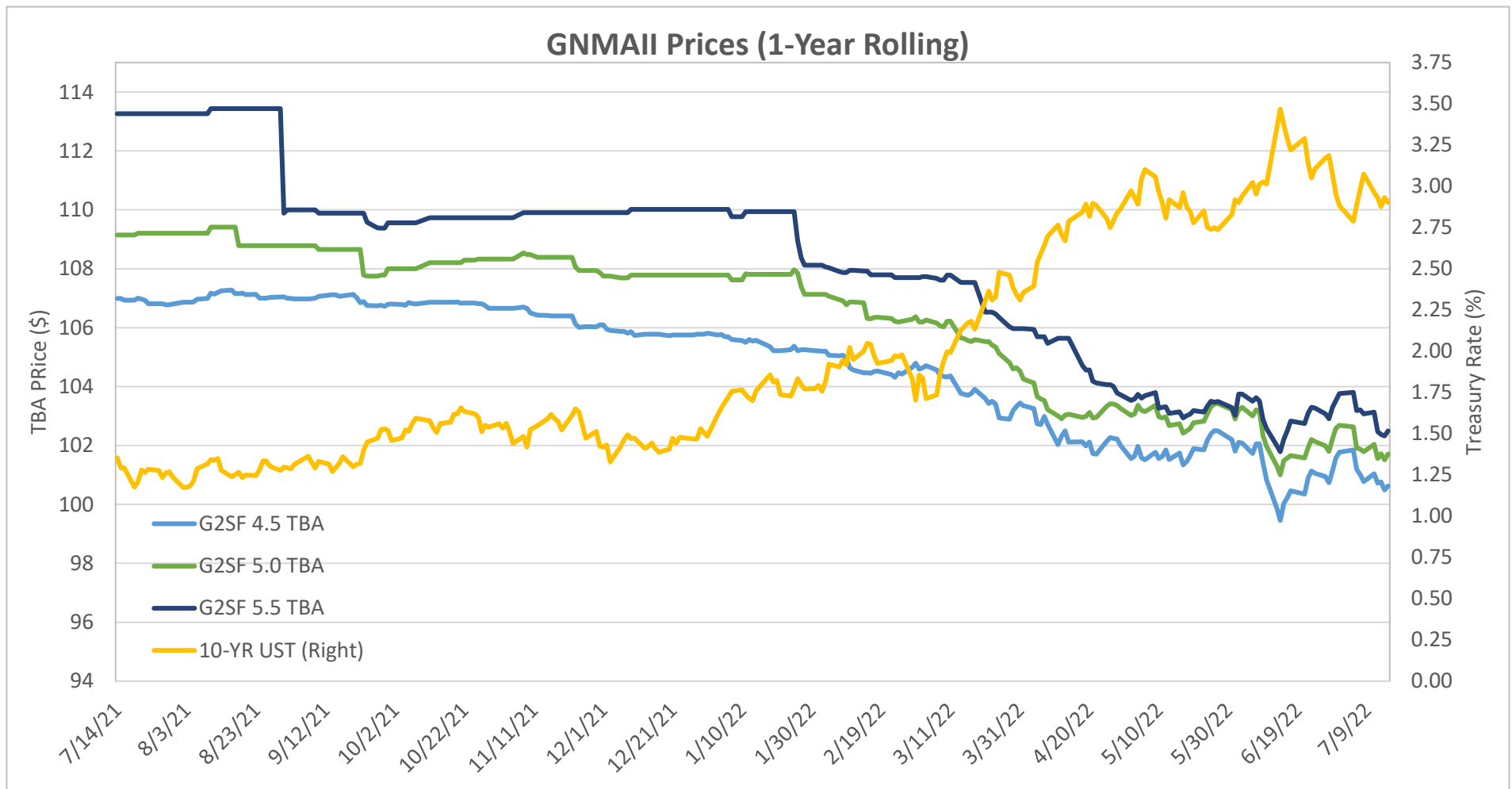




## Current TBA Execution

- The combination of rising rates and elimination of FOMC support for MBS purchases has negatively impacted CalHFA's execution in the TBA Market
- Since earlier this year, CalHFA has been exploring alternatives to TBA Market execution





## Financing Alternatives & Role of Hedges

Agenda Item

**6**

Resolution

**22-20**

- Staff currently evaluating options for best execution to finance single family production, with the following goals:
  - Does not use volume cap
  - Ease of execution / Limit impact on current staffing requirements
  - Scalable in the current market
  - Superior financial execution
  
- Efforts have focused around a publicly issued taxable pass-through MBS Bond
  - CalHFA would indicate to its master servicer the intent to purchase a portion of its production at a future point in time
  - The master servicer would securitize production into a MBS
  - CalHFA would issue taxable bonds to purchase the MBS
  - CalHFA would receive the spread between the MBS and the interest cost of the bonds
  
- TBA market provides certainty of execution, whereby a Pass-through MBS Bond would incur interest rate risk between the time CalHFA chooses to divert a portion of its production to the MBS to when the bonds are delivered
  
- To address interest rate risk, staff is proposing that the Board of Directors allow the ability to hedge interest rate movement between the time CalHFA chooses to purchase a portion of its single family production and when CalHFA delivers the bonds



## Summary

Agenda Item

**6**

Resolution

**22-20**

- CalHFA's Financial Risk Management Committee to continue to review proposed hedges prior to execution
- CalHFA's Investment and Debt Management Committee to review bond structure for potential MBS pass-through bonds prior to execution
- Staff recommends approval of this Resolution to allow for the consideration of the MBS Pass-Through Bond alternative to TBA market execution
- Other alternatives may be considered from time to time should they meet the stated goals