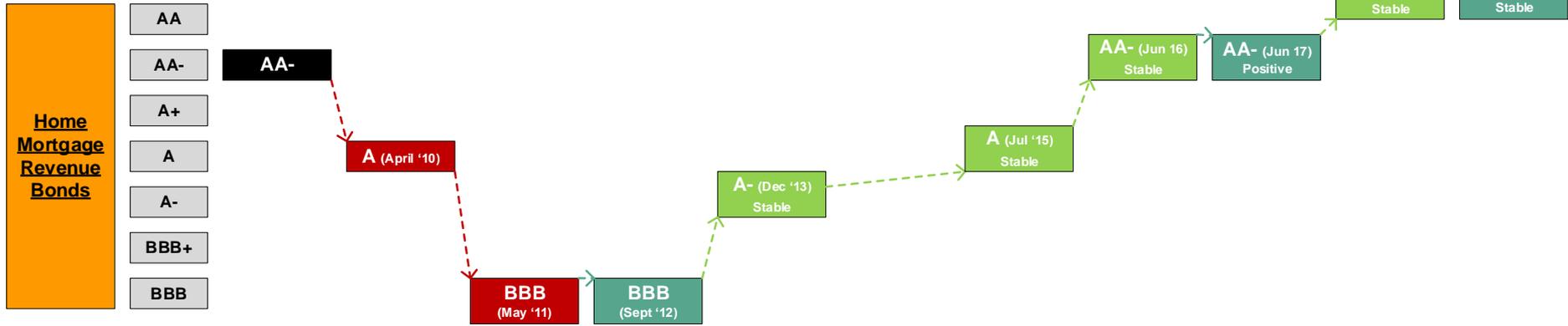
Goal #1 – Promote statewide affordable housing production and opportunities for homeownership while maintaining financial sustainability and independence

Strengthen Agency financial position by monetizing assets for liquidity while maximizing return on equity and investment

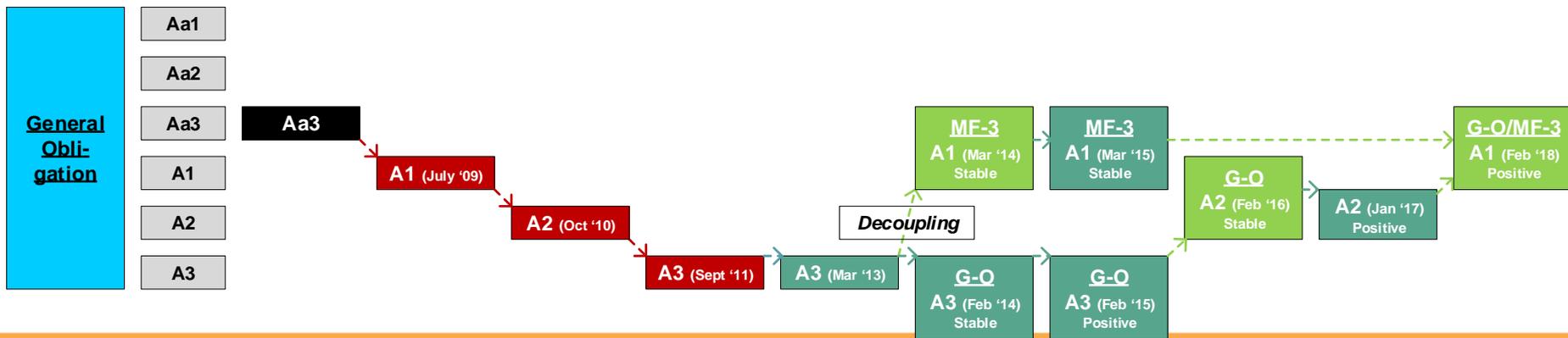
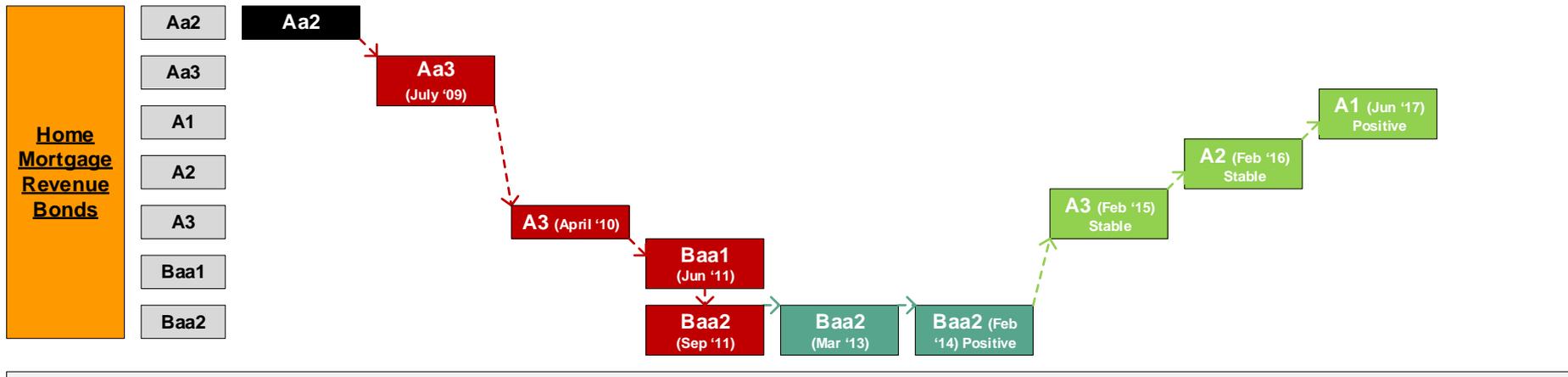
- Manage balance sheet capital reserves to achieve an AA General Obligation rating
- Establish strategic partnerships to expand financial executions that we can offer to developers
- Develop internal systems to administer bond recycling activities and execute strategy to preserve tax exempt cap
- Implement refinements to Multifamily yield maintenance process and procedures
- Eliminate all variable rate bonds

History of CalHFA's ratings from S&P's

2008 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019



History of CalHFA's ratings from Moody's



Goal #2 - Continue to improve operational efficiencies through the use of technology, workforce planning, and the implementation of best practices

Increase Operational Efficiencies

- Identify data visualization and mapping needs and expand use throughout Agency reports; internal and external using GIS and Power BI
- Implement accounts payable automation using artificial intelligence (AI) software DocuPhase
- Implement an Information Technology Service Management (ITSM) to improve IT customer service
- Work with division managers to identify risks associated with agency activities in compliance with the State Leadership Accountability Act (SLAA) report
- Implement Security Information and Event Management (SIEM) software

Goal #3 - Collaborate with other housing entities, lenders (both public and private), and stakeholders who complement CalHFA's lending objectives and policy priorities in order to deliver effective and innovative housing solutions

Establish
partnerships to
increase
opportunities for
affordable
housing
production and
preservation
&
Affirmatively
Further Fair
Housing

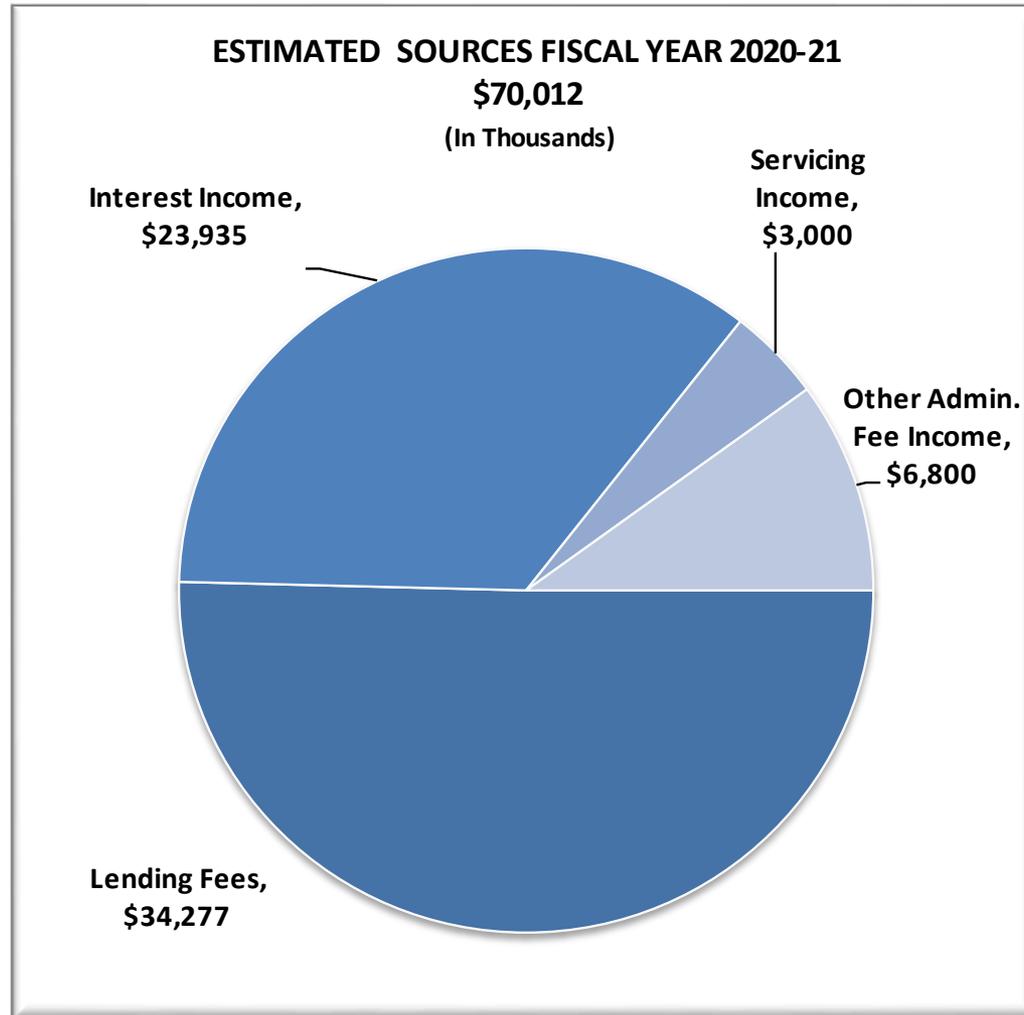
- Continue collaboration efforts with DGS and HCD on the use of state surplus property
- Build and maintain relationships with State and Federal legislators and their staff to provide them with technical assistance; advocate for affordable housing in CA, including resources to stabilize housing portfolio during and post COVID-19 crisis
- Establish disaster strategy for communities recovering from disasters
- Initiate efforts to affirmatively further fair housing by analyzing how CalHFA is fulfilling fair housing obligations in our current portfolio and review all policies and Agency lending documents to ensure compliance

FY 2020-21 Business Plan

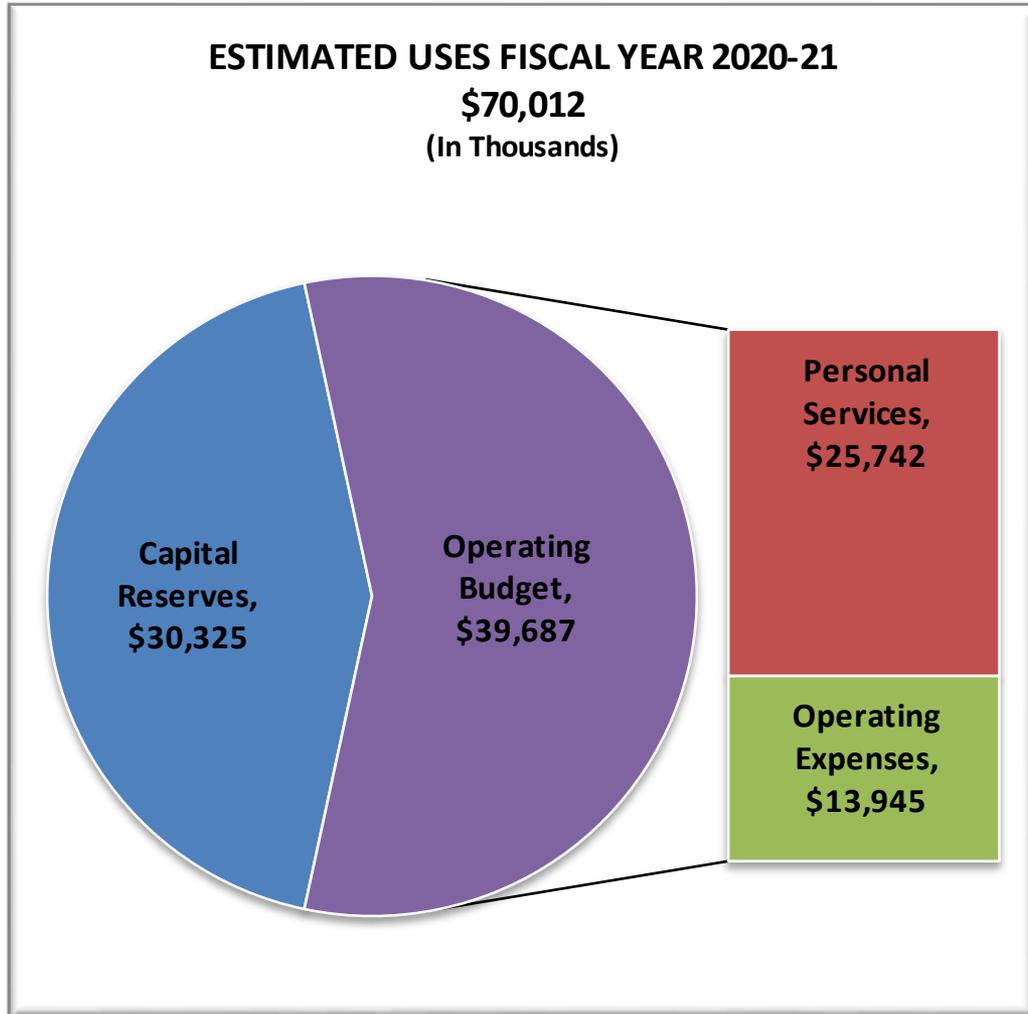
Questions?

CalHFA Operating Budget Fiscal Year 2020-21

Fiscal Year 2020-21 Budget



Fiscal Year 2020-21 Budget

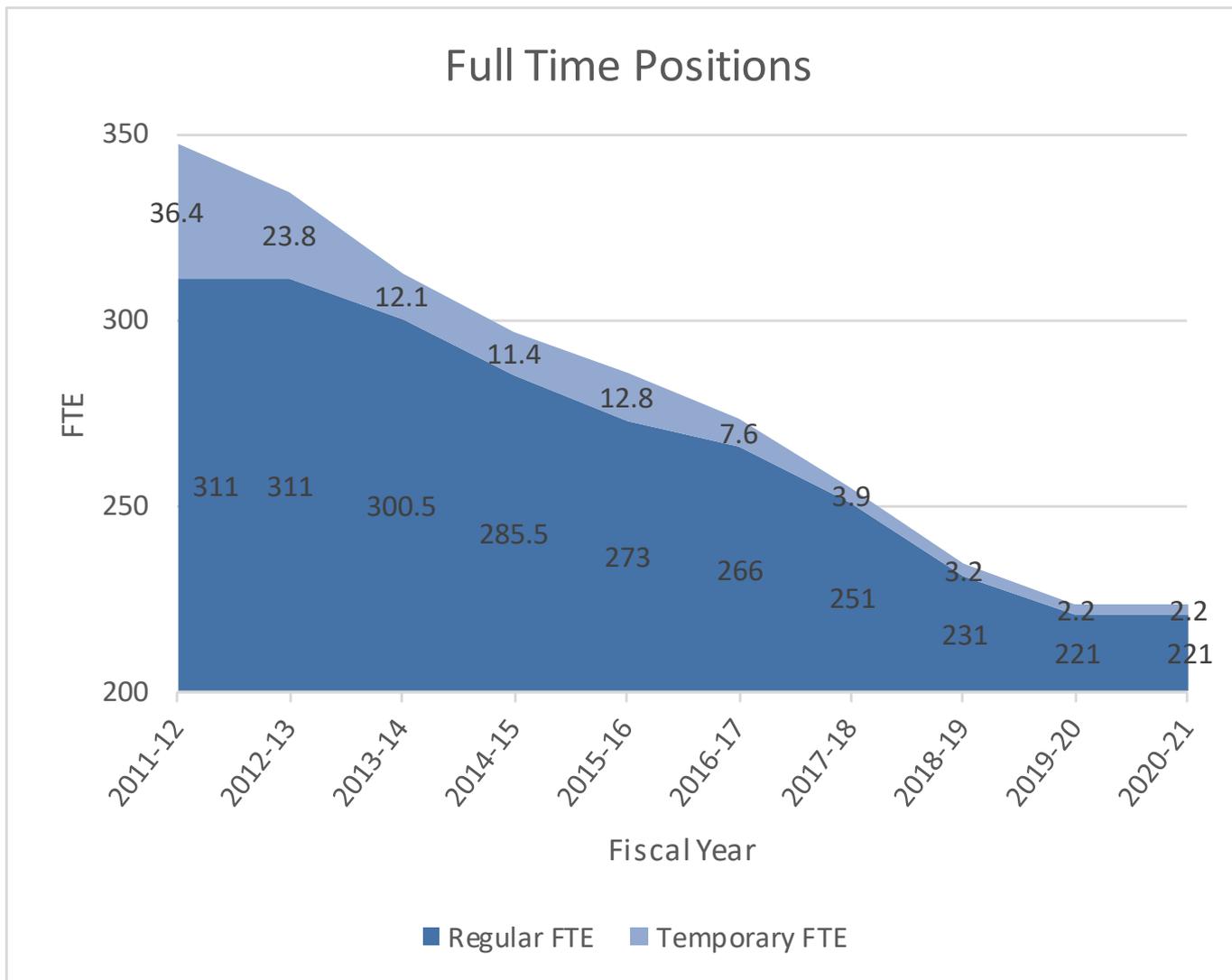


CALIFORNIA HOUSING FINANCE AGENCY

Fiscal Year 2020-21 OPERATING BUDGET

(IN THOUSANDS)

	Adopted Budget 2016-17	Adopted Budget 2017-18	Adopted Budget 2018-19	Adopted Budget 2019-20	Proposed Budget 2020-21	Variance FY 19/20 to FY 20/21	
OPERATING EXPENSES							
Salaries and Benefits	29,683	29,131	28,642	28,806	25,565	(3,241)	-13%
Temp Services/Other	526	291	230	175	177	2	1%
<i>Personal Services</i>	29,610	28,910	28,349	28,483	25,742	(2,741)	-11%
General Expense	694	827	722	775	745	(30)	-4%
Communications	414	440	417	407	429	22	5%
Travel	480	553	597	638	498	(140)	-28%
Training	175	203	209	270	256	(14)	-5%
Facilities Operation	2,825	2,919	2,974	3,115	2,868	(247)	-9%
Consulting & Professional Services	3,861	3,460	3,008	2,867	5,634	2,767	49%
Central Administrative Services	2,624	2,254	2,317	2,699	1,860	(839)	-45%
Information Technology	854	813	953	2,326	1,485	(841)	-57%
Equipment	130	130	130	180	170	(10)	-6%
<i>Operating Expenses</i>	12,057	11,599	11,327	13,276	13,945	669	5%
TOTALS	\$41,667	\$40,509	\$39,676	\$ 41,759	\$ 39,687	\$ (2,072)	-5%



FY 2020-21 Operating Budget

Questions?