



# CalHFA 2022 Single Family Lending Update and Financing Strategies

**CalHFA Board of Directors Meeting**  
November 17, 2022



## First Time Homebuyer Programs



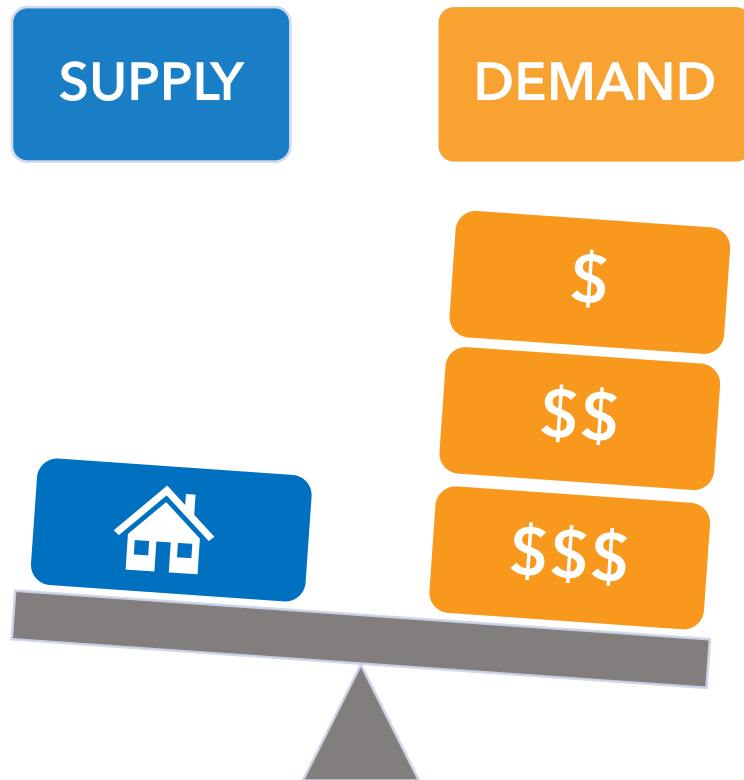
### CALHFA ROLE

- Indirect lender
- Purchase the mortgages originated by our lender partners
- Provide down payment assistance to low and moderate first-time homebuyers
- Leverage private capital through the secondary market (Fannie Mae, FHA, VA, etc.)
- Promote sustainable and scalable homeownership opportunities

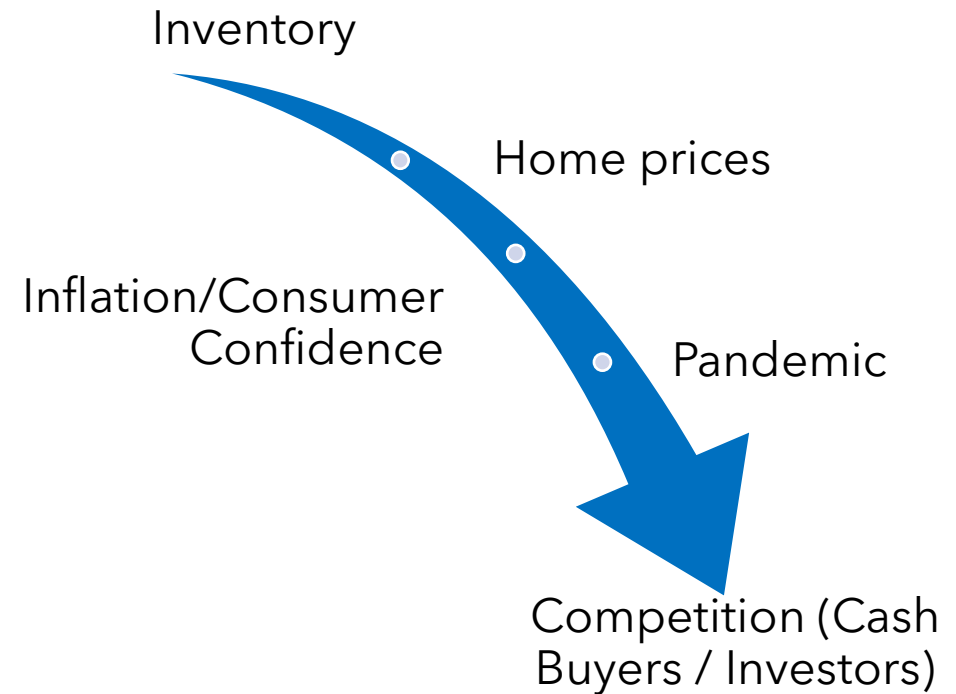
### SUSTAINABLE & EQUITABLE HOMEOWNERSHIP

- Conforming loans deliverable to the secondary market
- Homebuyer Education
- Home warranty
- Post close financial counseling
- Diverse product options available
- Market to historically underserved populations

## Market Imbalance



## Interrelated Factors

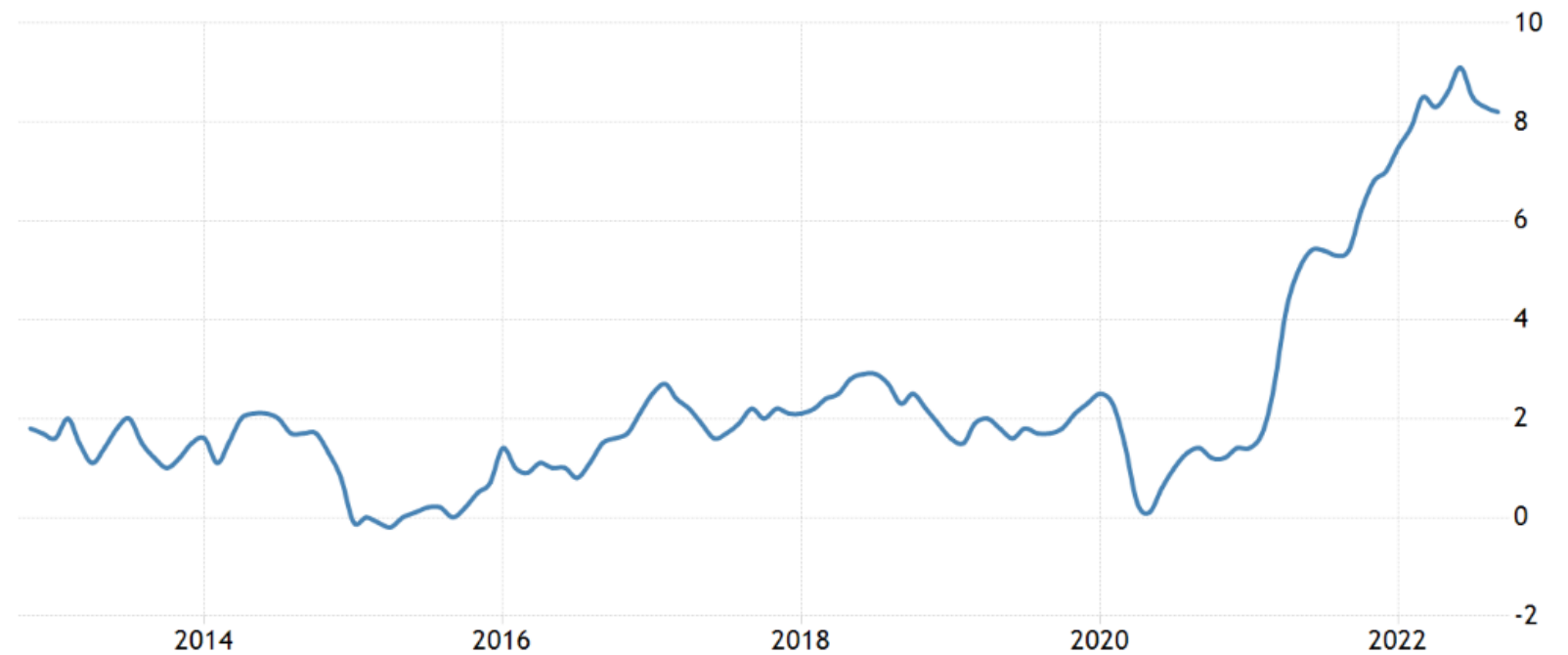


Inflation remains elevated at or near 40 year high.

## United States Inflation Rate

Summary Calendar Forecast Stats Alerts Download ▾

📅 1Y 5Y 10Y 25Y MAX 📊 Chart ↔ Compare 📄 Export 🗄 API 🖼 Embed



TRADINGECONOMICS.COM | U.S. BUREAU OF LABOR STATISTICS

# Federal Reserve's Response to Inflation



Raise  
Interbank  
Overnight  
Borrowing  
Rate

## United States Fed Funds Rate

Summary

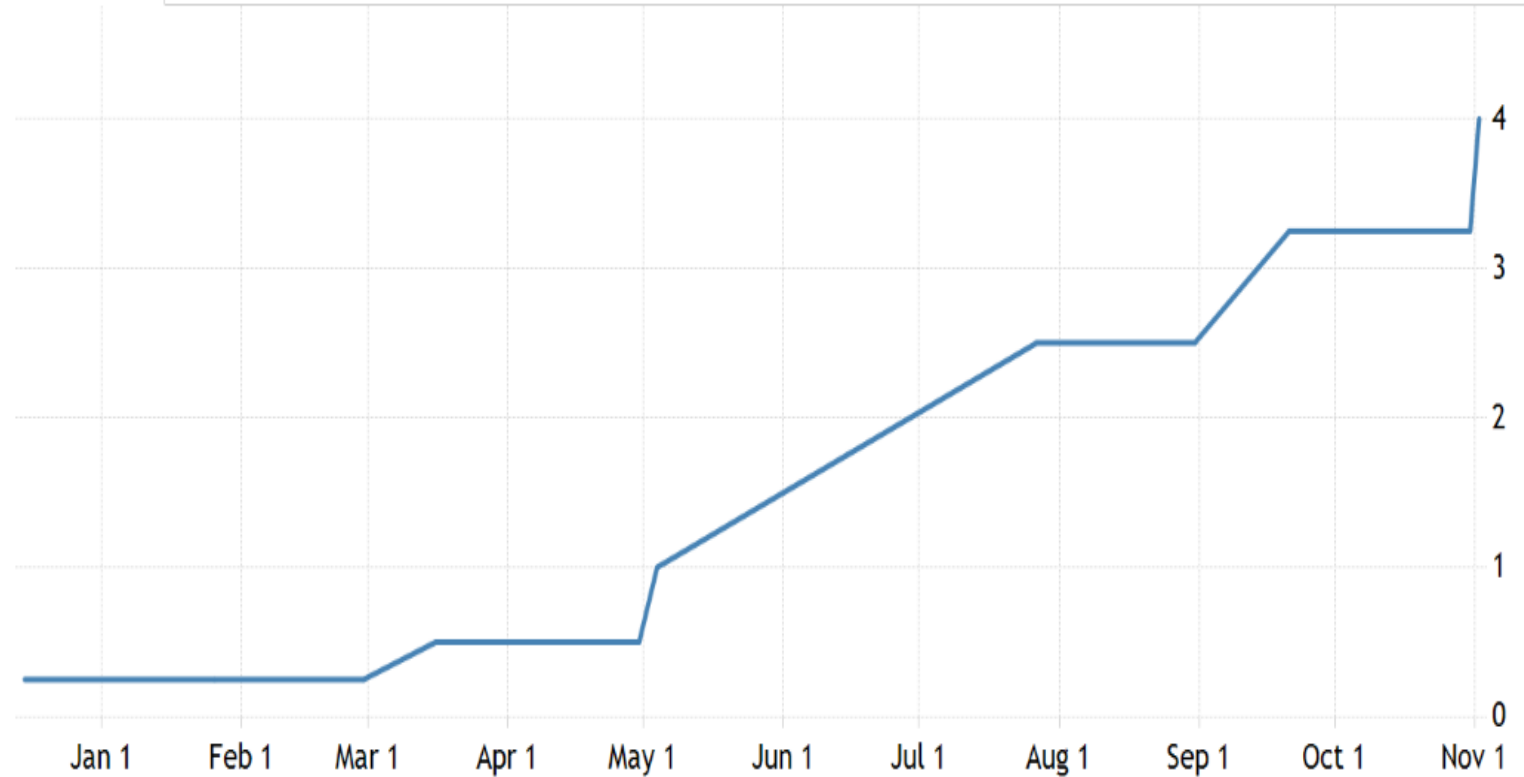
Calendar

Forecast

Stats

Alerts

Download ▾



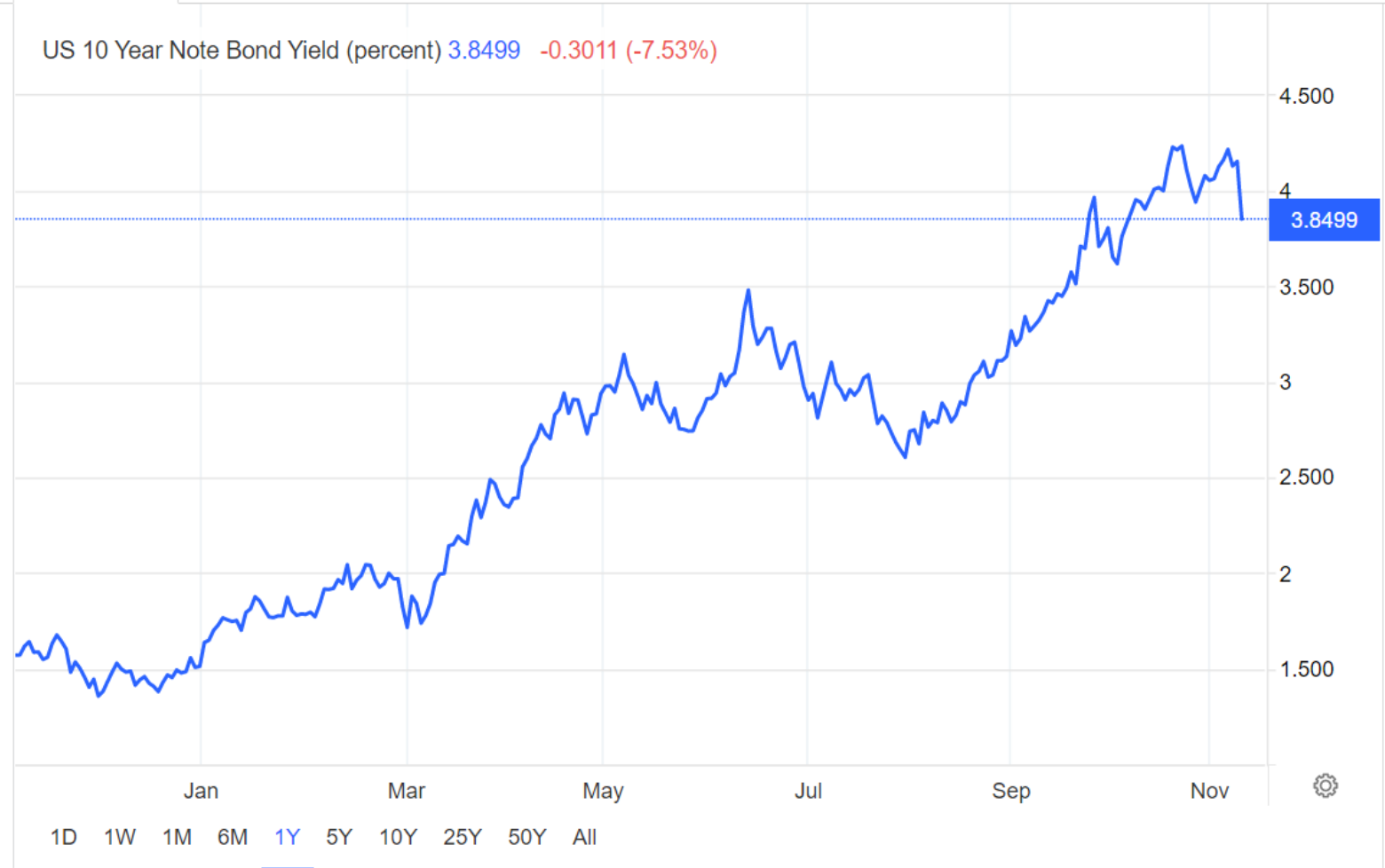


Treasury  
Yields  
Climb

## United States Government Bond 10Y

Summary Forecast Stats Alerts [Export](#)

US 10 Year Note Bond Yield (percent) **3.8499** -0.3011 (-7.53%)





# Market Reaction



Mortgage Rates Climb

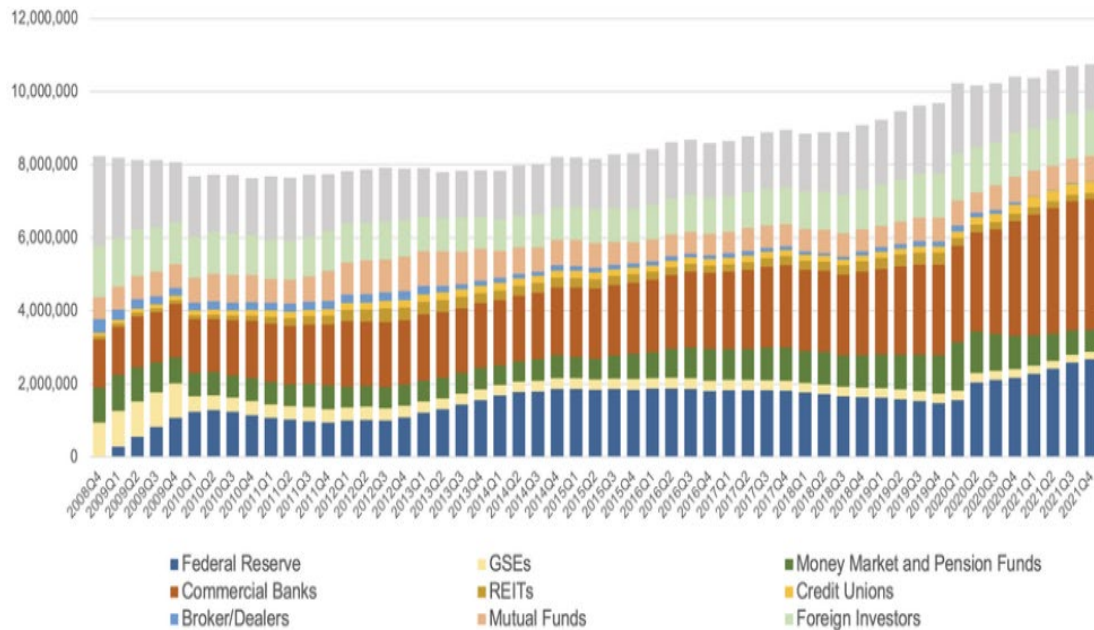
### 30 Yr Fixed vs 10 Yr. US Treasury





# Federal Reserve's Response to Inflation

MBS Ownership (\$M)

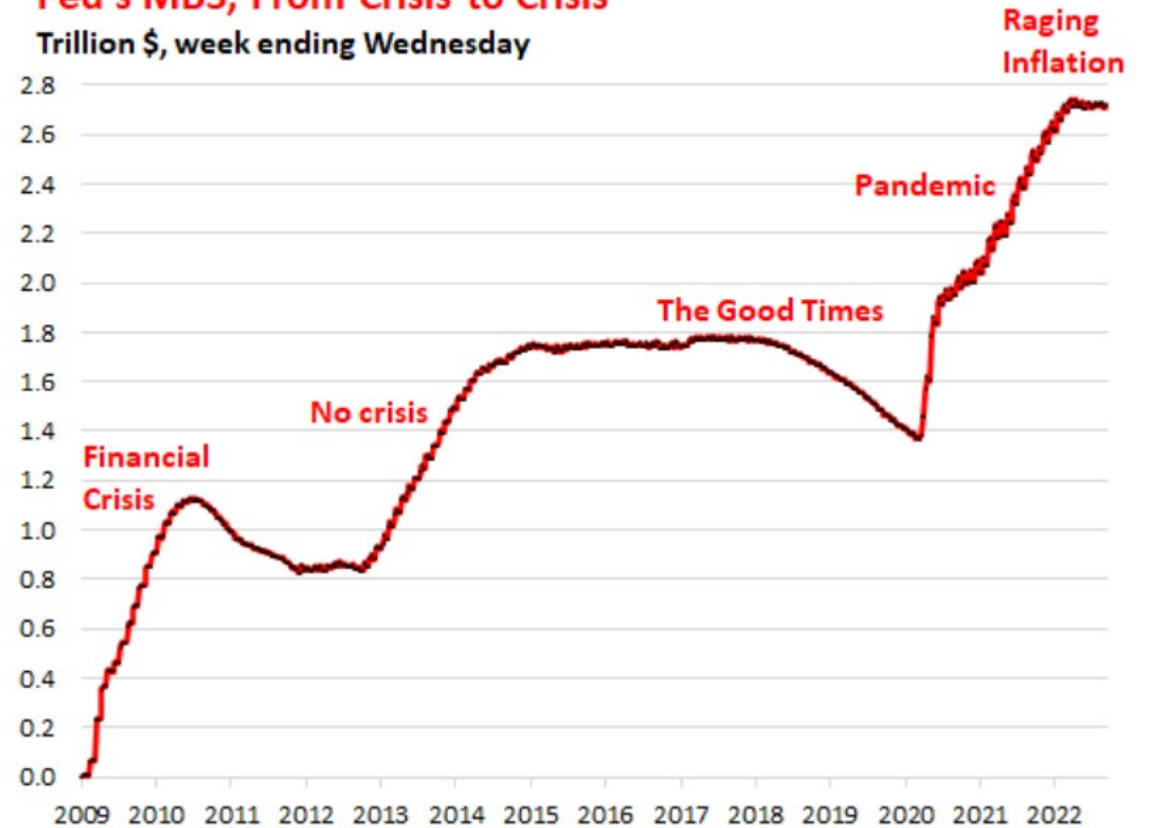


Source: Federal Reserve Flow of Funds, Recursion Co.



Fed's MBS, From Crisis to Crisis

Trillion \$, week ending Wednesday



Source: Fed H.4.1. Balance Sheet

WOLFSTREET.com



## 1. Government Sponsored Enterprises:

- Fannie Mae
- Freddie Mac

## 2. Conventional Conforming

## 3. GSE Issued MBS

- Implicit guarantee of the federal government



30YR UMBS 5.0

**96.23 -0.17**

PREV  
96.41

OPEN  
96.38

LOW  
96.00

HIGH  
96.38

95.14

52 week range

109.94

Zoom

2d

1m

3m

6m

**1Y**

5Y

All



## Loans insured by a Federal agency:

- FHA
- VA
- PIH
- USDA



30YR GNMA 5.0

**96.75 -0.27**

PREV

97.02

OPEN

97.00

LOW

96.56

HIGH

97.00

95.80

52 week range

107.78

Zoom

2d

1m

3m

6m

1Y

5Y

All





# 30 Year Fixed vs MBS

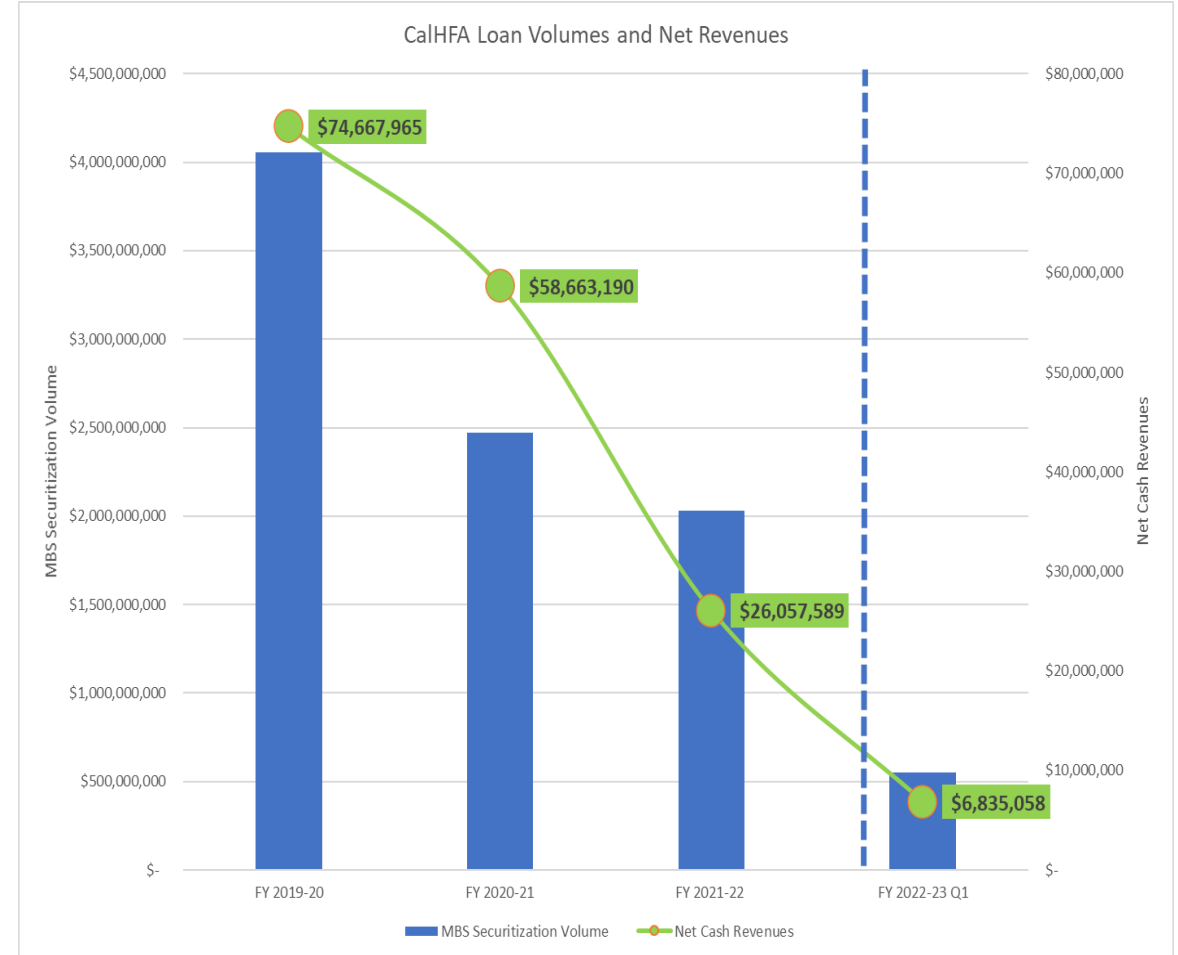
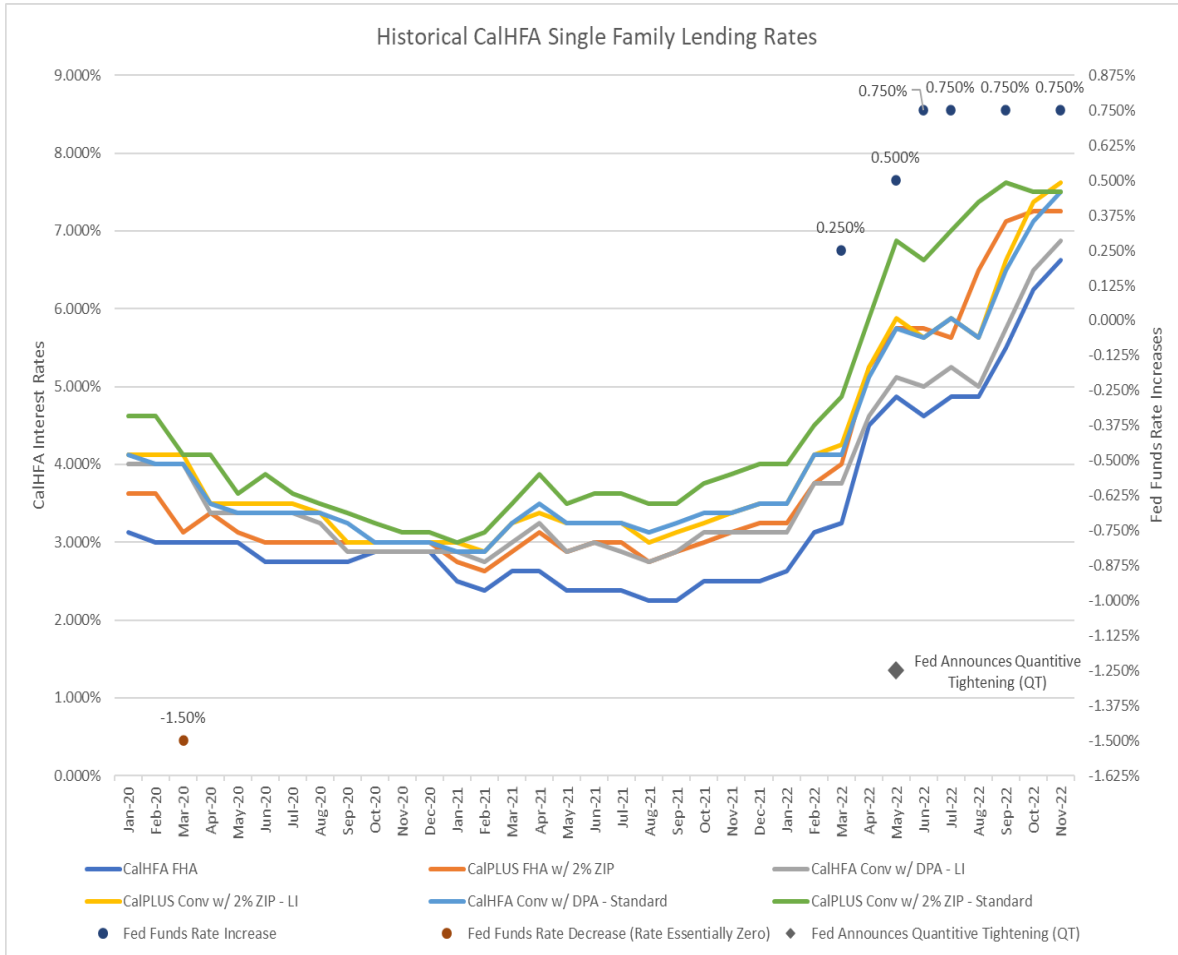
Zoom **1YR** 5YR MAX

Nov 4, 2021 → Nov 4, 2022



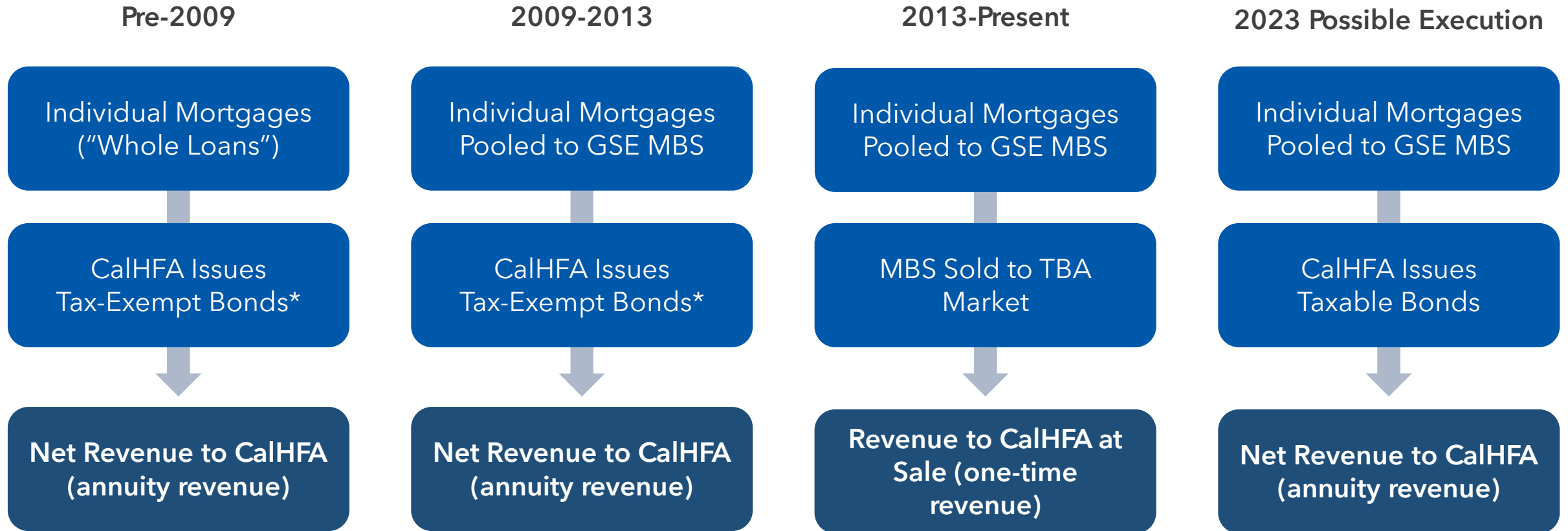


# Impact of Market Volatility on CalHFA





# Simplified Single Family Revenue Structure



\*Requires CDLAC volume cap allocation.



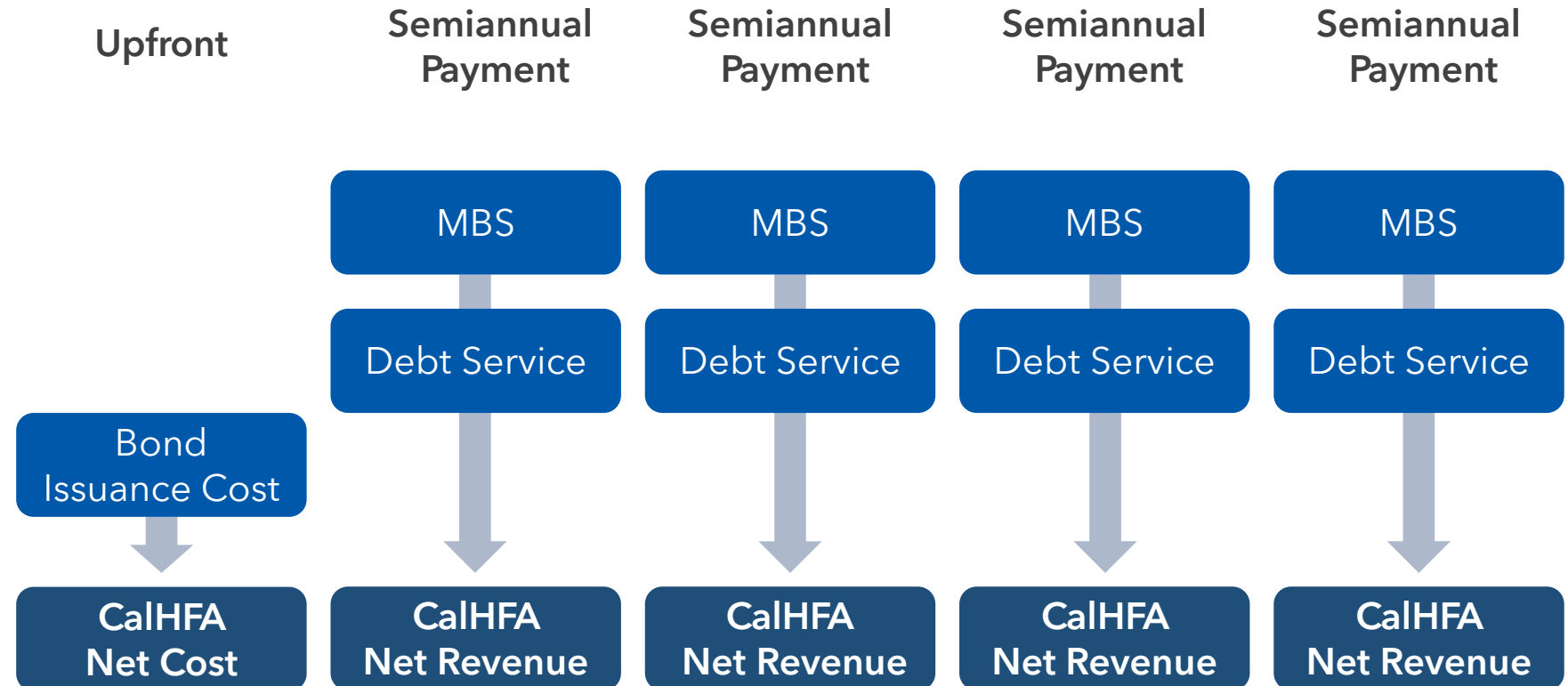
## TBA vs Bond Net Revenue Timing

Currently, TBA executions result in one-time upfront revenue to CalHFA

- No prepayment risk

The alternative bond execution will incur upfront bond issuance cost and net revenue over time

- Net revenue received will depend on prepayment speed of the underlying mortgages





## CalHFA Homeownership Bond Next Steps



### What's Next?

- Approved Single Family Bond Resolution in April 2022
- Approved interest rate hedging relating to Single family bonds in August 2022
- Appointed senior managers, bond counsel to financing
- In process of creating new single family bond indenture (replacing original Home Mortgage Revenue Bond Indenture from 1982)
- Anticipated initial bond issuance in January/February 2023