



Public Meeting Agenda

California Housing Finance Agency Board of Directors
Thursday, June 22, 2023
10:00 a.m.

This meeting will be conducted virtually, with public participation through video only
Click on the Zoom link to register:
https://events.zoom.us/j/84458263333

1. Roll Call
2. Approval of the meeting minutes of the May 23, 2023 meeting 1
3. Chairperson/Executive Director comments
4. Closed session pursuant to Government Code section 11126(e)(1) to discuss pending litigation
5. Discussion, recommendation, and possible action to amend Resolution 23-04 to allow for a new single family bond indenture (Erwin Tam) 6
Resolution No. 23-11 7
6. Updates on amendments made to: (Erwin Tam)
A. Financial Risk Management Policy 77
B. Investment and Debt Management Policy 86
C. Disclosure Policy 94
7. Update on the California Mortgage Relief Program (Rebecca Franklin, Geo Shannon) 100
8. Legislative update (Francesc Martí)
9. Other Board matters
10. Public comment: Opportunity for members of the public to address the Board on matters within the Board’s authority
11. Adjournment

MINUTES

California Housing Finance Agency (CalHFA) Board of Directors Meeting May 23, 2023

Meeting noticed on May 12, 2023

1. ROLL CALL

The California Housing Finance Agency Board of Directors Meeting was called to order at 10:09 a.m. by Chair Cervantes. A quorum of members was present.

MEMBERS PRESENT: Avila Farias, Cabildo, Castro Ramírez, Cervantes, Feigles (for Atterberry), Franklin (for Johnson Hall), Fernandez (for Ma), Limón, Russell, Sotelo*, Velasquez, White

MEMBERS ARRIVING AFTER ROLL CALL: Williams*

MEMBERS ABSENT: Assefa, Prince, Miller (for Stephenshaw)

STAFF PRESENT: Rebecca Franklin, Claire Tauriainen, Melissa Flores, Kathy Phillips, Ellen Martin, Erwin Tam

Early departures: Castro Ramírez (replaced by Kergan)

*Appeared remotely

2. Approval of the Minutes – March 7, 2023

On a motion by Russell, the minutes were approved by unanimous consent of all members in attendance.

3. Chairperson/Executive Director comments

Chairperson comments:

- Chair Cervantes shared that Rebecca Franklin would be sitting in for Executive Director Johnson Hall, who was unable to attend due to family matters. He then welcomed new member Limón to the Board and gave her an opportunity to introduce herself to the other members. He commended staff for their presentation to Moody's Investor Services last month.

Executive Director comments:

- Acting Chief Deputy Director Franklin shared that Ellen Martin has been appointed as Director of Homeownership by Governor Newsom and welcomed her to her new role at CalHFA. She informed the Board that Executive Director Johnson Hall has participated in several panel discussions since the last meeting, including Novogradac's Affordable Housing Conference in San Francisco.

4. Closed session pursuant to Government Code section 11126(e)(1) to discuss pending litigation

Closed session convened at 10:22 a.m. Upon conclusion of the closed session, the Board members returned to the open meeting at 11:37 a.m. and reported that no action was taken.

5. Discussion, recommendation, and possible action to authorize a National Mortgage Settlement counseling program extension – Resolution No. 23-07

Presented by Kathy Phillips and Claire Tauriainen, with guest speakers Linda Davis-Demas, Vice President of Housing, Balance and Jorge Rivera, Program Manager, UnidosUS

On a motion by Cabildo, the Board approved **Resolution No. 23-07**. The votes were as follows:

AYES: Avila Farias, Cabildo, Cervantes, Feigles (for Atterberry), Limón, Fernandez (for Ma), Velasquez, Kergan (for Castro Ramírez), Russell, Sotelo, White, Williams

NOES: None

ABSTENTIONS: None

ABSENT: Prince

6A. Discussion, recommendation, and possible action to adopt the proposed Strategic Plan for Fiscal Year 2023/24 to 2025/26 – Resolution No. 23-08

Presented by Rebecca Franklin and Erwin Tam

On a motion by Cabildo, the Board approved **Resolution No. 23-08**. The votes were as follows:

AYES: Avila Farias, Cabildo, Cervantes, Feigles (for Atterberry), Limón, Fernandez (for Ma), Velasquez, Kergan (for Castro Ramírez), Russell, Sotelo, White, Williams

NOES: None

ABSTENTIONS: None

ABSENT: Prince

6B. Discussion, recommendation, and possible action to adopt the proposed Business Plan for Fiscal Year 2023/24 – Resolution No. 23-09

Presented by Rebecca Franklin and Erwin Tam

On a motion by Avila Farias, the Board approved staff recommendation for **Resolution No. 23-09**. The votes were as follows:

AYES: Avila Farias, Cabildo, Cervantes, Feigles (for Atterberry), Limón, Fernandez (for Ma), Velasquez, Kergan (for Castro Ramírez), Russell, Sotelo, White, Williams

NOES: None

ABSTENTIONS: None

ABSENT: Prince

6C. Discussion, recommendation, and possible action to adopt proposed Operating Budget for Fiscal Year 2023/24 – Resolution No. 23-10

Presented by Rebecca Franklin and Erwin Tam

On a motion by Cabildo, the Board approved staff recommendation for **Resolution No. 23-10**. The votes were as follows:

AYES: Avila Farias, Cabildo, Cervantes, Feigles (for Atterberry), Limón, Fernandez (for Ma), Velasquez, Kergan (for Castro Ramírez), Russell, Sotelo, White, Williams

NOES: None

ABSTENTIONS: None

ABSENT: Prince

7. CalHFA financial update

Presented by Erwin Tam

Director of Financing, Erwin Tam, provided the Board with a financial update. He reported that CalHFA did not have any exposure to the recent bank failures. He further shared an overview of financing activity, including the termination of orphan swaps, which resulted in savings of over \$700,000 in termination costs.

8. Update on California Dream for All program

Presented by Ellen Martin

Director of Homeownership, Ellen Martin, provided the Board with an update on the California Dream for All program. She shared that the program resulted in 2,500 loan reservations in 54 out of the 58 counties in the state. She further discussed the demographics of borrowers and lesson learned.

9. Informational reports

Chair Cervantes asked if there were any questions regarding the informational reports. There were none.

10. Other Board matters

Chair Cervantes asked if there were any other Board matters and while there were none, he did share that there would be a virtual Board meeting on June 22.

11. Public comment

Chair Cervantes asked if there were any members of the public who wanted to make a public comment and there were none.

12. Adjournment

As there was no further business to be conducted, Chair Cervantes adjourned the

meeting at 2:34 pm.

State of California

MEMORANDUM

To: Board of Directors

Date: June 15, 2023



From: Erwin Tam, Director of Financing
CALIFORNIA HOUSING FINANCE AGENCY

Subject: RESOLUTION AMENDING RESOLUTION 23-04 TO AUTHORIZE NEW SINGLE FAMILY INDENTURE

Background

Earlier this year, the Board of Directors approved Resolution 23-04 to authorize the issuance of bonds under existing or new indentures as contemplated by the Resolution. The purpose of this proposed amendment is twofold:

- (1) Increase the authorized amount of taxable bonds secured by MBS assets from \$100 million to \$1 billion.
- (2) Approve the form of the new indenture of trust for which to issue bonds.

CalHFA staff has previously informed the board as to the challenges in the TBA market. The TBA market is the sole source of execution for CalHFA's single family program. The new indenture allows for CalHFA to potentially take advantage of interest rates in the future to achieve additional revenue from its single-family production. The increase in authorized issuance amount would cover approximately half of the expected production over the next fiscal year. The increased amount is to have the flexibility to issue as conditions warrant. We note that in the current market, interest rates remain unfavorable, and therefore the Agency is not in a position to issue bonds in the near-term.

The issuance of bonds under this indenture would continue to conform to the Agency's Investment and Debt Management Policy, Disclosure Policy, and associated procedures. Prior to the issuance of bonds, the Executive Director and Chief Deputy Director will be given no fewer than seven (7) calendar days to review the form of the Preliminary Official Statement prior to posting. Upon posting of any Preliminary Official Statement, members of the Board will be notified. A written post-sale report will be filed at the next Board meeting after the closing of any bond issuance.

1 BOARD OF DIRECTORS
2 OF THE CALIFORNIA HOUSING FINANCE AGENCY

3
4 RESOLUTION NO. 23-11

5
6 RESOLUTION OF THE CALIFORNIA HOUSING FINANCE AGENCY TO FACILITATE
7 THE SINGLE-FAMILY HOUSING PROGRAM OF THE AGENCY BY AMENDING
8 RESOLUTION NO. 23-04 AND AUTHORIZING THE ISSUANCE OF BONDS UNDER A
9 NEW INDENTURE

10
11 WHEREAS, the California Housing Finance Agency (the “Agency”) has
12 determined that there exists a need in California for providing financial assistance, directly or
13 indirectly, to persons and families of low or moderate income to enable them to purchase or
14 refinance moderately-priced single family residences (“Residences”);

15
16 WHEREAS, the Agency has determined that it is in the public interest for the
17 Agency to assist in providing such financing by means of various programs, including whole
18 loan and mortgage-backed securities programs (collectively, the “Program”) to make loans to
19 such persons and families, or to developers, for the acquisition, development, construction and/or
20 permanent financing of Residences (the “Loans”);

21
22 WHEREAS, pursuant to Parts 1 through 4 of Division 31 of the Health and Safety
23 Code of the State of California (the “Act”), the Agency has the authority to issue bonds to
24 provide sufficient funds to finance the Program, including the purchase of mortgage-backed
25 securities (“MBSs”) secured by Loans, the payment of capitalized interest on the bonds, the
26 establishment of reserves to secure the bonds, and the payment of other costs of the Agency
27 incident to, and necessary or convenient to, the issuance of the bonds;

28
29 WHEREAS, the Agency, pursuant to the Act, has from time to time issued
30 various series of its Residential Mortgage Revenue Bonds (the “RMR Bonds”), and is authorized
31 pursuant to the Act to issue additional RMR Bonds (collectively with bonds authorized under
32 this resolution to be issued under new indentures, the “MBS Bonds”) to provide funds to finance
33 the Program;

34
35 WHEREAS, the Bonds may be issued for the primary purpose of purchasing
36 MBSs (“MBS Bonds”);

37
38 WHEREAS, on March 7, 2023, the Agency adopted its Resolution No. 23-04
39 authorizing the issuance of MBS Bonds to provide funds to finance the Program;

40
41 WHEREAS, Resolution No. 23-04 authorizes and directs the Executive Director
42 and the Secretary of the Board of Directors of the Agency (the “Secretary”), for and on behalf
43 and in the name of the Agency in connection with the issuance of MBS Bonds, to execute and
44 acknowledge and to deliver to the Trustees one or more new indentures, trust agreements or
45 similar documents providing for the issuance of MBS Bonds, in one or more forms similar to
46 Articles I through XII of the RMR Indenture;

1 WHEREAS, the Agency has determined that in order to provide additional funds
2 to finance the Program it is in the public interest to authorize additional bonds to be issued
3 pursuant to such an indenture;

4
5 WHEREAS, funds under such indenture may be used to finance MBSs;

6
7 WHEREAS, the MBS Bonds proposed to be issued by the Agency under such
8 indenture shall be limited obligations of the Agency payable solely from certain amounts on
9 deposit under the indenture relating thereto;

10
11 WHEREAS, the Agency now desires to amend Resolution No. 23-04 to authorize
12 the issuance of the bonds and to approve such new indenture under which the Agency may issue
13 such bonds; and

14
15 WHEREAS, the Agency wishes to further amend Resolution No. 23-04 to
16 indicate the maximum amount of federally taxable bonds that may be issued pursuant thereto;

17
18 NOW, THEREFORE, BE IT RESOLVED, by the Board of Directors of the
19 California Housing Finance Agency (the "Board") as follows:

20
21 Section 1. Federally Taxable MBS Bond Maximum Issuance Amount.
22 Section 1(c) of Resolution No. 23-04 is hereby removed and replaced with the following:

23
24 “(c) if and to the extent interest on one or more of such series of Bonds is
25 determined by the Executive Director to be intended not to be excludable from gross
26 income for federal income tax purposes, \$1,000,000,000.”

27
28 Section 2. HOMB Indenture. The Executive Director and the Secretary have
29 been authorized and directed, for and on behalf and in the name of the Agency in connection
30 with the issuance of MBS Bonds, to execute and acknowledge and to deliver to the Trustee the
31 new indenture entitled Homeowner Mortgage Revenue Bonds General Indenture, which is in a
32 form similar to Articles I through XII of the RMR Indenture and has been presented to this
33 meeting of the Board (the "HOMB Indenture").

34
35 The HOMB Indenture may be executed, acknowledged and delivered with such
36 changes therein as the officers executing the same approve upon consultation with the Agency's
37 legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof.
38 Changes reflected in the HOMB Indenture may include provision for a supplemental pledge of
39 Agency moneys or assets (including but not limited to a deposit from the Supplementary Bond
40 Security Account created under Section 51368 of the Act) to additionally secure the MBS Bonds
41 if appropriate in furtherance of the objectives of the Program. The Executive Director and the
42 Secretary have been authorized and directed, for and on behalf and in the name of the Agency, to
43 execute and acknowledge and to deliver to the Trustee one or more amendments to the HOMB
44 Indenture, each with such provisions as the officers executing the same approve upon
45 consultation with the Agency's legal counsel, such approval to be conclusively evidenced by the
46 execution and delivery thereof.

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Section 3. .Ratification of Prior Actions. All actions previously taken by the officers of the Agency in connection with the issuance of the Bonds are hereby approved and ratified.

SECRETARY’S CERTIFICATE

I, Claire Tauriainen, the undersigned, do hereby certify that I am the duly authorized Secretary of the Board of Directors of the California Housing Finance Agency, and hereby further certify that the foregoing is a full, true, and correct copy of Resolution No. 23-11 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 22nd day of June, 2023, at which meeting all said directors had due notice, a quorum was present and that at said meeting said resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

IN WITNESS WHEREOF, I have executed this certificate hereto this 22nd day of June 2023.

ATTEST:

CLAIRE TAURIAINEN
Secretary of the Board of Directors of the
California Housing Finance Agency

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CALIFORNIA HOUSING FINANCE AGENCY



Homeowner Mortgage Revenue Bonds General Indenture



Dated as of _____ 1, 2023

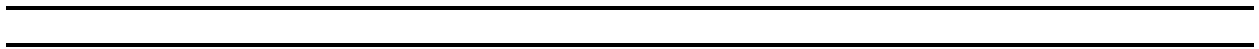


TABLE OF CONTENTS

Page

ARTICLE I

DETERMINATIONS AND DEFINITIONS

Section 101.	Indenture to Constitute Contract.....	2
Section 102.	Limited Obligation; Pledge of the Indenture	2
Section 103.	Definitions.....	3
Section 104.	Miscellaneous Definitions	12
Section 105.	Requirement of Signed Writing.....	13

ARTICLE II

FORM, EXECUTION, AUTHENTICATION AND DELIVERY OF BONDS

Section 201.	Issuance of Bonds for Program.....	13
Section 202.	Limitation on Issuance of Bonds	13
Section 203.	Form of Bonds	13
Section 204.	Details of Bonds.....	13
Section 205.	Authentication of Bonds	14
Section 206.	Exchange of Bonds	15
Section 207.	Negotiability, Registration and Registration of Transfer of Bonds	15
Section 208.	Ownership of Bonds	16
Section 209.	Issuance of Bonds	16
Section 210.	Refunding Bonds	19
Section 211.	Temporary Bonds.....	20
Section 212.	Mutilated, Destroyed or Lost Bonds.....	21
Section 213.	Book-Entry System.....	21

ARTICLE III

REDEMPTION OF BONDS

Section 301.	Redemption of Bonds	21
Section 302.	Redemption Notice	22
Section 303.	Effect of Calling for Redemption	23
Section 304.	Redemption of Portion of Bond.....	23
Section 305.	Cancellation	23
Section 306.	Bonds No Longer Outstanding	23

TABLE OF CONTENTS
(continued)

Page

ARTICLE IV

APPLICATION OF REVENUES AND OTHER MONEYS

Section 401.	Establishment of Funds and Accounts	24
Section 402.	Acquisition Fund.....	25
Section 403.	Costs of Issuance Fund	25
Section 404.	Revenue Fund; Application of Revenues	26
Section 405.	Interest Account	27
Section 406.	Principal Account.....	27
Section 407.	Redemption Fund.....	28
Section 408.	Expense Fund.....	29
Section 409.	Debt Reserve Fund.....	29
Section 410.	Special Reserve Fund.....	30
Section 411.	General Fund.....	30
Section 412.	Principal Prepayment Fund.....	31
Section 413.	Supplementary Reserve Fund	31
Section 414.	Deficiencies in Debt Service Fund	31
Section 415.	Exchange of Moneys and Securities	32
Section 416.	Moneys Held in Trust	33
Section 417.	Cancellation of Bonds.....	33
Section 418.	Use of Available Funds.....	33

ARTICLE V

DEPOSITARIES OF MONEY, SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS

Section 501.	Security for Deposits.....	33
Section 502.	Investment of Moneys.....	34

ARTICLE VI

PARTICULAR COVENANTS AND PROVISIONS

Section 601.	Payment of Principal, Interest and Premium	35
Section 602.	Covenant to Perform Obligations Under this Indenture	35
Section 603.	No Extension of Maturities or Claims for Interest.....	35
Section 604.	Further Instruments and Actions.....	35
Section 605.	Covenant Against Encumbrances	36
Section 606.	State Pledge.....	36
Section 607.	Cash Flow Statements.....	36

TABLE OF CONTENTS

(continued)

	<u>Page</u>
Section 608. Tax Covenants	37
Section 609. Enforcement of Rights Under Mortgage-Backed Securities	37
Section 610. Maintenance of Existence of Agency	37
Section 611. Books and Records	37
Section 612. Annual Audit, Report and No-Default Certificate	38
Section 613. Recordation of This Indenture and Filing of Security Instruments	38
Section 614. Program Covenants	38
Section 615. Issuance of Additional Obligations.....	38
Section 616. Notice of an Event of Default	39

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

Section 701. Extended Interest Payment	39
Section 702. Events of Default Defined	39
Section 703. Acceleration of Maturity	40
Section 704. Enforcement of Remedies.....	40
Section 705. Trustee May File Claim in Bankruptcy	41
Section 706. Pro Rata Application of Funds.....	42
Section 707. Effect of Discontinuance of Proceedings.....	45
Section 708. Owners of Majority in Principal Amount of Bonds May Control Proceedings	45
Section 709. Restrictions Upon Actions by Individual Bondowner	45
Section 710. Actions by Trustee	46
Section 711. No Remedy Exclusive.....	46
Section 712. No Delay or Omission Construed to be a Waiver.....	46
Section 713. Waiver of Defaults	46
Section 714. Notice of an Event of Default	46
Section 715. Right to Enforce Payment of Bonds Unimpaired	47

ARTICLE VIII

CONCERNING THE TRUSTEE

Section 801. Acceptance of Trusts.....	47
Section 802. Trustee Entitled to Indemnity	47
Section 803. Limitation on Obligations and Responsibilities of Trustee	47
Section 804. Trustee Not Liable for Failure of Agency to Act.....	47
Section 805. Compensation and Indemnification of Trustee.....	48
Section 806. Monthly Statements from Trustee	48
Section 807. Trustee May Rely on Certificates	48
Section 808. Notice of Default.....	49

TABLE OF CONTENTS
(continued)

	<u>Page</u>
Section 809. Trustee May Deal in Bonds	49
Section 810. Trustee Not Responsible for Recitals	49
Section 811. Trustee Protected in Relying on Certain Documents.....	49
Section 812. Resignation and Removal of Trustee Subject to Appointment of Successor	49
Section 813. Resignation of Trustee	49
Section 814. Removal of Trustee.....	50
Section 815. Appointment of Successor Trustee	50
Section 816. Vesting of Trusts in Successor Trustee.....	51
Section 817. Right of Bondholders to Appoint Trustee Pursuant to the Act Abrogated	51
Section 818. No Implied Duty; Standard of Care	51
Section 819. Brokerage Confirmations.....	51

ARTICLE IX

EXECUTION OF INSTRUMENTS BY BONDOWNERS, PROOF OF OWNERSHIP OF BONDS AND DETERMINATION OF CONCURRENCE OF BONDOWNERS

Section 901. Execution of Instruments by Bondowners, Proof of Ownership of Bonds and Determination of Concurrence of Bondowners	52
---	----

ARTICLE X

SUPPLEMENTAL INDENTURES

Section 1001. Bondowners' Consent Not Required	52
Section 1002. Supplements and Amendments Requiring Consent of Owners of a Majority in Principal Amount of Bonds	54
Section 1003. Supplements and Amendments Deemed Part of Indenture	55
Section 1004. Discretion of Trustee in Performing Under Supplemental Indentures	56
Section 1005. Notation on Bonds	56

ARTICLE XI

DEFEASANCE

Section 1101. Defeasance	56
--------------------------------	----

ARTICLE XII

MISCELLANEOUS PROVISIONS

Section 1201. Successorship of Agency; Effect of Covenants; Construction of Indenture.....	57
Section 1202. Manner of Giving Notice	57

TABLE OF CONTENTS
(continued)

	<u>Page</u>
Section 1203. Parties and Bondowners Alone Have Rights Under Indenture.....	58
Section 1204. Effect of Partial Invalidity	58
Section 1205. Written Notices and Other Communications	58
Section 1206. Headings, Table of Contents and Notes for Convenience Only	58
Section 1207. Payment Due or Acts to be Performed on Weekends and Holidays.....	59
Section 1208. Agency Request or Direction of Authorized Officer	59
Section 1209. Notice to Rating Agencies	59
Section 1210. Counterparts	59
Section 1211. Effective Date; Execution and Delivery	59

This INDENTURE, dated as of _____ 1, 2023, by and between the CALIFORNIA HOUSING FINANCE AGENCY, a public instrumentality and political subdivision of the State of California (herein called the “Agency”), and U.S. Bank Trust Company, National Association, a national banking association duly organized and existing under the laws of the United States of America and being qualified to accept and administer the trusts hereby created, as trustee;

WITNESSETH:

WHEREAS, the Agency has been created by the Zenovich-Moscone-Chacon Housing and Home Finance Act (constituting Division 31 of the Health and Safety Code of the State of California), as amended (herein called the “Act”), primarily for the purpose of assisting in meeting the housing needs of persons and families of low or moderate income;

WHEREAS, the Agency has determined to borrow money for its lawful purposes and to that end has duly authorized the issuance of its bonds hereunder, and to secure the payment of the principal thereof and of the interest and premium, if any, thereon, and the observance of the covenants and conditions herein contained, has authorized the execution and delivery of this Indenture;

WHEREAS, said bonds are to be issued hereunder and designated as the “California Housing Finance Agency Homeowner Mortgage Revenue Bonds” (herein called the “Bonds”), from time to time, in an aggregate principal amount not limited except as hereinafter provided;

WHEREAS, all acts and proceedings required by law and by the Act, including all actions requisite on the part of the Agency, its Board of Directors, its members and its officers necessary to make the Bonds, when executed by the Agency, authenticated and delivered by or on behalf of the Trustee and duly issued, the valid, binding and legal obligations of the Agency, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth, in accordance with its terms, have been done and taken; and the execution and delivery of this Indenture have been in all respects duly authorized;

WHEREAS, the Bonds and the forms of the certificate of authentication and registration and the assignment to appear thereon, shall be prescribed in indentures supplemental hereto;

NOW, THEREFORE, THIS INDENTURE WITNESSETH for the purpose of fixing and declaring the terms and conditions upon which the Bonds are to be issued, executed, delivered and accepted by the owners of the Bonds, and in order to secure the payment of all the Bonds at any time issued and Outstanding hereunder and the interest thereon according to their tenor, purport and effect, and in order to secure the performance and observance of all the covenants, agreements and conditions therein and herein contained, the Agency has executed this Indenture, has pledged, conveyed and assigned, and does hereby pledge, convey and assign the Pledged Property (i) as security for the payment of the principal of the Bonds and the interest and redemption premium, if any, thereon, (ii) as security for the fulfillment of the obligations of the Agency hereunder, (iii) for the equal and proportionate security, from time to time, of the owners

of the Bonds, and (iv) for the equal and proportionate benefit, from time to time, of the owners of the Bonds, all without preference, priority or distinction as to lien or otherwise, except as otherwise hereinafter provided, or as provided in an applicable Series Indenture, of any one Bond over any other Bond, by reason of priority in the issue, effective date, sale or negotiation thereof or otherwise, all in accordance with the terms hereof.

TO HAVE AND TO HOLD all of the same, whether now owned or hereafter acquired, unto the Trustee and its respective successors in said trusts and assigns forever.

Provided, however, that if the Agency, its successors or assigns, shall pay, or cause to be paid, the principal of the Bonds, redemption premium, if any, and the interest due or to become due upon the Bonds at the times and in the manner mentioned in the Bonds according to the true intent and meaning thereof, or shall provide, as permitted hereby, for the payment thereof by depositing with the Trustee the entire such amount due or to become due thereon (or such amount as provided in Section 1101 hereof), and shall keep, perform and observe all the covenants and conditions pursuant to the terms of this Indenture to be kept, performed and observed by it, and shall pay or cause to be paid to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions hereof, then upon such final payment, or such provision for payment in accordance with Section 1101 hereof, this Indenture and the rights hereby granted shall cease, terminate and be void; otherwise this Indenture is to be and remain in full force and effect.

THIS INDENTURE FURTHER WITNESSETH, that the Agency has agreed and covenanted, and does hereby agree and covenant, with the Trustee and with the respective Owners from time to time of the Bonds, as follows:

ARTICLE I

DETERMINATIONS AND DEFINITIONS

Section 101. *Indenture to Constitute Contract.* In consideration of the purchase and acceptance of any and all of the Bonds issued hereunder by those who shall own the same from time to time, this Indenture shall be deemed to be and shall constitute a contract among the Agency and the owners of the Bonds. The pledges made in this Indenture and the covenants and agreements herein set forth to be performed by the Agency shall be for the equal benefit, protection and security of the owners of any and all of the Bonds, all of which, without regard to the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided in or permitted by this Indenture or by a Series Indenture.

Section 102. *Limited Obligation; Pledge of the Indenture.* The Bonds are limited obligations of the Agency payable solely from and secured by the Pledged Property under this Indenture. The Agency has no taxing power. The Bonds shall not be deemed to constitute a debt or liability of the State or of any political subdivision of the State, other than the Agency, or a pledge of the faith and credit of the State or of any such political subdivision, other than the Agency, but shall be payable solely from the Pledged Property. Neither the Agency, any of its

members, the State, nor any political subdivision thereof (except the Agency, to the limited extent set forth herein) nor any public agency shall in any event be liable for the payment of the principal or Redemption Price of, premium (if any) or interest on the Bonds or for the performance of any pledge, obligation or agreement of any kind whatsoever except as set forth herein, and none of the Bonds or any of the Agency's agreements or obligations shall be construed to constitute an indebtedness of or a pledge of the faith and credit of or a loan of the credit of or a moral obligation of any of the foregoing within the meaning of any constitutional or statutory provision whatsoever. Neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of or interest on the Bonds. The issuance of the Bonds shall not directly or indirectly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment.

Any Underlying Mortgage Loans, Mortgage-Backed Securities, property (including but not limited to Investment Obligations), earnings, revenues or other moneys pledged hereunder or under a Series Indenture by the Agency and which are received hereafter from time to time by the Agency (except that a Series Indenture may limit the time period of or the purpose of a pledge of a Fund or Account or any asset or property established in the same Series Indenture) shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of any such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Agency, irrespective of whether such parties have notice thereof, and neither this Indenture nor any instruments by which a pledge is created need be recorded.

Section 103. *Definitions.* In this Indenture and any indenture supplemental hereto the following terms shall have the following meanings:

“*Accountant*” means an independent certified public accountant or firm of independent certified public accountants selected by the Agency, who may be the accountant or firm of accountants who regularly audit the books of the Agency.

“*Acquisition Fund*” means the Acquisition Fund consisting of Series Acquisition Accounts established pursuant to Section 401 hereof and Series Indentures.

“*Act*” means the Zenovitch-Moscone-Chacon Housing and Home Finance Act, constituting Division 31 of the Health and Safety Code of the State of California, as heretofore and hereafter amended.

“*Additional Bonds*” means any additional Bonds issued pursuant to Section 209 or Section 210 hereof.

“*Agency*” means the California Housing Finance Agency, a public instrumentality and a political subdivision of the State established under the Act or its successor.

“*Agency Request*” means a written request or direction of the Agency signed by an Authorized Officer.

“*Amortized Value*” means (i) for securities purchased at par, par; and (ii) for securities purchased at a premium above or a discount below par, the value as of any given date obtained by dividing the total amount of the premium or the discount at which such securities were purchased by the number of days remaining to maturity on such securities at the time of such purchase and by multiplying the amount so calculated by the number of days having passed from the date of such purchase; and (a) in the case of securities purchased at a premium, by deducting the product thus obtained from the purchase price, and (b) in the case of securities purchased at a discount, by adding the product thus obtained to the purchase price.

“*Appreciated Amount*” shall mean with respect to a Deferred Interest Bond, (i) as of any date of computation with respect to any Deferred Interest Bond up to the date, *if any*, set forth in the Series Indenture authorizing such Deferred Interest Bond as the date on which such Deferred Interest Bond shall commence to bear interest payable thereafter on applicable interest payment dates, an amount equal to the initial principal amount of such Deferred Interest Bond plus the interest accrued on such Deferred Interest Bond from the date of original issuance of such Deferred Interest Bond to the applicable interest payment date next preceding the date of computation or the date of computation if an applicable interest payment date, such increased amount to accrue at the rate per annum set forth in the Series Indenture authorizing such Deferred Interest Bonds, compounded on each applicable interest payment date, plus, if such date of computation shall not be an applicable interest payment date, a portion of the difference between the Appreciated Amount as of the immediately preceding applicable interest payment date (or the date of original issuance if the date of computation is prior to the first applicable interest payment date succeeding the date of original issuance) and the Appreciated Amount as of the immediately succeeding applicable interest payment date, calculated based upon an assumption that the Appreciated Amount accrues in equal daily amounts on the basis set forth in the Series Indenture authorizing such Deferred Interest Bonds; and (ii) as of any date of computation on and after the date, *if any*, set forth in the Series Indenture authorizing such Deferred Interest Bond as the date on which such Deferred Interest Bond shall commence to bear interest payable thereafter on applicable interest payment dates, the Appreciated Amount as of such current interest payment commencement date.

For the purposes of actions, requests, notifications, consents or directions of Bondowners under this Indenture, the calculation of the Appreciated Amount shall be as of the applicable interest payment dates preceding such date of calculation (*unless* such date of calculation shall be an applicable interest payment date, in which case, as of the date of calculation).

“*Authorized Officer*” means the Chairperson, Executive Director, a Deputy Director or the Director of Financing of the Agency, any person designated in writing by the Chairperson, the Executive Director, a Deputy Director or the Director of Financing as an Authorized Officer and any other authorized officer as from time to time may be designated by resolution or by-law to act hereunder on behalf of the Agency.

“*Authorized Officer’s Determination*” means the formal written action of an Authorized Officer, delivered to the Trustee and each of the Rating Agencies, reflecting modifications to this Indenture with respect to one or more Series of Bonds, as permitted or

required by the express terms of this Indenture, the Series Indenture related to such Series, or a Supplemental Indenture.

“*Bond*” or “*Bonds*” means any Bond or all of the Bonds issued under and at any time Outstanding pursuant to this Indenture.

“*Bond Counsel’s Opinion*” means an opinion signed by any attorney or firm of attorneys of nationally recognized standing in the field of state and local debt issuance.

“*Bondowner*” or “*owner of Bonds*” means the registered owner of any registered Bond.

“*Bond Proceeds Fund*” means the Bond Proceeds Fund and accounts established therein pursuant to this Indenture and Series Indentures.

“*Bond Registrar*” means, collectively, such person(s), agency(s) or office(s) as determined by the Agency pursuant to Series Indentures or, if not otherwise designated in a Series Indenture, the Trustee, to act as bond registrar with respect to a Series pursuant to the Indenture.

“*Cash Flow Certificate*” means a certificate of the Agency signed by an Authorized Officer to the effect that the action proposed to be taken is consistent with the assumptions set forth in the Cash Flow Statement last filed with the Trustee.

“*Cash Flow Requirements*” means the requirements, if any, set forth in a Series Indenture or Supplemental Indenture, applicable to all or any of the Bonds.

“*Cash Flow Statement*” means a Cash Flow Statement conforming to the requirements of Section 607 hereof.

“*Code*” means applicable provisions of the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder, if any.

“*Costs of Issuance*” means all items of expense payable or reimbursable directly or indirectly by the Agency and related to the authorization, sale, issuance and remarketing of the Bonds, as certified by an Authorized Officer.

“*Costs of Issuance Fund*” means the Costs of Issuance Fund and accounts therein established pursuant to Section 401 hereof and Series Indentures.

“*Debt Reserve Fund*” means the Debt Reserve Fund established pursuant to Section 401 hereof.

“*Debt Reserve Requirement*” means, as of any particular date of calculation, an amount equal to the aggregate of all amounts established for all Series of Bonds Outstanding in the Series Indentures authorizing the issuance of such Bonds, or a lesser amount if each Rating Agency has confirmed that such lesser amount will not adversely affect the then-existing rating of the Bonds by such Rating Agency. The Trustee may rely upon a certificate from an

Authorized Officer of the Agency which states the Debt Reserve Requirement as of the date of said certificate.

“*Debt Service Fund*” means the Debt Service Fund established pursuant to Section 401 hereof.

“*Deferred Interest Bond*” means any Bond designated as such by the Series Indenture authorizing the issuance of such Bond.

“*Event of Default*” means any of the events of default described in Section 702 hereof.

“*Expense Fund*” means the Expense Fund established pursuant to Section 401 hereof.

“*Expenses*” means any moneys required by the Agency to pay the expenses of the Trustee and any expenses which the Agency may lawfully pay, *except* as limited with respect to any Series of Bonds by the applicable Series Indenture. Expenses deposited in any Fiscal Year to the credit of the Expense Fund shall not exceed the aggregate of all such amounts set forth for all Series of Bonds in the respective Series Indentures. The Trustee may rely upon a certificate from an Authorized Officer of the Agency which states the outstanding principal balance of Mortgage-Backed Securities.

“*Fiscal Year*” means the year beginning on the first day of July and ending on the last day of June in the next succeeding year.

“*Fund*” or “*Account*” means a Fund or Account created by or pursuant to this Indenture or a Series Indenture.

“*General Fund*” means the General Fund established pursuant to Section 401 hereof.

“*Government Obligations*” means obligations of the United States of America (including obligations issued or held in book-entry form on the books of the U.S. Department of the Treasury) or obligations the principal of and interest on which are guaranteed as to timely payment by the United States of America.

“*Indenture*” means this Indenture, as amended or supplemented by Supplemental Indentures and Series Indentures.

“*Insurance Proceeds*” means payments received with respect to the Underlying Mortgage Loans or Mortgage-Backed Securities under any insurance policy or guarantee or under any fidelity bond, to the extent not applied to the repair or restoration of any mortgaged premises.

“*Interest Account*” means the Interest Account established in the Debt Service Fund pursuant to Section 401 hereof.

“*Investment Obligations*” means, to the extent authorized by law for investment of moneys of the Agency at the time of such investment,

(i) (A) Government Obligations, or (B) obligations rated in either of the two highest rating categories of each Rating Agency of any state of the United States of America or any political subdivision of such a state, payment of which is secured by an irrevocable pledge of Government Obligations;

(ii) (A) bonds, debentures or other obligations issued by Federal Home Loan Banks, Tennessee Valley Authority, Federal Farm Credit System Obligations, World Bank, International Bank for Reconstruction and Development and Inter-American Development Bank; or (B) bonds, debentures or other obligations issued by Fannie Mae and Federal Home Loan Mortgage Corporation (excluding mortgage securities which are valued greater than par on the portion of unpaid principal or mortgage securities which represent payments of principal only or interest only with respect to the underlying mortgage loans);

(iii) obligations issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America, or temporary notes, preliminary loan notes or project notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America, in each case rated in either of the two highest rating categories (or the highest rating of short-term obligations if the investment is a short-term obligation) by each Rating Agency;

(iv) time deposits, certificates of deposit or any other deposit with a bank, trust company, national banking association, savings bank, federal mutual savings bank, savings and loan association, federal savings and loan association or any other institution chartered or licensed by any state or the U.S. Comptroller of the Currency to accept deposits in such state (as used herein, “deposits” shall mean obligations evidencing deposit liability which rank at least on a parity with the claims of general creditors in liquidation), which are (a) fully secured by any of the obligations described in (i) above having a market value (exclusive of accrued interest) not less than the uninsured amount of such deposit or (b) (1) unsecured or (2) secured to the extent, if any, required by the Agency and, in both (1) and (2), made with an institution whose unsecured debt securities are rated in either of the two highest rating categories and the highest short term rating category (or the highest rating of short-term obligations if the investment is a short-term obligation) by each Rating Agency;

(v) repurchase agreements backed by or related to obligations described in (i) or (ii) above with any institution whose unsecured debt securities are rated in either of the two highest rating categories (or the highest rating of short-term obligations if the investment is a short-term obligation) by each Rating Agency;

(vi) investment agreements, secured or unsecured as required by the Agency, with any institution whose debt securities are rated in either of the two highest rating categories (or the highest rating of short-term obligations if the investment is a short-term obligation) by each Rating Agency;

(vii) direct and general obligations of or obligations unconditionally guaranteed by the State, the payment of the principal of and interest on which the full faith and credit of the State is pledged, and certificates of participation in obligations of the State which obligation may be subject to annual appropriations, which obligations are rated in either of the two highest rating categories by each Rating Agency;

(viii) direct and general obligations of or obligations unconditionally guaranteed by any state, municipality or political subdivision or agency thereof, which obligations are rated in either of the two highest rating categories by each Rating Agency;

(ix) bonds, debentures, or other obligations issued by any insurance company, corporation, government or governmental entity (foreign or domestic), provided, that such bonds, debentures or other obligations are (a) payable in any coin or currency of the United States of America which at the time of payment will be legal tender for the payment of public and private debts, and (b) rated in either of the two highest rating categories by each Rating Agency;

(x) commercial paper (having original maturities of not more than 365 days) rated in the highest rating category by each Rating Agency;

(xi) money market funds which invest in Government Obligations and which funds have been rated in the highest rating category by each Rating Agency;

(xii) deposits in the Surplus Money Investment Fund referred to in Section 51003 of the Act or any successor fund thereto if each Rating Agency has confirmed that investment therein, in and of itself, will not adversely affect the then-existing rating of the Bonds by such Rating Agency; or

(xiii) any investments authorized in a Series Indenture authorizing Bonds, as long as the related Bonds are rated by each Rating Agency.

Provided, that it is expressly understood that the definition of Investment Obligations shall be, and be deemed to be, expanded, or new definitions and related provisions shall be added to this Indenture by a Supplemental Indenture or an Authorized Officer's Determination, thus permitting investments with different characteristics from those permitted which the Board of Directors or the Executive Director of the Agency deems from time to time to be in the interests of the Agency to include as Investment Obligations if at the time of inclusion such inclusion will not, in and of itself, impair, or cause the Bonds to fail to retain, the then-existing rating assigned to them by each Rating Agency.

For purposes of this definition, “institution” means an individual, partnership, corporation, trust or unincorporated organization, or a government or agency, instrumentality, program, account, fund, political subdivision or corporation thereof.

“*Liquidation Proceeds*” means amounts (*except* Insurance Proceeds) received in connection with the liquidation of a defaulted Underlying Mortgage Loan, whether through foreclosure, trustee’s sale, repurchase by a Mortgage Lender, or otherwise.

“*Mortgage-Backed Securities*” means (i) obligations representing undivided beneficial ownership interests (and any other interest therein allowed by the Act) in mortgage loans, which obligations are issued by or guaranteed by the Government National Mortgage Association, Fannie Mae, Federal Home Loan Mortgage Corporation or, to the extent set forth in a Series Indenture, a Supplemental Indenture, or an Authorized Officer’s Determination, (a) any other agency or instrumentality of or chartered by the United States to which the powers of any of them have been transferred or which have similar powers to purchase mortgage loans and (b) any financial institution provided each of the Rating Agencies has confirmed that acquisition of such mortgage-backed securities will not adversely affect its then-existing rating of the Bonds and (ii) any evidence of an ownership interest in such obligations. Unless otherwise provided in a Series Indenture, a Supplemental Indenture, or an Authorized Officer’s Determination, “Mortgage-Backed Securities” does not include any mortgage-backed securities that are not financed from moneys on deposit in the Acquisition Fund.

“*Mortgage Lender*” means any person (including the Agency) approved by the Agency for participation in the Program who shall participate in financing Underlying Mortgage Loans and/or sell Mortgage-Backed Securities to the Agency.

“*Outstanding Bonds*” means, as of any date, all Bonds theretofore authenticated and delivered by the Trustee under this Indenture, *except*:

- (a) any Bond deemed paid in accordance with Section 416(b) hereof;
- (b) any Bond cancelled by, or delivered for cancellation to, the Trustee because of payment at maturity or redemption or purchase prior to maturity;
- (c) any Bond deemed paid in accordance with the provisions of Section 303 hereof;
- (d) any Bond deemed paid in accordance with the provisions of Section 1101 hereof; and
- (e) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to Section 211 hereof, unless proof satisfactory to the Trustee is presented that any Bond for which a Bond in lieu thereof or in substitution therefor shall have been authenticated and delivered is held by a bona fide purchaser, as that term is defined in the Uniform Commercial Code-Investment Securities of the State (Sections 8101-8116 of the California Commercial Code), as amended (or any similar successor provision), in which case both the Bond so substituted and replaced and the Bond or Bonds authenticated and delivered in lieu thereof or in substitution therefor shall be deemed Outstanding.

“*Pledged Property*” means the proceeds of the sale of the Bonds, Revenues and all other moneys in all Funds (except the Rebate Fund) and Accounts established under this Indenture, including the investments, if any, thereof, and the earnings, if any, thereon until applied in accordance with the terms of this Indenture; and all right, title and interest of the Agency in and to the Mortgaged-Backed Securities, and related notes, *but excluding* Mortgage-Backed Securities accrued interest not purchased by the Agency; *except* that the pledge of assets or property in a Series Indenture may be limited in purpose and time, as set forth in said Series Indenture.

“*principal*” or “*Principal*” means (a) as such term references the principal amount of a Deferred Interest Bond or Deferred Interest Bonds, the Appreciated Amount thereof, and (b) as such term references the principal amount of any other Bond or Bonds, the principal amount at maturity of such Bond or Bonds.

“*Principal Account*” means the Principal Account established in the Debt Service Fund pursuant to Section 401 hereof.

“*Principal Prepayment*” means any amounts received in connection with a Mortgage-Backed Security that reflect any payment by a mortgagor or other recovery of principal of an Underlying Mortgage Loan which is not applied to a scheduled installment of principal or interest on an Underlying Mortgage Loan and the portion of any Insurance Proceeds, Liquidation Proceeds or other payments representing such principal amounts, including from the sale of an Underlying Mortgage Loan, and the proceeds of the sale of Mortgage-Backed Securities.

“*Principal Prepayment Fund*” means the Principal Prepayment Fund established pursuant to Section 401 hereof.

“*Program*” means the mortgage finance program of the Agency pursuant to which the Agency will issue the Bonds and apply the proceeds thereof to finance Mortgage-Backed Securities hereunder.

“*Rating Agency*” means each nationally recognized securities rating agency that is maintaining the rating on the Bonds at the request of the Agency.

“*Rebate Fund*” means the Rebate Fund established pursuant to Section 401 hereof.

“*Redemption Fund*” means the Redemption Fund consisting of the Special Redemption Account and the Optional Redemption Account established pursuant to Section 401 hereof.

“*Redemption Price*” means, with respect to a Bond or portion thereof, the portion of the principal amount of such Bond or portion plus the applicable premium, if any, payable upon redemption thereof in the manner contemplated in accordance with its terms pursuant to the provisions of this Indenture and any Series Indenture.

“*Refunding Bonds*” means all Bonds, whether issued in one or more Series, authenticated and delivered on original issuance pursuant to Section 210 hereof (and all Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to this Indenture) for the purpose of the refunding of Bonds.

“*Revenue Fund*” means the Revenue Fund established pursuant to Section 401 hereof.

“*Revenues*” means all moneys received by or on behalf of the Agency or Trustee representing (i) principal and interest payments on the Mortgage-Backed Securities including all Principal Prepayments representing the same and all prepayment premiums or penalties received by or on behalf of the Agency in respect to the Mortgage-Backed Securities, (ii) interest earnings, amortization of discount, and gain, all as received as cash on the investment of amounts in any Account or Fund (*except* the Rebate Fund and the Special Reserve Fund as herein provided), (iii) amounts transferred to the Revenue Fund in accordance with Article IV hereof, (iv) amounts transferred to the Special Redemption Account from the Debt Reserve Fund, and (v) amounts deposited in the Revenue Fund pursuant to the fifth paragraph of Section 502 hereof.

“*Serial Bonds*” means the Bonds which are not Term Bonds.

“*Series*” means one of the series or, as the context requires, subseries of Bonds issued under this Indenture pursuant to a Series Indenture.

“*Series Indenture*” means an indenture of the Agency authorizing the issuance of a Series of Bonds.

“*Series Program Determinations*” means determinations by the Agency relating to Underlying Mortgage Loans and Mortgage-Backed Securities and certain other matters required in connection with a Series of Bonds under the Program to be set forth (or provided to be determined at certain specified times in the future) in a Series Indenture (or, if each Rating Agency has confirmed that doing so will not adversely affect the then-existing rating of the Bonds by such Rating Agency, pursuant to an Agency Request) and shall include the following: (i) the types of Mortgage-Backed Securities to be financed by such Bonds, (ii) whether each Underlying Mortgage Loan shall be secured by a first lien mortgage, a subordinate lien mortgage or a combination; (iii) whether each Underlying Mortgage Loan shall have approximately equal monthly payments or shall be a graduated payment mortgage loan or have a fixed or variable rate of interest; (iv) the maximum term to maturity of each Underlying Mortgage Loan; (v) whether each residence to which each Underlying Mortgage Loan relates shall be a principal residence; (vi) required primary mortgage insurance, if any, and the levels of coverage thereof; (vii) limitations, if any, applicable to purchases of Underlying Mortgage Loans relating to planned unit developments, and/or cooperatives or condominiums, geographic concentration, and type of principal and interest characteristics; (viii) Supplemental Mortgage Coverage, if any; (ix) provisions relating to Principal Prepayments, including application thereof for redemption or financing new Mortgage-Backed Securities; (x) maximum Expenses for such Series; (xi) restrictions, if any, on the applications of the proceeds of the voluntary sale of Mortgage-

Backed Securities, if any; and (xii) any other provision deemed advisable by the Agency not in conflict with this Indenture.

“*Sinking Fund Requirement*” means, as of any particular date of calculation, with respect to the Term Bonds of any Series and maturity, the amount of money required to be applied on any applicable date to the redemption prior to maturity or the purchase of the Term Bonds, *except* as such Requirement shall have been previously reduced by the principal amount of such Term Bonds with respect to which such Sinking Fund Requirement is payable which are to be purchased or redeemed (*except* out of Sinking Fund Requirements). Sinking Fund Requirements may be established as fixed dollar amounts or as method(s) of calculation thereof.

“*Special Reserve Fund*” means the Special Reserve Fund established pursuant to Section 401 hereof.

“*State*” means the State of California.

“*Supplemental Indenture*” means any indenture of the Agency supplementing or amending this Indenture.

“*Supplemental Mortgage Coverage*” means the coverage, if any, of loss from Underlying Mortgage Loan defaults provided in a Series Indenture which supplements any primary mortgage insurance.

“*Supplementary Reserve Fund*” means the Supplementary Reserve Fund established pursuant to Section 401 hereof.

“*Term Bonds*” means the Bonds with respect to which Sinking Fund Requirements have been established.

“*Trustee*” means U.S. Bank Trust Company, National Association and its successors and any consolidation or merger to which it or its successors may be a party, all as may be provided for herein or in accordance herewith.

“*Underlying Mortgage Loan*” means a mortgage loan underlying any Mortgage-Backed Securities.

Section 104. *Miscellaneous Definitions.* Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words which import the singular shall include the plural, and words which import the plural shall include the singular. The word “person” shall mean any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof. The words “hereof”, “herein”, “hereto”, “hereby” and “hereunder” refer to this entire Indenture. The words “interest payment date” and “payment date” mean, with respect to any Series of Bonds, the interest payment date(s) established in the applicable Series Indenture, regardless of whether the referenced Bonds are interest-bearing or not. The word “mortgage” shall mean a mortgage, deed of trust or any similar term relating to the conveyance of an interest in real property as security for the repayment of money borrowed. Any reference to the then-existing long-term

rating assigned to the Bonds by each Rating Agency means the lowest rating assigned to the Bonds by such Rating Agency.

Section 105. *Requirement of Signed Writing.* Every “request”, “order”, “demand”, “application”, “appointment”, “notice”, “statement”, “certificate”, “consent” or similar action hereunder by the Agency or the Trustee, unless the form thereof is specifically provided, shall, in the case of the Agency, be in writing signed by an Authorized Officer and shall, in the case of the Trustee, be in writing signed by an authorized officer of the Trustee.

ARTICLE II

FORM, EXECUTION, AUTHENTICATION AND DELIVERY OF BONDS

Section 201. *Issuance of Bonds for Program.* For the purposes set forth in the Act, Bonds of the Agency may be issued under and secured by this Indenture, subject to the provisions of this Article. The principal of, the interest on and the redemption premium, if any, on such Bonds shall be payable solely from the moneys and assets pledged by this Indenture for the payment of the Bonds, and all of the covenants, agreements and conditions of this Indenture shall be for the benefit and security of each and all of the present and future owners of the Bonds issued and to be issued under this Indenture, without preference, priority or distinction as to lien or otherwise, except as otherwise hereinafter provided, of any one Bond over any other Bond by reason of priority in the issuance, sale, effective date or negotiation thereof or otherwise, all in accordance with the terms hereof.

Section 202. *Limitation on Issuance of Bonds.* No Bonds may be issued under the provisions of this Indenture except in accordance with the provisions of this Article.

Section 203. *Form of Bonds.* Bonds are issuable in definitive form. Definitive Bonds are issuable as registered Bonds. The principal denomination at maturity of any Series of Bonds shall be specified in the Series Indenture authorizing the issuance of such Series of Bonds. The definitive Bonds of any Series shall be in the form specified in the Series Indenture authorizing the issuance of such Series of Bonds, with such appropriate variations, omissions and insertions as are permitted or required by this Indenture, and with such additional changes as may be necessary or appropriate to conform to the provisions of the indenture or indentures providing for the issuance of the Bonds. Each Bond shall contain on the face thereof a statement to the following effect: “Neither the faith and credit nor the taxing power of the State of California is pledged to the payment of the principal of or interest on this bond.” All such Bonds may have endorsed thereon such additional legends or text as may be necessary or appropriate to conform to any applicable rules and regulations of any governmental authority or any usage or requirement of law with respect thereto, or as may be authorized by the Agency and approved by the Trustee.

Section 204. *Details of Bonds.* The Bonds shall be dated, shall bear interest, if any, until their payment, such interest to the maturity thereof being payable on such dates, and

stated to mature (subject to the right of prior redemption), all as provided in the applicable Series Indenture.

Each interest-bearing Bond shall bear interest from the interest payment date next preceding the date on which it is authenticated, *unless* authenticated on an interest payment date, in which case it shall bear interest from such interest payment date, or *unless* authenticated prior to the first interest payment date, in which case it shall bear interest from its date, unless provided otherwise in a Series Indenture; *provided, however*, that if at the time of authentication of any Bond, interest is in default, such Bond shall bear interest from the date to which interest shall have been paid.

Unless otherwise required by law, definitive Bonds shall be executed in the name of the Agency by the manual or facsimile signature of its Chairperson or Executive Director and its corporate seal (or a facsimile thereof) shall be impressed, imprinted, engraved or otherwise reproduced thereon and attested by the manual or facsimile signature of any Authorized Officer of the Agency, other than the officer executing the Bonds.

In case any officer whose signature or a facsimile of whose signature shall appear on any Bonds shall cease to be such officer before the delivery of such Bonds, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes the same as if he had remained in office until such delivery, and also any Bond may bear the facsimile signature of or may be signed by such persons as at the actual time of the execution of such Bond shall be the proper officers to sign such Bond although at the date of such Bond such persons may not have been such officers.

Except as may be otherwise provided in a Series Indenture (if then permitted by applicable law), both the principal of and the interest on the Bonds shall be payable in any coin or currency of the United States of America which on the respective dates of payment thereof is legal tender for the payment of public and private debts. *Subject to* alternate provisions established in any Series Indenture with respect to the applicable Series of Bonds, the principal of all Bonds shall be payable only to the registered owner or their legal representative at a corporate trust office of the Trustee *except* with respect to Bonds which are in book-entry form, and payment of the interest on each Bond shall be made by the Trustee on each interest payment date to the person appearing on the registration books of the Agency hereinafter provided for as the registered owner thereof or to the designee of such registered owner, by check mailed to the registered owner at their address as it appears on such registration books or to any designee, to the address of such designee. The Trustee may enter into an agreement or agreements with or for the benefit of any registered owner for the payment of principal of or interest on Bonds in a manner or in a place different from that set forth in this paragraph. *Except* with respect to Bonds which are in book-entry form, payment of the principal of all Bonds shall be made upon the presentation and surrender of such Bonds as the same shall become due and payable. Payment of principal on Bonds in book-entry form shall be made pursuant to procedures established or referred to in the applicable Series Indenture.

Section 205. *Authentication of Bonds.* Only such of the definitive Bonds as shall have endorsed thereon a certificate of authentication substantially in the form set forth in the applicable Series Indenture, duly executed by the Trustee, shall be entitled to any benefit or

security under this Indenture. No definitive Bond shall be valid or obligatory for any purpose unless and until such certificate of authentication shall have been duly executed by the Trustee, and such certificate of the Trustee upon any such Bond shall be conclusive evidence that such Bond has been duly authenticated and delivered under this Indenture. The Trustee's certificate of authentication on any definitive Bond shall be deemed to have been duly executed if signed by an authorized officer of the Trustee, but it shall not be necessary that the same officer sign the certificate of authentication on all of the Bonds that may be issued hereunder at any one time.

Section 206. *Exchange of Bonds.* Subject to, and in accordance with, Section 207 hereof, Bonds, upon surrender thereof at a corporate trust office of the Bond Registrar, together with an assignment duly executed by the registered owner or their attorney or legal representative in such form as shall be satisfactory to the Trustee, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of Bonds of like tenor and of the same Series (and subseries, if applicable) and maturity, bearing interest at the same rate, of any denomination or denominations authorized by this Indenture.

The Agency shall make provisions for the exchange of Bonds at a corporate trust office of the applicable Bond Registrar.

Section 207. *Negotiability, Registration and Registration of Transfer of Bonds.* The transfer of any Bond may be registered only upon the books kept for the registration of, and registration of transfers of, Bonds upon surrender thereof to the Bond Registrar together with an assignment duly executed by the registered owner or their attorney or legal representative in such form as shall be satisfactory to the Bond Registrar. Upon any such registration of transfer of a Bond, the Agency shall execute and the Trustee shall authenticate and deliver in exchange for such Bond a new Bond or Bonds, registered in the name of the transferee, in any denomination or denominations authorized by this Indenture, in an aggregate principal amount equal to the principal amount of such Bond of like tenor and of the same Series (and subseries, if applicable) and maturity and bearing interest at the same rate.

In all cases in which Bonds shall be exchanged or Bonds shall be transferred hereunder by registration as aforesaid, the Agency shall execute and the Trustee shall authenticate and deliver at the earliest practicable time Bonds in accordance with the provisions of this Indenture. All Bonds surrendered in any exchange or registration of transfer shall forthwith be canceled by the Trustee. The Agency or, at the direction of the Agency, the Trustee may make a charge for the expense incurred in every such exchange or registration of transfer of Bonds, including a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer. Neither the Agency nor the Trustee shall be required to make any such exchange or registration of transfer of Bonds during the fifteen (15) days immediately preceding an interest payment date on the Bonds, or, in the case of any proposed redemption of Bonds, immediately preceding the date of notice of such redemption, or after such Bonds or any portion thereof shall have been selected for redemption.

Pursuant to a Series Indenture, the Bond Registrar may record different registered owners with respect to the principal or Redemption Price of, and/or interest on a Bond.

Section 208. *Ownership of Bonds.* As to any Bond, the person in whose name the same shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes. Payment of or on account of the principal of and interest on any Bond of a Series shall be made only to the registered owner(s) thereof with respect to such payment or their legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond, including interest thereon, to the extent of the sum or sums so paid.

Any registered owner of any Bond is hereby granted power to transfer absolute title thereto by assignment thereof to a bona fide purchaser for value (present or antecedent) without notice of prior defenses or equities or claims of ownership enforceable against their assignor or any person on the chain of title and before the maturity of such Bond. Every prior owner of any Bond shall be deemed to have waived and renounced all of their equities or rights therein in favor of every such bona fide purchaser, and every such bona fide purchaser shall acquire absolute title thereto and to all rights represented thereby.

Section 209. *Issuance of Bonds.* Each Series of Bonds shall be authorized and issued under and secured by this Indenture pursuant to the authorization contained in a Series Indenture. The Bonds of each Series shall be designated “California Housing Finance Agency Homeowner Mortgage Revenue Bonds, with such ordinal number and/or letter(s) as will identify the particular Series (except that Bonds of a Series issued pursuant to Section 210 hereof may be designated “California Housing Finance Agency Homeowner Mortgage Revenue Refunding Bonds, Series ____” with such ordinal numbers and/or letter(s) as will identify the particular Series of refunding Bonds), shall be in such subseries (if any), shall be in such denominations, shall be dated, shall bear interest at a rate or rates not exceeding the maximum rate then permitted by law payable beginning on such date, shall be stated to mature on such dates in such year or years, shall be made redeemable at such times and prices (subject to the provisions of Article III hereof), shall have such interest payment dates, shall be numbered and the Term Bonds of such Series shall have such Sinking Fund Requirements, all as may be provided by the Series Indenture for such Bonds. Except as may otherwise be provided in the Series Indenture and except as to any differences in the maturities thereof or the interest payment dates or the rate or rates of interest or the provisions for redemption, such Bonds shall be on a parity with and shall be entitled to the same benefits and security under this Indenture as all other Bonds issued under this Indenture.

Each Series Indenture authorizing the issuance of a Series of Bonds shall specify and determine:

- (a) The authorized principal amount of such Series of Bonds;
- (b) The purposes for which such Series of Bonds are being issued which shall be any lawful authorized purpose, including but not limited to the following purposes: (i) the purchase of Mortgage-Backed Securities, (ii) the making of such deposits in amounts, if any, required by this Indenture or the Series Indenture to be paid into various Funds, or (iii) the refunding of bonds or other obligations issued by the Agency or another issuer;
- (c) The maturity date or dates, the amounts of each maturity, and the interest payment dates of the Bonds of such Series;

(d) The interest rate or rates of the Bonds of such Series or method of determining the same;

(e) The denomination or denominations of, and the manner of dating, numbering and lettering the Bonds of each Series;

(f) In the case of Term Bonds, if any, provision for Sinking Fund Requirements;

(g) The Redemption Price or Redemption Prices, if any, the time or times and the terms and conditions upon which the Bonds of such Series may be redeemed prior to their maturities, including without limitation the method of selection for redemption as among maturities;

(h) The amounts to be deposited from the proceeds of such Series of Bonds in the Funds and Accounts created and established by this Indenture and the Series Indenture;

(i) That notwithstanding any other provision of the Series Indenture, upon issuance, sale and delivery of such Series of Bonds, so much of such proceeds of the Bonds of such Series credited to the Bond Proceeds Fund shall be transferred to the Debt Reserve Fund so that the amount in such Fund shall be at least equal to the Debt Reserve Requirement calculated immediately after the delivery of such Series of Bonds;

(j) The manner in which Bonds of such Series are to be sold and provisions for the sale thereof;

(k) The Series Program Determinations;

(l) The Cash Flow Requirements, if any;

(m) Whether such Bonds shall be subordinated Bonds; and

(n) Any other provisions deemed advisable by the Agency not in conflict with the provisions of this Indenture.

Said Bonds shall be executed substantially in the form and manner hereinabove set forth and shall be deposited with the Trustee for authentication, but before said Bonds shall be authenticated and delivered by the Trustee, there shall be on file with the Trustee the following:

(1) A copy, duly certified by an Authorized Officer, of this Indenture and the Series Indenture for such Series of Bonds;

(2) A Bond Counsel's Opinion stating in the opinion of such counsel that said Bonds have been duly authorized and constitute valid and binding limited obligations of the Agency and that this Indenture and the applicable Series Indenture have been duly authorized, executed, and delivered by, and are valid and binding obligations of, the Agency;

(3) A Cash Flow Statement, if required by Section 607 hereof, conforming to the requirements of Section 607 hereof;

(4) A request and authorization to the Trustee on behalf of the Agency, signed by an Authorized Officer, to authenticate and deliver said Bonds to the purchaser or purchasers therein identified upon payment to the Trustee for the account of the Agency of the purchase price therefor; and

(5) Evidence that the issuance of said Bonds will not adversely affect the then-existing ratings of any of the Bonds by any Rating Agency.

When the documents mentioned in clauses (1) to (5), inclusive, of the immediately preceding paragraph shall have been filed with the Trustee and when the Bonds described in the Series Indenture mentioned in clause (1) of the immediately preceding paragraph shall have been executed and authenticated as required by this Indenture, the Trustee shall deliver such Bonds to or upon the order of the purchaser or purchasers named in the request and authorization mentioned in clause (4) of the immediately preceding paragraph, but only upon payment to the Trustee of the purchase price of said Bonds. The Trustee shall be entitled to rely upon such request and authorization as to the amount of such purchase price.

Simultaneously with the delivery of such Bonds the Trustee shall deposit or credit the proceeds of said Bonds into the applicable Series Bond Proceeds Account of the Bond Proceeds Fund. Unless otherwise provided in the applicable Series Indenture, the Trustee shall apply such proceeds together with any other available funds, as follows:

(i) an amount shall be transferred to and deposited to the credit of the Debt Reserve Fund such that the amount on deposit in such Fund will at least equal the Debt Reserve Requirement;

(ii) the total amount of such proceeds designated by the Agency as accrued interest and capitalized interest shall be transferred to and deposited to the credit of the Revenue Fund;

(iii) an amount equal to the Costs of Issuance for such Bonds shall be transferred to and deposited to the credit of the Series Account in the Costs of Issuance Fund established for such Series;

(iv) an amount to the extent set forth in the applicable Series Indenture shall be transferred to and deposited in the Expense Fund;

(v) an amount to be transferred to and deposited into any Fund or Account not referred to in clauses (i) - (iv) above or (vi) below as provided in the applicable Series Indenture; and

(vi) the balance of such moneys shall be transferred to and deposited to the credit of the Acquisition Account in the Acquisition Fund established for such Series.

Notwithstanding the foregoing or anything in this Indenture to the contrary, a Series Indenture or Supplemental Indenture may provide for the issuance of Bonds, and/or the execution and delivery of obligations related to liquidity or credit support or interest rate or other hedges, to be secured and payable on one or more bases subordinate to or separate and distinct from Bonds or such other obligations issued or executed and delivered prior and subsequent thereto. In furtherance thereof, there may be established one or more accounts or subaccounts subject to such provisions within any Fund or Account created under this Indenture.

Section 210. *Refunding Bonds.* Refunding Bonds of the Agency may be issued under and secured by this Indenture, subject to the conditions hereinafter provided in this Section, from time to time, for the purpose of providing funds, with any other available funds, for (i) redeeming (or purchasing in lieu of redemption) prior to their maturity or maturities, or retiring at their maturity or maturities, all or any part of the Outstanding Bonds of any Series, including the payment of any redemption premium thereon (or premium, to the extent permitted by law, included in the purchase price if purchased in lieu of redemption), (ii) making any required deposits to the Debt Reserve Fund, (iii) if deemed necessary by the Agency, for paying the interest to accrue on the Refunding Bonds or refunded Bonds to the date fixed for their redemption (or purchase) and (iv) any expenses in connection with such refunding. Before any Bonds shall be issued under the provisions of this paragraph, the Agency shall execute a Series Indenture authorizing the issuance of such Bonds, fixing the amount and the details thereof, describing the Bonds to be redeemed and setting forth determinations with respect to the same matters as are set forth in the second paragraph of Section 209 hereof.

Refunding Bonds shall be designated, shall be in such denominations, shall be dated, shall bear interest, if any, at a rate or rates not exceeding the maximum rate then permitted by law payable beginning on such date, shall be stated to mature on such date or dates and in such year or years, shall have such interest payment dates, and shall be made redeemable at such times and prices (subject to the provisions of Article III hereof), shall be numbered, and any Term Bonds of such Series shall have such Sinking Fund Requirements, all as may be provided by the Series Indenture for such Bonds. *Except* as may otherwise be provided in the applicable Series Indenture and *except* as to any differences in the maturities thereof or the interest payment dates or the rate or rates of interest or the provisions for redemption, such Refunding Bonds shall be on a parity with and shall be entitled to the same benefit and security of this Indenture as all other Bonds issued under this Indenture (*except* as otherwise provided in a Series Indenture).

Refunding Bonds issued under the provisions of this Section shall be executed substantially in the form and manner hereinabove set forth and shall be deposited with the Trustee for authentication, but prior to or simultaneously with the authentication and delivery of such Bonds by the Trustee to or upon the order of the purchasers thereof there shall be filed with the Trustee the following:

- (a) a copy, duly certified by an Authorized Officer, of this Indenture and the Series Indenture for such Series of Refunding Bonds;
- (b) A Bond Counsel's Opinion stating in the opinion of such counsel that such Refunding Bonds have been duly authorized and constitute valid and binding limited obligations

of the Agency and that this Indenture and the applicable Series Indenture have been duly authorized, executed, and delivered by, and are valid and binding obligations of, the Agency;

(c) a Cash Flow Statement, if required by Section 607 hereof, conforming to the requirements of Section 607 hereof;

(d) a certificate of an Authorized Officer stating that the proceeds (excluding accrued interest but including any premium) of such Refunding Bonds, together with any moneys to be withdrawn from the Debt Service Fund by the Trustee, and any other moneys which have been made available to the Trustee for such purposes, or the principal of and the interest on the investment of such proceeds or any such moneys, will be not less than an amount sufficient to pay the principal of and the redemption premium, if any, on the Bonds to be refunded and the interest which will become due and payable on or prior to the date of their payment or redemption, the expenses in connection with such refunding and to make any required deposits to the Debt Reserve Fund and specifying transfers, if any, from the Series Acquisition Accounts applicable to the Series of Bonds to be refunded and the Refunding Bonds;

(e) if all or part of the refunded Bonds are to be redeemed prior to maturity, irrevocable instructions from an Authorized Officer of the Agency to the Trustee to redeem the applicable Bonds;

(f) a request and authorization to the Trustee on behalf of the Agency, signed by an Authorized Officer, to authenticate and deliver Bonds to the purchaser or purchasers therein identified upon payment to the Trustee for the account of the Agency of the purchase price therefor; and

(g) evidence that the issuance of said Bonds will not adversely affect the then-existing rating of any of the Bonds by any Rating Agency.

When the documents mentioned in clauses (a) to (g), inclusive, of this Section shall have been filed with the Trustee and when the Bonds described in the Series Indenture mentioned in clause (a) above shall have been executed and authenticated as required by this Indenture, the Trustee shall deliver such Bonds at one time to or upon the order of the purchaser or purchasers named in the request and authorization mentioned in clause (f) of this Section, but only upon payment to the Trustee of this purchase price of said Bonds. The Trustee shall be entitled to rely upon such request and authorization as to the amount of such purchase price.

The proceeds of such Refunding Bonds shall, to the extent practicable, be invested and reinvested by the Trustee, with the approval of the Agency, in Investment Obligations, and the moneys so invested shall be available for use when required. The income derived from such investments may, as determined by the Agency, be added to such proceeds and applied in accordance with the provisions of this Section.

Section 211. *Temporary Bonds.* Until definitive Bonds required by the applicable Series Indenture are ready for delivery, there may be executed, and upon request of an Authorized Officer the Trustee shall authenticate and deliver, in lieu of definitive Bonds and subject to the same limitations and conditions, temporary printed, typewritten, engraved or lithographed Bonds, substantially of the tenor of the Bonds hereinabove set forth and with such

appropriate additions, omissions, insertions and variations as may be required. Notwithstanding anything provided in this Section, typewritten Bonds can be definitive Bonds.

Until definitive Bonds are ready for delivery, any temporary Bond may, if so provided by an Authorized Officer in a certificate filed with the Trustee, be exchanged at a corporate trust office of the Bond Registrar, without charge to the owner thereof, for an equal aggregate principal amount of temporary Bond of like tenor, of the same Series (and subseries, if applicable) and maturity and bearing interest at the same rate.

If temporary Bonds shall be issued, the Agency shall cause the definitive Bonds to be prepared and to be executed and delivered to the Trustee, and the Trustee, upon presentation to a corporate trust office of the Bond Registrar of any temporary Bond, if any, shall cancel the same and authenticate and deliver in exchange therefor at the place designated by the owner, without charge to the owner thereof, a definitive Bond or Bonds of an equal aggregate principal amount, of the same series (and subseries, if applicable) and maturity and bearing interest at the same rate as the temporary Bonds surrendered. Until so exchanged the temporary Bonds shall in all respects be entitled to the same benefit and security of this Indenture as the definitive Bonds to be issued and authenticated hereunder. No charge for taxes or governmental charges shall be made against the owner upon an exchange of a temporary Bond for definitive Bond.

Section 212. *Mutilated, Destroyed or Lost Bonds.* In case any Bond secured hereby shall become mutilated or be destroyed or lost, the Agency shall cause to be executed, and the Trustee shall authenticate and deliver, a new Bond of like date and tenor in exchange and substitution for and upon cancellation of such mutilated Bond or in lieu of and in substitution for such Bond destroyed or lost, upon the owner's paying the reasonable expenses and charges of the Agency and the Trustee in connection therewith and, in the case of a Bond destroyed or lost, their filing with the Trustee evidence satisfactory to it and to the Agency that such Bond was destroyed or lost, of their ownership thereof, and furnishing the Agency and the Trustee indemnity satisfactory to them.

Section 213. *Book-Entry System.* Bonds may be issued as certificated Bonds or as book-entry bonds under a book-entry system as specified in the related Series Indenture.

ARTICLE III

REDEMPTION OF BONDS

Section 301. *Redemption of Bonds.* The Bonds issued under the provisions of this Indenture shall be made subject to redemption, both in whole and in part and at such times and Redemption Prices, as may be provided in the applicable Series Indenture; *provided, however,* that Term Bonds shall be made subject to redemption to the extent of any Sinking Fund Requirements therefor on the dates and during the period during which such Sinking Fund Requirements are in effect as established in the applicable Series Indenture.

The Trustee shall select the Bonds or portions of Bonds to be redeemed or purchased in accordance with this Indenture and the applicable Series Indenture. *Except* as otherwise stated in the Series Indenture authorizing a Series of Bonds hereunder with respect to all or any part of the Series of Bonds authorized thereunder, moneys shall upon direction by an Agency Request to the Trustee be applied by the Trustee to the purchase or the redemption of Bonds selected from among the Series (and subseries, if applicable), maturities and interest rates on the basis specified by the Agency in such Agency Request accompanied by a Cash Flow Certificate or Cash Flow Statement. Except as otherwise provided in a Series Indenture, the Agency Request relating to each redemption of Bonds shall be filed with the Trustee at least thirty (30) days prior to the date fixed for redemption or such lesser number of days as shall be acceptable to the Trustee.

Except as otherwise provided in a Series Indenture, if less than all of the Bonds of one Series (and subseries, if applicable) and one maturity bearing the same interest rate (and otherwise of like tenor) shall be called for redemption, the particular Bonds of such Series (and subseries if applicable) and maturity bearing the same rate of interest (and otherwise of like tenor) to be redeemed shall be selected not later than twenty (20) days prior to the date fixed for redemption in such manner as directed by the Agency or, if no such direction is received by the Trustee, by lot or in such manner as the Trustee in its discretion may determine; *provided, however,* that the portion of Bonds of any Series (and subseries, if applicable) to be redeemed shall be in the minimum principal amount or some integral multiple thereof established for such Bonds in the applicable Series Indenture, and that in selecting Bonds for redemption, the Trustee shall treat each Bond as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by said minimum principal amount.

If less than all of the Term Bonds Outstanding of any one maturity of a Series (or subseries, if applicable) shall be purchased or called for redemption (other than in satisfaction of Sinking Fund Requirements), the principal amount of such Term Bonds that are so purchased or redeemed shall be credited, to the extent practicable, except as otherwise provided in an Agency Request, against all remaining Sinking Fund Requirements for the Term Bonds of such Series (and subseries, if applicable) and maturity in the proportion which the then remaining balance of each such Sinking Fund Requirement bears to the total of all Bonds of such Series (and subseries, if applicable) and maturity then Outstanding.

Section 302. *Redemption Notice.* This Section shall apply unless otherwise provided in a Series Indenture. At least three (3) days but not more than ninety (90) days before the redemption date of any Bonds, the Trustee shall cause a notice of any such redemption, either in whole or in part, signed by the Trustee to be mailed, first class postage prepaid, to all registered owners of Bonds to be redeemed at their addresses as they appear on the registration books kept by the Bond Registrar. Each such notice shall set forth the date fixed for redemption, the Redemption Price to be paid, the place or places where amounts due upon such redemption will be payable and, if less than all of the Bonds then Outstanding shall be called for redemption, the Series (or subseries), the maturities and the distinctive numbers, if any, of such Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. In addition, if the notice of redemption is conditional, the notice shall set forth in summary terms, the conditions precedent to such redemption and that if such conditions shall not have been satisfied on or prior to the redemption date, said notice shall be of

no force and effect and such Bonds shall not be redeemed. If the conditions are not satisfied, the redemption shall not be made and the Trustee shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such conditions were not satisfied. An affidavit of the Trustee of mailing shall be conclusive and binding upon the Agency and Bondowners. Once sent in accordance with the provisions of this Indenture, any such notice shall be effective whether or not received by a Bondowner. In case any Bond is to be redeemed in part only, the notice of redemption which relates to such Bond shall state also that on or after the redemption date, upon surrender of such Bond, a new Bond of the same maturity and Series (and subseries, if applicable), bearing interest at the same rate and in principal amount equal to the unredeemed portion of such Bond, will be issued. A Bondowner may waive their right to receive notice pursuant to this Section.

Section 303. *Effect of Calling for Redemption.* On the date so designated for redemption if the conditions precedent, if any, to such redemption have been satisfied, any required notice which has not been waived having been given in the manner and under the conditions hereinabove provided, the Bonds or portions of Bonds so called for redemption shall become and be due and payable at the Redemption Price provided for redemption of such Bonds or portions thereof on such date, and, if sufficient money or Government Obligations (the principal of and interest on which will provide sufficient money for payment of the Redemption Price and the accrued interest) are held by the Trustee in trust for the owners of the Bonds or portions thereof to be redeemed, as provided in this Indenture, such Bonds or portions thereof shall cease to be Outstanding under the provisions of this Indenture, interest on the Bonds or portions of Bonds so called for redemption shall cease to accrue, such Bonds or portions of Bonds shall cease to be entitled to any benefit or security under this Indenture and the owners of such Bonds or portions of Bonds shall have no rights in respect thereof, except to receive payment of the Redemption Price thereof and the accrued interest thereon to the date of redemption and, to the extent provided in Section 304 hereof, to receive Bonds for any unredeemed portion of Bonds.

Section 304. *Redemption of Portion of Bond.* In case part but not all of an Outstanding Bond shall be selected for redemption, the owner thereof or their attorney or legal representative shall present and surrender such Bond (with, if the Agency or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Agency and the Trustee duly executed by the owner thereof or their attorney or legal representative) to the Trustee for payment of the principal amount thereof so called for redemption, and the Agency shall execute and the Trustee shall authenticate and deliver to or upon the order of such owner or their legal representative, without charge therefor, for the unredeemed portion of the principal amount of the Bond so surrendered, a new Bond, at the option of such owner or their attorney or legal representative, of any denomination or denominations authorized by this Indenture, of the same maturity and Series (and subseries, if applicable) and bearing interest at the same rate and otherwise of like tenor.

Section 305. *Cancellation.* Bonds so presented and surrendered shall be canceled upon the surrender thereof.

Section 306. *Bonds No Longer Outstanding.* Bonds shall no longer be treated as Outstanding (a) if they have been duly called for redemption or irrevocable instructions to call

such Bonds for redemption shall have been given by the Agency to the Trustee and (b) with respect to which the Trustee holds money or Government Obligations sufficient to pay the Principal and Redemption Price of and interest on such on their respective interest payment, stated maturity or prescribed redemption dates.

ARTICLE IV

APPLICATION OF REVENUES AND OTHER MONEYS

Section 401. *Establishment of Funds and Accounts.* (a) The following Funds and Accounts thereunder are hereby created and designated as set forth below:

- Bond Proceeds Fund
 - Series Bond Proceeds Accounts
- Acquisition Fund
 - Series Acquisition Accounts
- Costs of Issuance Fund
 - Series Costs of Issuance Accounts
- Revenue Fund
- Debt Service Fund
 - Interest Account
 - Principal Account
- Redemption Fund
 - Special Redemption Account
 - Optional Redemption Account
- Expense Fund
- Debt Reserve Fund
- Special Reserve Fund
- General Fund
- Principal Prepayment Fund
 - Series Principal Prepayment Accounts
- Rebate Fund
- Supplementary Reserve Fund

Additional Funds and Accounts (including for the purpose of depositing amounts required, if any, to be rebated to the United States, *i.e.*, a Rebate Account within the Rebate Fund) may be created and designated in Series Indentures. The designation of each such Fund and Account shall include the term “California Housing Finance Agency, Homeowner Mortgage Revenue Bonds” which term shall precede the designation as set forth above. Each such Fund and Account is, *however*, sometimes referred to herein as set forth above. Each such Fund and Account shall be held by the Trustee, in trust, separate and apart from all other funds of the Agency, for the purposes provided in this Indenture. In Series Indentures, the Agency may provide for the deposit of amounts in Funds and Accounts, which amounts shall be subject to the lien of this Indenture for the purposes and period of time set forth in the applicable Series Indenture.

(b) Upon the issuance of a Series of Bonds, the Trustee shall establish a Series Account within the Bond Proceeds Fund applicable to such Series of Bonds and may deposit amounts received in connection with the issuance of such Bonds into such Account and thereupon apply such proceeds at the times and in the amounts set forth in the Series Indenture authorizing the issuance thereof.

Section 402. *Acquisition Fund.* Upon the issuance of a Series of Bonds, unless otherwise provided in the applicable Series Indenture, the Trustee shall establish a Series Acquisition Account (which may relate to more than one Series of Bonds) within the Acquisition Fund applicable to such Series of Bonds and shall either (i) transfer amounts from the Bond Proceeds Fund received in connection with the issuance of such Bonds into such Account or (ii) deposit such amounts directly into the applicable Acquisition Account, in the amount(s) and at the time(s) set forth in the Series Indenture authorizing the issuance thereof. Moneys in the Acquisition Fund shall be applied by the Trustee to finance the acquisition of Mortgage-Backed Securities (the characteristics of which conform to the applicable Series Program Determinations) upon Agency Request or as otherwise provided in the Series Indenture.

The Trustee shall transfer from any Series Acquisition Account to the Special Redemption Account any amount specified by the Agency from time to time in an Agency Request for the purpose of redeeming or purchasing Bonds of the Series for which such Series Acquisition Account was established, *unless* otherwise provided in the applicable Series Indenture.

The Trustee shall transfer any amount representing Principal Prepayments deposited in a Series Acquisition Account to the Principal Prepayment Fund, upon an Agency Request in the amount and at the time(s) stated in such Agency Request.

Moneys held for the credit of the Acquisition Fund shall be transferred to the Interest or Principal Account, in that order, pursuant to Section 414 hereof.

Section 403. *Costs of Issuance Fund.* Upon the issuance of a Series of Bonds, unless otherwise provided in the applicable Series Indenture, the Trustee shall establish a Series Account within the Costs of Issuance Fund applicable to such Series of Bonds and shall transfer amounts from the Bond Proceeds Fund received in connection with the issuance of such Bonds into such Account in the amount set forth in the Series Indenture authorizing the issuance

thereof. In addition, the Agency may deposit other amounts available therefor in such Account. Moneys held in a Series Account in the Costs of Issuance Fund shall be disbursed to pay the Costs of Issuance related to the applicable Series of Bonds upon a requisition, signed by an Authorized Officer of the Agency, identifying generally the nature and amount of such Costs of Issuance. Upon Agency Request any amount remaining in a Series Account shall be transferred to the Revenue Fund and treated as Revenues, to the Acquisition Fund or to the Special Redemption Account of the Redemption Fund.

Section 404. *Revenue Fund; Application of Revenues.* (a) The Agency shall transfer all Revenues to the Trustee within three business days following the date of the Agency's receipt thereof. Upon transfer, the Agency shall identify the amount of Principal Prepayments included in such Revenues, which may be further identified as to the related Series of Bonds. If so provided in a Series Indenture or Supplemental Indenture or pursuant to an Agency Request, the Agency shall identify the amount of scheduled principal payments of Mortgage-Backed Securities included in such Revenues, which may be further identified as to the related Series of Bonds. All Revenues shall be deposited in the Revenue Fund as received by the Trustee.

(b) At any time, upon Agency Request, the Trustee shall apply amounts in the Revenue Fund to pay for accrued interest in connection with the Trustee's purchase of Investment Obligations for deposit in any Fund or Account maintained hereunder and to pay accrued interest with respect to the financing of Mortgage-Backed Securities.

(c) Upon deposit in the Revenue Fund, the Trustee shall transfer to the credit of the applicable Series Acquisition Account amounts equal to the amounts expended from such Account to pay accrued interest with respect to the financings of Mortgage-Backed Securities funded from amounts on deposit in such Account.

(d) The Trustee shall transfer Revenues in the Revenue Fund in the amounts specified in an Agency Request or as may be provided in a Series Indenture, on the dates therein specified, to the credit of the Funds and Accounts in, and in the priority of, clauses (1) - (8) below:

(1) To any Account in the Rebate Fund, the amount(s), if any specified by the Agency;

(2) Principal payments, including Principal Prepayments, of Mortgage-Backed Securities shall be transferred to the Principal Account or the Special Redemption Account, as directed by the Agency;

(3) To the Interest Account, in the amount necessary to pay interest due on the next succeeding debt service payment date on the Bonds;

(4) To the Principal Account, in the amount necessary, after taking into account the amount transferred pursuant to clause (2) and the amount applied pursuant to subsection (f) of this Section, to pay principal due on the next succeeding debt service payment date on the Bonds;

(5) To the credit of the Debt Reserve Fund, an amount sufficient to cause the amount on deposit in and credited to said Fund to equal the Debt Reserve Requirement;

(6) To the credit of the Expense Fund, the amount of Expenses specified in the Agency Request which shall not exceed the remainder of (i) the product of (A) the maximum amount of Expenses which may be deposited in the Expense Fund during the then-current Fiscal Year and (B) the fraction whose numerator is the number of days from the beginning of such Fiscal Year to the next succeeding debt service payment date on the Bonds and whose denominator is 365 or 366, whichever represents the number of days in such Fiscal Year, less (ii) the aggregate amount of Expenses previously deposited into the Expense Fund during such Fiscal Year. In no event in any Fiscal Year can the amount deposited on any date, when aggregated with amounts already deposited during such Fiscal Year, cause the aggregate amount deposited in any Fiscal Year to exceed the maximum amount of Expenses which may be deposited in the Expense Fund in a Fiscal Year;

(7) To the credit of the Expense Fund, the amount of Expenses specified in an Agency Request accompanied by a Cash Flow Certificate but only to the maximum allowable pursuant to the Series Indentures; and

(8) To the General Fund, the balance.

(e) Revenues in the Revenue Fund shall be applied to the purchase of Bonds at the times, in the manner and for the purposes set forth in Section 406(b) hereof.

Section 405. *Interest Account.* The Trustee shall on each interest payment date, withdraw from the Interest Account, and remit by such method of transfer acceptable to the Agency, to each owner of Bonds the amounts required for paying the interest on such Bonds as such interest becomes due and payable.

Section 406. *Principal Account.* (a) *Principal Payments.* The Trustee shall on each principal payment date, set aside in the Principal Account the amounts required for paying the principal of all Bonds as such principal becomes due and payable.

(b) *Sinking Fund Redemption.* Amounts on deposit in the Revenue Fund prior to being deposited to the credit of the Principal Account in satisfaction of Sinking Fund Requirements shall be applied as applicable to the purchase of Term Bonds of each Series then Outstanding subject to Sinking Fund Requirements on the next date such payments are scheduled as provided in this paragraph. The Trustee, upon direction of an Authorized Officer, shall endeavor to purchase the Term Bonds or portions of Term Bonds of each Series stated to mature on the next maturity date or to be redeemed pursuant to Sinking Fund Requirements for Term Bonds of such Series then Outstanding at a price not to exceed the Redemption Price (plus accrued interest to the date of redemption) which would be payable on the next redemption date to the Owners of such Term Bonds under the provisions of the applicable Series Indenture if such Term Bonds or portions of Term Bonds should be called for redemption on such date. *Provided, however,* that, subject to applicable law, notwithstanding the maximum purchase price set forth in the preceding sentence, (i) the purchase price may exceed the Redemption Price if and to the extent that the price in excess of the Redemption Price is paid from funds not pledged

under this Indenture at such time or (ii) if at any time the investment earnings on the moneys in the Revenue Fund equal to the Sinking Fund Requirements for the next date such payments are scheduled shall be less than the interest accruing on the Bonds to be redeemed on such date from such Sinking Fund Requirement, then the Trustee may pay a purchase price for any such Bond in excess of the Redemption Price which would be payable on the next redemption date to the owner of such Bond under the provisions of the applicable Series Indenture, if an Authorized Officer certifies to the Trustee that the amount paid in excess of said Redemption Price is expected to be less than the interest which is expected to accrue on said Bond less any investment earnings on such available moneys during the period from the settlement date of the proposed purchase to the redemption date. The Trustee shall pay the interest accrued on such Term Bonds or portions of Term Bonds to the date of settlement therefor from the Revenue Fund or the Interest Account of the Debt Service Fund. Notwithstanding the foregoing, no such purchase shall be made by the Trustee after the giving of notice of redemption by the Trustee.

(c) Any purchase or redemption of Bonds shall be made pursuant to the provisions of Article III hereof. Upon the retirement of any Term Bonds by purchase or redemption pursuant to the provisions of this Section, the Trustee shall file with the Agency a statement identifying such Bonds and setting forth the date of their purchase or redemption, the amount of the purchase price or the Redemption Price of such Bonds and the amount paid as interest thereon. The expenses in connection with the purchase or redemption of any such Bonds shall be paid by the Trustee from the Expense Fund or from any other moneys available therefor.

(d) Moneys held for the credit of the Principal Account shall be transferred to the Interest Account pursuant to Section 414 hereof.

Section 407. *Redemption Fund.* (a) The Trustee shall apply all moneys deposited to the credit of the Special Redemption Account and the Optional Redemption Account in the Redemption Fund to the purchase or redemption of Bonds issued under the provisions of this Indenture, as follows:

(1) The Trustee, upon direction of an Authorized Officer, shall endeavor to purchase Bonds or portions of Bonds then Outstanding, whether or not such Bonds or portions of Bonds shall then be subject to redemption, at a price not to exceed the Redemption Price (plus accrued interest, if any, to the date of redemption) which would be payable on the next redemption date to the owners of such Bonds if such Bonds or portions of Bonds should be called for redemption on such date from the moneys in the respective Account. Such maximum purchase price may be exceeded in accordance with either of the tests contained in the proviso in Section 406(b) hereof. The Trustee shall pay the interest accrued on such Bonds to the date of settlement therefor from the Revenue Fund or the Interest Account of the Debt Service Fund, and the balance of the purchase price from the Special Redemption Account or Optional Redemption Account, as applicable, but no such purchase shall be contracted for by the Trustee after the giving of notice by the Trustee that such Bonds have been called for redemption except from moneys other than the moneys set aside in the Special Redemption Account or Optional Redemption Account, as applicable, for the redemption of such Bonds unless such purchase is from the party that has received such notice.

(2) The Trustee, having endeavored to purchase Bonds pursuant to subsection (1) of this subsection (a), shall call for redemption on the earliest practicable date on which Bonds are subject to redemption from moneys in the Special Redemption Account or Optional Redemption Account, as applicable, and, with respect to accrued interest on such Bonds payable upon redemption, the Revenue Fund or the Interest Account of the Debt Service Fund, such amount (computed on the basis of Redemption Prices) of Bonds as will exhaust the moneys held for the credit of such Special Redemption Account or Optional Redemption Account, as applicable, as nearly as may be practicable.

Any purchase or redemption of Bonds shall be made pursuant to the provisions of Article III hereof. Prior to calling Bonds or portions of Bonds for redemption, the Trustee shall set aside in the Revenue Fund or the Interest Account of the Debt Service Fund, as applicable, the respective amounts required for paying the interest on and the Redemption Price of the Bonds or portions of Bonds so called for redemption. Upon the retirement of any Bonds under this Section by purchase or redemption, the Trustee shall file with the Agency a statement briefly describing such Bonds and setting forth the date of their purchase or redemption, the amount of the purchase price or the Redemption Price of such Bonds and the amount paid as interest thereon. The expenses in connection with the purchase or redemption of any such Bonds shall be paid by the Trustee from the Expense Fund or from any other moneys available therefor.

(b) Moneys held for the credit of the Redemption Fund shall be transferred to the Interest or Principal Account, in that order, pursuant to Section 414 hereof.

(c) Any amounts deposited in the Redemption Fund for the redemption of Bonds which remain on deposit after the payment in full of the Redemption Price of the applicable Bonds shall be transferred to the Revenue Fund at the times and in the amounts set forth in an Agency Request and shall continue to be treated as Revenues.

Section 408. *Expense Fund.* Moneys held for the credit of the Expense Fund shall be applied by the Trustee for the following purposes in any order of priority:

(a) the payment of the fees and expenses of the Trustee and fees of the providers of credit enhancement on Bonds, Funds and Mortgage-Backed Securities; and

(b) for transfer to the Interest or Principal Accounts pursuant to Section 414 hereof; and

(c) upon requisition by Agency Request, the payment or reimbursement of any Expenses; and

(d) upon Agency Request, for transfer to the Revenue Fund and thereafter to be treated as Revenues.

Section 409. *Debt Reserve Fund.* Moneys held for the credit of the Debt Reserve Fund shall be transferred or drawn upon for transfer, as applicable, by the Trustee to the Interest or Principal Account, in that order, pursuant to Section 414 hereof. Moneys held for the credit of the Debt Reserve Fund as of any date in excess of the Debt Reserve Requirement upon Agency Request shall be transferred to the Revenue Fund or the Special Redemption Account.

Section 410. *Special Reserve Fund.* At any time, there may be deposited to the credit of the Special Reserve Fund mortgages, loans or other assets or moneys contributed by the Agency as authorized by the Agency. Moneys held for the credit of the Special Reserve Fund may be transferred or drawn upon for transfer, as applicable, by the Trustee to the Interest or Principal Account, in that order, if so directed by the Agency pursuant to Section 414 hereof. All interest, income, gains and earnings on amounts on deposit in the Special Reserve Fund shall be credited to the Special Reserve Fund and neither credited to the Revenue Fund nor treated as Revenues. *Notwithstanding* the foregoing or anything herein to the contrary, amounts on deposit in the Special Reserve Fund may be withdrawn and paid to the Agency free and clear of the lien and pledge of this Indenture upon the direction of the Agency, *subject to* any restrictions with respect thereto in any Series Indenture or Supplemental Indenture, including but not limited to any requirement that such withdrawal does not, in and of itself, adversely affect, or cause the Bonds to fail to retain, the then-existing rating assigned to them by each Rating Agency.

Section 411. *General Fund.* Except as otherwise provided in a Series Indenture, moneys held for the credit of the General Fund shall be transferred by the Trustee in the following order of priority listed in subsections (i) through (iii) of this Section and thereafter at any time upon Agency Request to any of the following Funds and Accounts:

- (i) To the credit of the Interest Account, an amount sufficient to cause the amount on deposit in said Account to equal any interest previously due and unpaid on Bonds;
 - (ii) To the credit of the Principal Account, an amount sufficient to make the amount then on deposit in said Account equal to any regularly scheduled principal of the Bonds previously due and unpaid;
 - (iii) To the credit of the Debt Reserve Fund, an amount sufficient to cause the amount on deposit in said Fund to equal the Debt Reserve Requirement;
 - (iv) To the credit of the Expense Fund;
 - (v) To the credit of the Optional Redemption Account for the redemption or purchase of Bonds;
 - (vi) To the credit of the Special Redemption Account for redemption or purchase of Bonds;
 - (vii) To any specified Series Acquisition Account in the Acquisition Fund;
 - (viii) To the credit of any Series Account in the Costs of Issuance Fund;
- or
- (ix) Unless provided otherwise in a Series Indenture, to the Agency, for any other purpose authorized or required under the Act free and clear of the pledge and lien of this Indenture, *provided, however*, that no such payment shall

be made under this clause (ix) unless permitted pursuant to a Cash Flow Statement filed with the Trustee pursuant to Section 607 hereof.

Section 412. *Principal Prepayment Fund.* Upon the issuance of a Series of Bonds, the Trustee shall establish a Series Principal Prepayment Account within the Principal Prepayment Fund applicable to such Series of Bonds. Unless provided otherwise in a Series Indenture, the Trustee shall transfer amounts in the Principal Prepayment Fund at any time upon Agency Request to the Principal Account, the Special Redemption Account, the Optional Redemption Account or an Acquisition Account(s) of the Acquisition Fund. Moneys held for the credit of the Principal Prepayment Fund shall be transferred by the Trustee to the Interest or Principal Account, in that order, pursuant to Section 414 hereof. If the Trustee does not receive an Agency Request with respect to a mandatory redemption from Principal Prepayments set forth in a Series Indenture, the Trustee shall transfer Principal Prepayments in an amount sufficient to accomplish such mandatory redemption from the applicable Series Principal Prepayment Account of the Principal Prepayment Fund to the Special Redemption Account and shall call Bonds for redemption (subject to any other priority set forth in the applicable Series Indenture) on a pro rata basis, as nearly as practicable, from among each maturity of the Series (and subseries, if applicable) of Bonds which financed the Mortgage-Backed Security which has prepaid.

Section 413. *Supplementary Reserve Fund.* Upon the issuance of a Series of Bonds, unless otherwise provided in the applicable Series Indenture, the Trustee shall establish a Series Account within the Supplementary Reserve Fund applicable to such Series of Bonds. Such Series Account shall be held by the Trustee and applied as set forth in said Series Indenture. Such Series Account shall be funded by transfers from the Supplementary Bond Security Account created by Section 51368 of the Act, or from other legally available moneys of the Agency, in the amounts, at the times and in the manner set forth in said Series Indenture. Income earned on the investment of amounts in such Series Account shall be paid, transferred, retained or otherwise treated as set forth in said Series Indenture. *Notwithstanding* the foregoing or anything herein to the contrary, amounts on deposit in any Series Account of the Supplementary Reserve Fund may be withdrawn and paid to the Agency free and clear of the lien and pledge of this Indenture if each Rating Agency has confirmed that such withdrawal, in and of itself, will not adversely affect the then-existing rating of the Bonds by such Rating Agency.

Section 414. *Deficiencies in Debt Service Fund.* In the event that amounts in the Debt Service Fund shall be insufficient on any interest payment date or principal payment date to pay the principal of and interest on the Bonds due and unpaid on such date, whether at the stated payment or maturity date or by the retirement of Bonds in satisfaction of the Sinking Fund Requirements therefor, the Trustee shall withdraw amounts from the following Funds and Accounts in the following order of priority to the extent necessary to eliminate such deficiency; *provided, however,* that no amounts on deposit in the Special Redemption Account, the Optional Redemption Account, the Principal Prepayment Fund or the Principal Account shall be used for such purpose to the extent that such amounts have been set aside for the payment of Bonds which have been identified for purchase or called for redemption, and no amounts on deposit in any Series Acquisition Account shall be used for such purpose to the extent that the Agency is

contractually obligated to finance or originate identified Mortgage-Backed Securities acceptable for financing with amounts on deposit in such Series Acquisition Account:

- (i) Revenue Fund;
- (ii) General Fund;
- (iii) Optional Redemption Account;
- (iv) Principal Prepayment Fund;
- (v) Special Redemption Account;
- (vi) Expense Fund;

(vii) Acquisition Fund (but only if the Agency has received a Bond Counsel's Opinion that such use will not adversely affect the exclusion (if excluded) of interest on the Bonds from gross income of the Owners thereof for Federal income tax purposes);

(viii) Bond Proceeds Fund (but only if the Agency has received a Bond Counsel's Opinion that such use will not adversely affect the exclusion (if excluded) of interest on the Bonds from gross income of the Owners thereof for Federal income tax purposes);

- (ix) Costs of Issuance Fund;
- (x) Debt Reserve Fund;
- (xi) Principal Account;

(xii) Acquisition Fund (if the Bond Counsel's Opinion referred to in (vii) above has not been received); and

(xiii) Bond Proceeds Fund (if the Bond Counsel's Opinion referred to in (viii) above has not been received).

Notwithstanding the foregoing or anything herein to the contrary, the Agency may direct the Trustee to withdraw amounts on deposit in the Special Reserve Fund to eliminate such deficiencies in lieu of or in conjunction with using amounts from the foregoing Funds and Accounts.

Section 415. *Exchange of Moneys and Securities.* Unless provided otherwise in a Series Indenture, upon Agency Request, the Trustee shall exchange money and/or Investment Obligations on deposit in any Fund or Account for an equal amount of money and/or Investment Obligations on deposit in any other Fund or Account or in any fund or account held under another bond indenture of the Agency.

Section 416. *Moneys Held in Trust.* (a) All moneys which the Trustee shall have withdrawn or set aside for the purpose of payment of any of the Bonds hereby secured, either at the maturity thereof or upon call for redemption, shall be held in trust for the respective owners of such Bonds and such moneys shall not be subject to lien or attachment by any creditor of the Agency or the Trustee. Any moneys which shall be so set aside by the Trustee and which shall remain unclaimed by the owners of such Bonds for the period of two (2) years after the date on which such Bonds or the interest thereon shall have become due and payable shall be paid to the Agency or to such officer, board or body as may then be entitled by law to receive the same, and thereafter the owners of such Bonds shall look only to the Agency or to such officer, board or body, as the case may be, for payment and then only to the extent of the amounts so received without any interest thereon, and the Trustee shall have no responsibility with respect to such moneys.

(b) If sufficient money or Government Obligations (the principal of or interest on which will provide sufficient money for payment of the principal amount or accrued interest on the Bonds which have matured, on their maturity date or each date thereafter) are held by the Trustee in trust for the Owners of Bonds on the maturity date of such Bonds, such Bonds shall cease to be Outstanding under the provisions of this Indenture, interest on the Bonds which have matured shall cease to accrue, such Bonds shall cease to be entitled to any benefit or security under this Indenture, and the owners of such Bonds shall have no rights in respect thereof, except to receive payment of the principal amount thereof and accrued interest thereon to the maturity date.

Section 417. *Cancellation of Bonds.* All Bonds paid, redeemed or purchased, either at or before maturity, shall be cancelled upon the payment, redemption or purchase of such Bonds and shall be delivered to the Trustee when such payment, redemption or purchase is made. All Bonds cancelled under any of the provisions of this Indenture shall be destroyed by the Trustee, which shall execute a certificate in duplicate describing the Bonds so destroyed, and one executed certificate shall be filed with the Agency and the other executed certificate shall be retained by the Trustee.

Section 418. *Use of Available Funds.* Nothing in this Indenture shall be construed to prevent the Agency from paying all or any part of the operating expenses of the Agency from any moneys available to the Agency for such purpose which are not pledged to secure the payment of the Bonds, or from depositing in any Fund or Account created under the provisions of this Indenture any moneys available to the Agency for such deposit.

ARTICLE V

DEPOSITARIES OF MONEY, SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS

Section 501. *Security for Deposits.* Any and all money held by the Trustee in any Account or Fund created under this Indenture, except as otherwise expressly provided in this Indenture, shall be held in trust, shall be applied only in accordance with provisions of this

Indenture and shall not be subject to any lien, charge or attachment by any creditor of the Agency.

All money deposited with the Trustee in any Account or Fund created under this Indenture shall, if not invested in Investment Obligations in accordance with Section 502 hereof (except, to the extent applicable, the last paragraph of Section 502 hereof) with the Trustee, to the extent such deposits are in excess of the amount guaranteed by the Federal Deposit Insurance Corporation or other federal agency, be continuously secured (if permitted by law), for the benefit of the Agency and the owners of the Bonds either (a) by lodging with a bank or trust company selected by the Agency as custodian, or, if then permitted by law, by setting aside under control of the trust department of the bank holding such deposit as collateral security, Government Obligations or, with the approval of the Trustee, other marketable securities eligible as security for the deposit of trust funds under regulations of the Comptroller of the Currency of the United States of America, having a market value at all times (exclusive of accrued interest) not less than the amount of such deposit, or (b) if the furnishing of security as provided in clause (a) of this Section is not permitted by applicable law, then in such other manner as may then be required or permitted by applicable State or Federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds; *provided, however*, that it shall not be necessary, *except* as otherwise expressly provided, for the Trustee to give security for any money which shall be represented by obligations purchased under the provisions of this Article as an investment of such money.

All money deposited with the Trustee pursuant to this Indenture shall be credited to the particular Account or Fund to which such money belongs.

Section 502. *Investment of Moneys.* Moneys deposited hereunder shall, as nearly as is practicable, be fully and continuously invested or reinvested by the Trustee upon the direction of an Authorized Officer (promptly confirmed by delivery of an Agency Request) in Investment Obligations which shall be in such amounts and bear interest at such rates with the objective that sufficient money will be available to pay the interest due on the Bonds and shall mature, or which shall be subject to redemption by the holder at the option of the holder, with the objective that sufficient money will be available for the purposes intended in accordance herewith.

Any Investment Obligations so purchased in any Account or Fund shall be deemed at all times to be part of such Account or Fund. Any interest paid as cash, amortization of discount received as cash, or gain received as cash on the investment in any Account or Fund (*except* the Rebate Fund and the Special Reserve Fund) shall be credited to the Revenue Fund when received and thereafter treated as Revenues. Any interest paid or other earnings on the investment of the Rebate Fund shall be credited to the Rebate Fund. Any interest paid or other earnings on the investment of the Special Reserve Fund shall be credited to the Special Reserve Fund. The Trustee shall sell or present for redemption any obligations so purchased whenever it shall be necessary so to do in order to provide money to meet any payment or transfer from any such Account or Fund. Neither the Trustee nor the Agency shall be liable or responsible for any loss resulting from any such investment.

For the purposes of making any investment hereunder, the Trustee may consolidate moneys in any Fund or Account with moneys in any other Fund or Account and may transfer an interest in an investment from one Fund or Account to another without liquidating the investment.

In computing the amount on deposit to the credit of any Account or Fund, obligations in which money in such Account or Fund shall have been invested shall be valued at Amortized Value plus the amount of interest on such obligations purchased with moneys in such Account or Fund.

The Trustee shall pay interest to the Agency, calculated at its then current retail passbook savings rate per annum, on the moneys it holds for the payment of the principal or Redemption Price of, or interest on, Bonds after the due date for such payment. Earnings on such moneys shall be deposited in the Revenue Fund.

ARTICLE VI

PARTICULAR COVENANTS AND PROVISIONS

Section 601. *Payment of Principal, Interest and Premium.* The Agency covenants that it will promptly pay, but solely from the Funds and Accounts established hereunder, as herein provided, the principal of and interest, if any, on each and every Bond issued under the provisions of this Indenture at the places, on the dates and in the manner specified herein and in said Bonds and any premium required for the retirement of said Bonds by purchase or redemption according to the true intent and meaning thereof. The State is not liable on the Bonds and the Bonds are not a debt of the State.

Section 602. *Covenant to Perform Obligations Under this Indenture.* The Agency covenants that it will faithfully perform at all times all covenants, undertakings, stipulations, provisions and agreements contained in this Indenture, in any and every Bond executed, authenticated and delivered hereunder and in all proceedings of the Agency pertaining thereto. The Agency covenants that it is duly authorized to issue the Bonds authorized hereby and to enter into this Indenture and grant the security granted hereunder and that all action on its part for the issuance of the Bonds issued hereunder and the execution and delivery of this Indenture has been duly and effectively taken; and that such Bonds in the hands of the owners thereof are and will be valid and enforceable special limited obligations of the Agency according to the tenor and import thereof.

Section 603. *No Extension of Maturities or Claims for Interest.* The Agency will not directly or indirectly extend or assent to the extension of the time for the payment of any principal of or claim for interest on any Bond and will not directly or indirectly be a party to any arrangement therefor without the consent of any Bondowner materially adversely affected thereby.

Section 604. *Further Instruments and Actions.* The Agency covenants that it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and

delivered, such indentures supplemental hereto and such further acts, instruments and transfers as may be necessary or desirable for the better pledging all and singular of the Pledged Property pledged hereby to the payment of the principal of, premium, if any, and the interest on the Bonds.

Section 605. *Covenant Against Encumbrances.* The Agency covenants that, except as expressly permitted herein, it will not sell, convey, mortgage, encumber or otherwise dispose of the money held for the credit of any Fund or Account created under this Indenture or take any other action which would adversely affect the security of the Bondowners.

Section 606. *State Pledge.* In accordance with the Act, the following pledge is included herein:

The State pledges and agrees with the Holders of any Bonds issued under the Indenture that the State will not limit or alter the rights vested by the Act in the Agency to fulfill the terms of any agreements made with the Holders or in any way impair the rights and remedies of such Holders until the Bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such Holders, are fully met and discharged.

Section 607. *Cash Flow Statements.* The Agency shall file with the Trustee a current Cash Flow Statement (i) whenever any Series of Bonds is issued, if the most recently filed Cash Flow Statement was filed more than twelve months prior to the date of issuance (provided that no Cash Flow Statement shall be required to be filed in connection with the issuance of the first Series of Bonds issued hereunder); (ii) at least once during each Fiscal Year; (iii) upon purchase or redemption of Bonds in a manner materially inconsistent with the last Cash Flow Statement filed by the Agency with the Trustee; and (iv) prior to applying amounts in the General Fund pursuant to clause (ix) of Section 411 hereof.

A Cash Flow Statement shall consist of a certificate of an Authorized Officer of the Agency giving effect to the action proposed to be taken and demonstrating in the current and each succeeding Fiscal Year in which Bonds are scheduled to be Outstanding that, as of each date on which principal or interest will be due on Bonds in each such Fiscal Year, (x) amounts then expected to be on deposit in the Funds and Accounts maintained hereunder will be at least equal to all amounts required by this Indenture to be on deposit in such Funds and Accounts for the timely payment of the Bonds and for the funding of, or crediting to, the Debt Reserve Fund to the Debt Reserve Requirement, *except* that, to the extent specified in a Series Indenture or Supplemental Indenture, a Fund or Account or assets or property shall not be taken into account when preparing such Cash Flow Statement; and (y) the aggregate of the amounts on deposit in all Funds and Accounts hereunder, other than the Costs of Issuance Fund, Expense Fund, Interest Account and Special Reserve Fund, plus the aggregate principal balances of all Mortgage-Backed Securities, shall at least equal the sum of the aggregate principal amount of the Bonds Outstanding plus accrued interest. The Cash Flow Statement shall set forth the assumptions upon which the estimates therein are based. Such assumptions shall include an assumption that

all amounts held under this Indenture, to which an investment arrangement which guarantees a certain rate or rates is not in effect, are invested at a rate which does not exceed the applicable assumed interest rates determined by the then-current requirements of the Rating Agencies for bonds which bear the same rating as the then-current rating on the Bonds. *Except* with respect to the annual Cash Flow Statement and actions being taken contemporaneously with the delivery of a Cash Flow Statement, facts reflected in a Cash Flow Statement may be as of a date or reasonably adjusted to the date of the most recently available data as determined by the Agency. In preparing a Cash Flow Statement, the Agency shall utilize with respect to Bonds the cash flow assumptions and tests required by the Rating Agencies in order to obtain or maintain a rating on the Bonds.

If any Cash Flow Statement shall show a deficiency in any Fiscal Year in the amount of funds expected to be available for the purposes described in this Indenture during such Fiscal Year, the Agency shall not be in default under this Indenture but shall take all reasonable actions to eliminate such deficiency.

Section 608. *Tax Covenants.* (i) The Agency shall at all times comply with the applicable tax covenants, if any, contained in any applicable Series Indenture.

(ii) If applicable and unless otherwise provided in the applicable Series Indenture, the Agency shall pay moneys in any account in the Rebate Fund to the United States of America as required by the Code.

Section 609. *Enforcement of Rights Under Mortgage-Backed Securities.* (a) To the extent permitted by law, the Agency hereby covenants to enforce all its rights and obligations under and pursuant to the Mortgage-Backed Securities and agrees that the Trustee, in the name of the Agency, may enforce all rights of the Agency under and pursuant to the Mortgage Backed-Securities for and on behalf of the Bondowners and other Parties pursuant to Section 704 hereof, whether or not an Event of Default exists hereunder. Notwithstanding the foregoing, the Trustee shall be under no obligation to service the Underlying Mortgage Loans.

(b) The Trustee shall enforce all terms, covenants and conditions of the Mortgage-Backed Securities, including making any demands for payment required thereunder, on a timely basis. The Trustee shall duly and punctually exercise the rights and remedies of a beneficiary under any applicable guarantees, and shall in a timely manner give all notices and take any actions necessary to preserve and protect each guarantee of a Mortgage-Backed Security.

Section 610. *Maintenance of Existence of Agency.* The Agency will at all times use its best efforts to maintain its existence as a public instrumentality and a political subdivision of the State and to maintain, preserve and renew all its rights, powers, privileges and franchises, and it will comply with all valid acts, rules, regulations, orders and directions of any legislative, administrative or judicial body applicable to this Indenture.

Section 611. *Books and Records.* (i) The Trustee shall keep proper books of record and account in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocations and applications of all moneys received by the

Trustee hereunder, and such books shall be available for inspection by the Agency and any Bondowner during business hours, upon reasonable notice and under reasonable conditions.

(ii) On or before the tenth business day of each month the Trustee shall furnish to the Agency in accordance with Section 806 hereof a statement of the Agency's revenues and expenditures and of the changes in its fund balances during the previous month.

(iii) The Agency shall keep proper books of records and account for all its transactions, other than those recorded in the books maintained by the Trustee pursuant to subsection (i) of this Section, and such books shall be available for inspection by the Trustee and any Bondowner during business hours and upon reasonable notice.

Section 612. *Annual Audit, Report and No-Default Certificate.* Within one hundred twenty (120) days of the later of (a) each June 30 and (b) the date of receipt of all information required or necessary to be supplied by the State to the Agency for such purpose, the Agency shall furnish to the Trustee (i) a statement of its revenues, expenses and changes in net assets during the previous period commencing on July 1 and ending in each case on such June 30, certified to by an Accountant, (ii) a report of its activities during the previous period commencing on July 1 and ending in each case on such June 30, and (iii) a certificate from an Authorized Officer stating that there is no current Event of Default and that no Event of Default occurred during the preceding period commencing on July 1, and ending in each case on such June 30 (or if there has been an Event of Default, providing the details thereof and describing the steps the Agency took, or is taking, to cure such Event of Default).

Section 613. *Recordation of This Indenture and Filing of Security Instruments.* The Agency shall cause this Indenture and all supplements hereto and thereto, together with all other security instruments and financing statements, to be recorded and filed, as the case may be, if required by law for perfection of the security interests created therein, in such manner and in such places as may be required by law in order to perfect the lien of, and the security interests created by, this Indenture.

Section 614. *Program Covenants.* The Agency warrants and covenants (a) that no Underlying Mortgage Loan shall be financed by the Agency under the Program unless the Underlying Mortgage Loan complies in all respects with the Act in effect on the date of financing and (b) to comply with any additional program covenants contained in any Series Indenture.

Section 615. *Issuance of Additional Obligations.* The Agency, so long as any Bonds shall be Outstanding hereunder, shall not issue any bonds, notes or other evidences of indebtedness, other than the Bonds, secured by any pledge of or other lien or charge on the Pledged Property, nor shall the Agency create or cause to be created any lien or charge on the Pledged Property other than the lien and pledge created hereunder. Nothing contained in this Section shall prevent the Agency from issuing any bonds, notes or other evidences of indebtedness which are payable from or secured by a lien and pledge on the Pledged Property, provided that payment of such evidences of indebtedness and such lien and pledge shall be in all respects subordinate to the provisions of this Indenture and the lien and pledge created by this

Indenture and any such evidences of indebtedness shall contain an appropriate recital with respect to such subordination.

Section 616. *Notice of an Event of Default.* The Agency shall promptly notify the Trustee of the occurrence of an Event of Default under this Indenture.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

Section 701. *Extended Interest Payment.* Neither the Trustee nor the Agency shall consent or agree directly or indirectly to extend the time for payment of the interest on any Bond. In case the time for the payment of the interest on any Bond shall be extended, whether or not such extension be by or with the consent of the Agency, such interest so extended shall not be entitled in case of default hereunder to the benefit or security of this Indenture except subject to the prior payment in full of the principal of all Bonds then Outstanding and of the interest the time for the payment of which shall not have been extended.

Section 702. *Events of Default Defined.* Each of the following events is hereby declared an “Event of Default”, that is to say: If

(i) payment of the principal or Redemption Price of any of the Bonds (other than subordinated Bonds) shall not be made when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or

(ii) payment of any installment of interest on any Bonds shall not be made when the same shall become due and payable; or

(iii) the entry of a decree or order for relief by a court having jurisdiction in the premises in respect of the Agency in an involuntary case under the Federal bankruptcy laws, as now or hereafter constituted, or any other applicable Federal or State bankruptcy, insolvency or other similar law, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Agency or for any substantial part of its property, or ordering the winding-up or liquidation of its affairs and the continuance of any such decree or order unstayed and in effect for the period of 60 consecutive days; or

(iv) the commencement by the Agency of a voluntary case under the Federal bankruptcy laws, as now constituted or hereafter amended, or any other applicable Federal or State bankruptcy, insolvency or other similar law, or the consent by it to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of the Agency or for any substantial part of its property, or the making by it of any assignment

for the benefit of creditors, or the taking of action by the Agency in furtherance of any of the foregoing; or

(v) the Agency defaults in the due and punctual performance of any other covenants or agreements contained in the Bonds or in this Indenture and such default continues for 90 days after written notice requiring the same to be remedied shall have been given to the Agency by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the owners of not less than twenty-five per centum (25%) in aggregate principal amount of Bonds then Outstanding; *provided, however*, that so long as following such notice the Agency is diligently taking actions to remedy such default, such default shall not be an Event of Default.

Section 703. *Acceleration of Maturity.* Upon the happening and continuance of any Event of Default (except as may be limited in a Series Indenture, as set forth in the last paragraph of Section 704 hereof), then and in every such case the Trustee may and, subject to Section 802 hereof, upon the written direction of the owners of not less than fifty-one per centum (51%) in aggregate principal amount of the Bonds then Outstanding shall, by notice in writing to the Agency, declare the principal of all the Bonds then Outstanding (if not then due and payable) to be due and payable immediately; and upon such declaration the same shall become immediately due and payable, anything contained in the Bonds or in this Indenture to the contrary notwithstanding; *provided, however*, that if at any time after the principal of the Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under this Indenture, money shall have accumulated in the Debt Service Fund sufficient to pay the principal of all matured Bonds and all arrears of interest, if any, upon all the Bonds then Outstanding (except the principal and interest of any Bonds which have become due and payable by reason of such declaration and except the principal of any Bonds not then due and payable by their terms and the interest accrued on such Bonds since the last interest payment date), and the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and the Agency and all other amounts then payable by the Agency hereunder shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee, and every other default known to the Trustee in the observance or performance of any covenant, condition or agreement or provision contained in the Bonds or in this Indenture (except a default in the payment of the principal of such Bonds then due and payable only because of a declaration under this Section) shall have been remedied to the satisfaction of the Trustee, then and in every such case the Trustee may, and upon the written request of the owners of not less than fifty-one per centum (51%) in aggregate principal amount of the Bonds not then due and payable by their terms and then Outstanding shall, by written notice to the Agency, rescind and annul such declaration and its consequences, but no such rescission or annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

Section 704. *Enforcement of Remedies.* Upon the happening and continuance of any Event of Default specified in Section 702 hereof, then and in every such case the Trustee may, and upon the written direction of the owners of not less than twenty-five per centum (25%) in aggregate principal amount of the Bonds then Outstanding hereunder shall, proceed, subject to

the provisions of Section 802 hereof, to protect and enforce its rights and the rights of the Bondowners under applicable laws or under this Indenture by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for the specific performance of any covenant or agreement contained herein or in aid or execution of any power herein granted or for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights.

In the enforcement of any remedy under this Indenture the Trustee shall be entitled to sue for, enforce payment of and recover judgment for, in its own name as Trustee of an express trust, any and all amounts then or after any default becoming, and at any time remaining, due from the Agency for principal of the Bonds, premium, if any, on the Bonds, interest on the Bonds or otherwise under any of the provisions of this Indenture or the Bonds and unpaid, with, to the extent permitted by the applicable law, interest on overdue payments of principal of the Bonds and of interest on the Bonds at the rate or rates of interest specified in the Bonds, together with any and all costs and expenses of collection and of all proceedings hereunder and under the Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondowners, and to recover and enforce any judgment or decree against the Agency, but solely as provided herein and in the Bonds, for any portion of such amounts remaining unpaid and interest, costs and expenses as above provided, and to collect, in any manner provided by law, the money adjudged or decreed to be payable.

Regardless of the happening of an Event of Default, the Trustee may, and, subject to Section 802 hereof, if requested in writing by the owners of not less than twenty-five per centum (25%) in aggregate principal amount of the Bonds then Outstanding shall, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the Pledged Property by any acts which may be unlawful or in violation of this Indenture or of any resolution authorizing the Bonds or Series Indenture, or (ii) to preserve or protect the interest of the Bondowners, *provided* that such request is in accordance with law and the provisions of this Indenture and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of the owners of the Bonds not making such request.

If a covenant is set forth in a Series Indenture, limitations on the remedies available upon an Event of Default related to such covenant may be set forth in said Series Indenture.

Section 705. *Trustee May File Claim in Bankruptcy.* In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other similar judicial proceeding relative to the Agency or to property of the Agency or the creditors of the Agency, the Trustee (irrespective of whether the principal of any Bonds shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Agency for the payments equal to overdue principal or of interest on the Bonds) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(a) to file and prove a claim for the whole amount of the principal, and premium, if any, and interest owing and unpaid in respect of the Bonds and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Bondowners allowed in such judicial proceeding; and

(b) to collect and receive any money or other property payable or deliverable on any such claims and to distribute the same;

and any receiver, assignee, trustee, liquidator, sequestrator (or other similar official) in any such judicial proceeding is hereby authorized by each Bondowner to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Bondowners, to pay to the Trustee any amount due to them for the reasonable compensation, expenses, disbursements and advances of the Trustee, their agents and counsel, and any other amounts due the Trustee under Sections 802 and 805 hereof.

Section 706. *Pro Rata Application of Funds.* Anything in this Indenture to the contrary notwithstanding, if at any time the money in the Funds and Accounts maintained hereunder shall not be sufficient to pay the principal of or interest on the Bonds as the same shall become due and payable (either by their terms or by acceleration of maturities under the provisions of Section 703 hereof) such money, together with any money then available, or thereafter becoming available for such purpose whether through the exercise of the remedies provided for in this Article or otherwise, shall be applied, following the satisfaction of any payments due to the Trustee under the provisions of Sections 802 and 805 hereof, as follows:

(i) If the principal on the Bonds shall not have become or shall not have been declared due and payable, all such money shall be applied:

first: to the payment to the persons entitled thereto of all installments of interest on Bonds other than subordinated Bonds (*except* interest on overdue principal) then accrued and unpaid in the chronological order in which such installments of interest accrued and, if the amount available shall not be sufficient to pay in full any particular daily installment, then to the payment, ratably, according to the amounts due on such daily installment, to the persons entitled thereto as owners of Bonds other than subordinated Bonds, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds other than subordinated Bonds;

second: to the payment to the persons entitled thereto of the unpaid principal of any of the Bonds other than subordinated Bonds which shall have become due and payable (*except* Bonds other than subordinated Bonds called for redemption for the payment of which money is held pursuant to the provisions of this Indenture) in the order of their stated payment dates, with interest on the principal amount of such Bonds other than subordinated Bonds at the respective rates specified therein from the respective dates upon which such Bonds other than subordinated Bonds became due and payable, and, if the amount available

shall not be sufficient to pay in full the principal of the Bonds other than subordinated Bonds by their stated terms due and payable on any particular date, together with such interest, then to the payment first of such interest, ratably, according to the amount of such interest due on such date, with such payment being made to owners of Bonds other than subordinated Bonds, and then to the payment of such principal, ratably, according to the amount of such principal due on such date, to the persons entitled thereto as owners of Bonds other than subordinated Bonds, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds other than subordinated Bonds;

third: to the payment when due of the interest on and the principal of the Bonds other than subordinated Bonds, to the purchase and retirement of Bonds other than subordinated Bonds and to the redemption of the Bonds other than subordinated Bonds, all in accordance with the provisions of Article III hereof;

fourth: to the payment to the persons entitled thereto of interest on subordinated Bonds (*except* interest on overdue principal) then accrued and unpaid in the chronological order in which such installments of interest accrued and, if the amount available shall not be sufficient to pay in full any particular daily installment, then to the payment, ratably, according to the amounts due on such daily installment, to the persons entitled thereto as owners of subordinated Bonds, without any discrimination or preference except as to any difference in the respective rates of interest specified in the subordinated Bonds;

fifth: to the payment to the persons entitled thereto of the unpaid principal of any of the subordinated Bonds which shall have become due and payable (*except* subordinated Bonds called for redemption for the payment of which money is held pursuant to the provisions of this Indenture) in the order of their stated payment dates, with interest on the principal amount of such subordinated Bonds at the respective rates specified therein from the respective dates upon which such subordinated Bonds became due and payable, and, if the amount available shall not be sufficient to pay in full the principal of the subordinated Bonds by their stated terms due and payable on any particular date, together with such interest, then to the payment first of such interest, ratably, according to the amount of such interest due on such date, with such payment being made to owners of subordinated Bonds, and then to the payment of such principal, ratably, according to the amount of such principal due on such date, to the persons entitled thereto as owners of subordinated Bonds, without any discrimination or preference except as to any difference in the respective rates of interest specified in the subordinated Bonds; and

sixth: to the payment of the interest on and the principal of the subordinated Bonds, to the purchase and retirement of subordinated Bonds and to the redemption of subordinated Bonds.

(ii) If the principal of all the Bonds shall have become or shall have been declared due and payable, all such money shall be applied

first: to the payment of the principal and premium, if any, and interest then accrued and unpaid upon the Bonds which are not subordinated Bonds, without preference or priority of principal over interest or of interest over principal, or of any daily accrual of interest over any other daily accrual of interest, or of any Bond which is not a subordinated Bond over any other Bond which is not a subordinated Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to the respective rates of interest specified in the Bonds which are not subordinated Bonds; and

second: to the payment of the principal and premium, if any, and interest then accrued and unpaid upon the subordinated Bonds, without preference or priority of principal over interest or of interest over principal, or of any daily accrual of interest over any other daily accrual of interest, or of any subordinated Bond over any other subordinated Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to the respective rates of interest specified in the subordinated Bonds.

(iii) If the principal of all the Bonds shall have been declared due and payable and if such declaration shall thereafter have been rescinded and annulled under the provisions of Section 703 hereof, then, subject to the provisions of subsection (ii) of this Section in the event that the principal of all the Bonds shall later become or be declared due and payable, the money remaining in and thereafter accruing to the Debt Service Fund and the Debt Reserve Fund, together with any other money held by the Trustee hereunder, shall be applied in accordance with the provisions of subsection (i) of this Section.

The provisions of subsections (i), (ii) and (iii) of this Section are in all respects subject to the provisions of Section 701 hereof.

Whenever money is to be applied by the Trustee pursuant to the provisions of this Section, such money shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such money available for application and the likelihood of additional money becoming available for such application in the future; the deposit of such money with any paying agent, or otherwise setting aside such money, in trust for the proper purpose shall constitute proper application by the Trustee; and the Trustee shall incur no liability whatsoever to the Agency, to any Bondowner, or to any other person for any delay in applying any such money, so long as the Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of this Indenture as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such money, it shall fix the date (which shall be an interest payment date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the

amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date, and shall not be required to make payment to the owner of any Bond until such Bond shall be surrendered to the Trustee for appropriate endorsement, or for cancellation if fully paid.

Section 707. *Effect of Discontinuance of Proceedings.* In case any proceeding taken by the Trustee or Bondowners on account of any default shall have been discontinued or abandoned for any reason, then and in every such case the Agency, the Trustee and the Bondowners shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no proceeding had been taken.

Section 708. *Owners of Majority in Principal Amount of Bonds May Control Proceedings.* Anything in this Indenture to the contrary notwithstanding, the owners of a majority in principal amount of the Bonds then Outstanding hereunder shall have the right, subject to the provisions of Section 802 hereof, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee hereunder or exercising any trust or power conferred upon the Trustee, provided that such direction shall not be otherwise than in accordance with law and the provisions of this Indenture, and the Act and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of Bondowners not joining in such direction and provided, further, that nothing in this Section shall impair the right of the Trustee in its discretion to take any other action under this Indenture which it may deem proper and which is not inconsistent with such direction by Bondowners.

Section 709. *Restrictions Upon Actions by Individual Bondowner.* No owner of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law on any Bond or for the execution of any trust hereunder or for the enforcement of any remedy hereunder unless such owner previously shall have given to the Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted, and unless also the owners of not less than fifteen per centum (15%) in aggregate principal amount of the Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers hereinabove granted or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of this Indenture or to any other remedy hereunder; *provided, however,* that notwithstanding the foregoing provisions of this Section and without complying therewith, the owners of not less than twenty-five per centum (25%) in aggregate principal amount of the Bonds then Outstanding may institute any such suit, action or proceeding in their own names for the benefit of all owners of Bonds hereunder. It is understood and intended that, except as otherwise above provided, no one or more owners of the Bonds hereby secured shall have any right in any manner whatever by their action to affect, disturb or prejudice the security of this Indenture, or to enforce any right

hereunder except in the manner herein provided, if any, that all suits, actions and proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided, if any, and for the benefit of all owners of such Outstanding Bonds, and that any individual right of action or other right given to one or more of such owners by law is restricted by this Indenture to the rights and remedies herein provided.

Section 710. *Actions by Trustee.* All rights of action under this Indenture or under any of the Bonds secured hereby, enforceable by the Trustee, may be enforced by it without the possession of any of the Bonds or the production thereof in the trial or other proceeding relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name for the benefit of all of the owners of such Bonds, subject to the provisions of this Indenture.

Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bondowners under this Indenture, the Trustee shall be entitled as a matter of right to the appointment of a receiver or receivers of the Pledged Property, pending such proceedings with such powers as the court making such appointment shall confer whether or not any such amounts payable shall be deemed sufficient ultimately to satisfy the Bonds Outstanding hereunder.

Section 711. *No Remedy Exclusive.* No remedy herein conferred upon or reserved to the Trustee or to the owners of the Bonds is intended to be exclusive of any other remedy or remedies herein provided, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or by law.

Section 712. *No Delay or Omission Construed to be a Waiver.* No delay or omission of the Trustee or of any owner of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or any acquiescence therein; and every power and remedy given by this Indenture to the Trustee and to the owners of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

Section 713. *Waiver of Defaults.* The Trustee, upon written direction of the owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall, waive any default, which in their opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by them under the provisions of this Indenture or before the completion of the enforcement of any other remedy under this Indenture, but no such waiver shall extend to or affect any other existing or any subsequent default or defaults or impair any rights or remedies consequent thereon.

Section 714. *Notice of an Event of Default.* The Trustee shall mail to the Agency and to all Bondowners written notice of the occurrence of any Event of Default set forth in Section 702 hereof within thirty (30) days after the Trustee shall have received written notice thereof from the Agency, subject to the provisions of Section 708 hereof, that any such Event of Default shall have occurred. The Trustee shall not, however, be subject to any liability to any Bondowner by reason of a failure to mail any such notice.

Section 715. *Right to Enforce Payment of Bonds Unimpaired.* Except as otherwise limited by the provisions of Section 709 hereof, nothing in this Article VII shall affect or impair the right of any Bondowner to enforce the payment of the principal of and interest on their Bond, or the obligation of the Agency to pay the principal of and interest on each Bond to the owner thereof at the time and place in said Bond expressed.

ARTICLE VIII

CONCERNING THE TRUSTEE

Section 801. *Acceptance of Trusts.* The Trustee shall signify its acceptance of the duties and obligations and agrees to execute the trusts imposed upon it by this Indenture by executing this Indenture.

Section 802. *Trustee Entitled to Indemnity.* The Trustee shall be under no obligation to institute any suit, or to take any remedial proceeding under this Indenture, or to enter any appearance or in any way defend in any suit in which it may be named as a defendant, or to take any steps in the execution of the trusts hereby created or in the enforcement of any rights and powers hereunder, until it shall be indemnified to its satisfaction against any and all costs and expenses, outlays and counsel fees and other reasonable disbursements, and against all liability; the Trustee may, nevertheless, begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as such Trustee, without indemnity, and in such case the Agency shall reimburse the Trustee for all costs and expenses, outlays and counsel fees and other reasonable disbursements properly incurred in connection therewith.

Section 803. *Limitation on Obligations and Responsibilities of Trustee.* The Trustee shall be under no obligation (a) to effect or maintain insurance or to renew any policies of insurance or to inquire as to the sufficiency of any policies of insurance carried by the Agency, (b) to report, or make or file claims or proof of loss for, any loss or damage insured against or which may occur, or (c) to keep itself informed or advised as to the payment of any taxes or assessments, or to require any such payment to be made. The Trustee shall be under no obligation to record or file this Indenture, or any other security instruments and financing statements, or continuation statements with respect thereto, except pursuant to directions from the Agency, in form and substance satisfactory to the Trustee, set forth in an Agency Request. The Trustee shall have no responsibility in respect of the validity, sufficiency, due execution or acknowledgment by the Agency of this Indenture, or, except as to the authentication thereof, in respect of the validity of the Bonds or the due execution or issuance thereof. The Trustee shall be under no obligation to see that any duties herein imposed upon the Agency or any party other than itself, or any covenants herein contained on the part of any party other than itself to be performed, shall be done or performed, and the Trustee shall be under no obligation for failure to see that any such duties or covenants are so done or performed.

Section 804. *Trustee Not Liable for Failure of Agency to Act.* The Trustee shall not be liable or responsible because of the failure of the Agency or of any of its employees or agents to make any collections or deposits or to perform any act herein required of the Agency or, except as provided in the fifth paragraph of Section 502 hereof, because of the loss of any

moneys arising through the insolvency or the act or default or omission of any other depository in which such moneys shall have been deposited under the provisions of this Indenture. The Trustee shall not be responsible for the application of any of the proceeds of the Bonds or any other moneys deposited with it and paid out, withdrawn or transferred hereunder if such application, payment, withdrawal or transfer shall be made in accordance with the provisions of this Indenture. The immunities and exemptions from liability of the Trustee hereunder shall extend to its directors, officers, employees and agents.

Section 805. *Compensation and Indemnification of Trustee.* Subject to the provisions of any contract between the Agency and the Trustee relating to the compensation of the Trustee, the Agency shall pay, from the Pledged Property, to the Trustee reasonable compensation for all services performed by it hereunder and also all its reasonable expenses, charges and other disbursements and those of its attorneys, agents and employees incurred in and about the administration and execution of the trusts hereby created and the performance of its powers and duties hereunder, and from such source only, shall, if and to the extent permitted by law, indemnify and save the Trustee harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder.

Section 806. *Monthly Statements from Trustee.* It shall be the duty of the Trustee, on or before the 10th day of each month, to file with the Agency a statement setting forth in respect of the preceding calendar month

- (i) the amount withdrawn or transferred by it and the amount deposited within or to the account of each Fund and Account held by it under the provisions of this Indenture,
- (ii) the amount on deposit with it at the end of such month to the credit of each such Fund and Account,
- (iii) a brief description of all obligations held by it as an investment of moneys in each such Fund and Account,
- (iv) the amount applied to the purchase or redemption of Bonds and a description of the Bonds or portions of Bonds so purchased or redeemed, and
- (v) any other information which the Agency may reasonably request.

All records and files pertaining to the trusts hereunder in the custody of the Trustee shall be open at all reasonable times to the inspection of the Agency and its agents and representatives.

Section 807. *Trustee May Rely on Certificates.* In case at any time it shall be necessary or desirable for the Trustee to make any investigation respecting any fact preparatory to taking or not taking any action or doing or not doing anything as such Trustee, and in any case in which this Indenture provides for permitting or taking any action, the Trustee may rely conclusively upon any certificate, requisition, opinion or other instrument required or permitted to be filed with it under the provisions of this Indenture, and any such instrument shall be conclusive evidence of such fact to protect the Trustee in any action that it may or may not take

or in respect of anything it may or may not do, in good faith, by reason of the supposed existence of such fact. Except as otherwise provided in this Indenture, any request, notice, certificate or other instrument from the Agency to the Trustee shall be deemed to have been signed by the proper party or parties if signed by an Authorized Officer, and the Trustee may accept and rely upon a certificate signed by an Authorized Officer as to any action taken by the Agency.

Section 808. *Notice of Default.* Except upon the happening of any Event of Default specified in clauses (i) and (ii) of Section 702 hereof, the Trustee shall not be obliged to take notice or be deemed to have notice of any Event of Default, unless specifically notified in writing of such Event of Default by the Agency or by the owners of not less than twenty-five per centum (25%) in aggregate principal amount of the Bonds hereby secured and then Outstanding.

Section 809. *Trustee May Deal in Bonds.* The bank or trust company acting as Trustee under this Indenture, and its directors, officers, employees or agents, may in good faith buy, sell, own, hold and deal in any of the Bonds issued under and secured by this Indenture, may join in any action which any Bondowner or Party may be entitled to take with like effect as if such bank or trust company were not the Trustee under this Indenture, may engage or be interested in any financial or other transaction with the Agency, and may maintain any and all other general banking and business relations with the Agency with like effect and in the same manner as if the Trustee were not a party to this Indenture; and no implied covenant shall be read into this Indenture against the Trustee in respect of such matters.

Section 810. *Trustee Not Responsible for Recitals.* The recitals, statements and representations contained herein and in the Bonds (excluding the Trustee's certificate of authentication on the Bonds) shall be taken and construed as made by and on the part of the Agency and not by the Trustee, and the Trustee assumes and shall be under no responsibility for the correctness of the same.

Section 811. *Trustee Protected in Relying on Certain Documents.* The Trustee shall be protected and shall incur no liabilities in acting or proceeding, or in not acting or not proceeding, in good faith, reasonably and in accordance with the terms of this Indenture, upon any resolution, order, notice, request, consent, waiver, certificate, statement, affidavit, requisition, bond or other paper or document which it shall in good faith reasonably believe to be genuine and to have been executed or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of this Indenture, or upon the written opinion of any attorney, engineer or accountant believed by the Trustee to be qualified in relation to the subject matter, and the Trustee shall be under no duty to make any investigation or inquiry as to any statement contained or matters referred to in such instrument. The Trustee shall not be under any obligation to see to the recording or filing of this Indenture.

Section 812. *Resignation and Removal of Trustee Subject to Appointment of Successor.* No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under Section 816 hereof.

Section 813. *Resignation of Trustee.* Subject to Section 812 hereof, the Trustee may resign and thereby become discharged from the trusts hereby created, by notice in writing to

be given to the Agency and mailed, first class postage-prepaid, to all registered owners of Bonds at their addresses as they appear on the registration books kept by the Bond Registrar(s), not less than sixty (60) days before such resignation is to take effect, but such resignation shall take effect immediately upon the appointment of a new Trustee hereunder, if such new Trustee shall be appointed before the time limited by such notice and shall then accept the trusts hereof.

Section 814. *Removal of Trustee.* Subject to Section 812 hereof, the Trustee may be removed upon thirty (30) days' written notice (i) at any time by an instrument or concurrent instruments in writing executed by the owners of not less than a majority in principal amount of the Bonds hereby secured and then Outstanding and filed with the Agency or (ii) by the Agency in its sole and absolute discretion at any time except during the continuance of an Event of Default by filing with the Trustee notice of removal in the form of an Agency Request. A facsimile copy of each such instrument shall be delivered promptly by the Agency to the Trustee. The Trustee may also be removed at any time for reasonable cause by any court of competent jurisdiction upon the application of the Agency pursuant to resolution or upon the application of the owners of not less than ten per centum (10%) in aggregate principal amount of the Bonds then Outstanding under this Indenture.

Section 815. *Appointment of Successor Trustee.* If at any time hereafter the Trustee shall resign, be removed, be dissolved or otherwise become incapable of acting, or the bank or trust company acting as Trustee shall be taken over by any governmental official, agency, department or board, the position of Trustee shall thereupon become vacant. If the position of Trustee shall become vacant for any of the foregoing reasons or for any other reason, the Agency shall appoint a Trustee to fill such vacancy and shall cause notice of such appointment to be mailed, first class postage-prepaid, to all registered owners of Bonds at their addresses as they appear on the registration books kept by the Bond Registrar(s).

At any time within one year after any such vacancy shall have occurred, the owners of a majority in principal amount of the Bonds hereby secured and then Outstanding, by an instrument or concurrent instruments in writing, executed by such Bondowners and filed with the Agency, may appoint a successor Trustee, which shall supersede any Trustee theretofore appointed by the Agency. Facsimile copies of each such instrument shall be delivered promptly by the Agency to the predecessor Trustee and to the Trustee so appointed by the Bondowners.

If no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section within ten (10) days after the vacancy shall have occurred, the owner of any Bond Outstanding hereunder or any retiring Trustee may apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after such notice, if any, as such court may deem proper and prescribed, appoint a successor Trustee.

Any Trustee hereafter appointed shall be a bank or trust company having a corporate trust office in the State, duly authorized to exercise corporate trust powers and subject to examination by Federal or State authority, of good standing, and having at the time of its appointment a combined capital and surplus aggregate not less than Fifty Million Dollars (\$50,000,000) as shown on its most recently published report of its financial condition.

Section 816. *Vesting of Trusts in Successor Trustee.* Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Agency, an instrument in writing accepting such appointment hereunder, and thereupon such successor Trustee, without any further act, shall become fully vested with all the rights, immunities, powers and trusts, and subject to all the duties and obligations, of its predecessor; but such predecessor shall, nevertheless, on the written request of its successor or of the Agency, and upon payment of the expenses, charges and other disbursements of such predecessor which are payable pursuant to the provision of Section 805 hereof, execute and deliver an instrument transferring to such successor Trustee all the rights, immunities, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all property and moneys held by it hereunder to its successor. Should any instrument in writing from the Agency be required by any successor Trustee for more fully and certainly vesting in such Trustee the rights, immunities, powers and trusts hereby vested or intended to be vested in the predecessor Trustee, any such instrument in writing shall and will, on request, be executed, acknowledged and delivered by the Agency.

Notwithstanding any of the foregoing provisions of this Article, any bank or trust company having power to perform the duties and execute the trusts of this Indenture and otherwise qualified to act as Trustee hereunder with or into which the bank or trust company acting as Trustee may be merged, converted or consolidated, or to which the assets and business of such bank or trust company may be sold or transferred, shall be deemed the successor of the Trustee.

Section 817. *Right of Bondholders to Appoint Trustee Pursuant to the Act Abrogated.* The Trustee shall be and is hereby vested with all of the rights, powers and duties set forth in the Indenture, and, pursuant to the Act, the right of the Bondholders to appoint a trustee under the Act is hereby abrogated.

Section 818. *No Implied Duty; Standard of Care.* The Trustee shall have no duty or obligation except as expressly provided herein and no implied duties or obligations shall be read into this Indenture against the Trustee. The Trustee shall not incur any liability for any act or omission in performing its duties hereunder, except in the case of its own negligence or willful misconduct.

Section 819. *Brokerage Confirmations.* The Agency acknowledges that regulations of the Comptroller of the Currency grant the Agency the right to receive brokerage confirmations of security transactions to be effected by the Trustee hereunder as they occur. The Agency specifically waives the right to receive such notification to the extent permitted by applicable law and agrees that it will instead receive periodic cash transaction statements which include detail for the investment transactions effected by the Trustee hereunder; *provided, however,* that the Agency retains its right to receive brokerage confirmation on any investment transaction requested by the Agency

ARTICLE IX

EXECUTION OF INSTRUMENTS BY BONDOWNERS, PROOF OF OWNERSHIP OF BONDS AND DETERMINATION OF CONCURRENCE OF BONDOWNERS

Section 901. *Execution of Instruments by Bondowners, Proof of Ownership of Bonds and Determination of Concurrence of Bondowners.* Any request, direction, consent or other instrument in writing required or permitted by this Indenture to be signed or executed by Bondowners may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Bondowners or their attorneys or legal representatives. Proof of the execution of any such instrument and of the ownership of Bonds shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee with regard to any action taken by it under such instrument if made in the following manner:

(i) The fact and date of the execution by any person of any such instrument may be proved by the verification of any officer in any jurisdiction who, by the laws thereof, has power to take affidavits within such jurisdiction, to the effect that such instrument was subscribed and sworn to before him, or by an affidavit of a witness to such execution. Where such execution is on behalf of a person other than an individual such verification or affidavit shall also constitute sufficient proof of the authority of the signor thereof.

(ii) The ownership of Bonds shall be proved by the registration books kept under the provisions of Section 207 hereof.

Nothing contained in this Section shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which it may deem sufficient. Any request or consent of the owner of any Bond shall bind every future holder of the same Bond in respect of anything done by the Trustee in pursuance of such request or consent.

Notwithstanding any of the foregoing provisions of this Section, the Trustee shall not be required to recognize any person as a holder of any Bond or to take any action at their request unless such Bond shall be deposited with it.

ARTICLE X

SUPPLEMENTAL INDENTURES

Section 1001. *Bondowners' Consent Not Required.* The Agency may, from time to time and at any time, execute such indentures supplemental hereto (which shall thereafter form a part hereof):

(a) to make provisions to cure any ambiguity or correct, cure or supplement any defect or omission in this Indenture or in regard to questions arising under this Indenture which the Agency may deem desirable or necessary and not inconsistent with this Indenture; or

(b) to grant to or confer upon the Trustee for the benefit of the Bondowners any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Bondowners or the Trustee; or

(c) to include as pledged revenues or money under, and subject to the provisions of, this Indenture any additional revenues or money legally available therefor; or

(d) to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Indenture which shall not be inconsistent with the provisions of this Indenture, provided such action shall not materially adversely affect the interest of the Bondowners; or

(e) to add to the covenants and agreements of the Agency in this Indenture other covenants and agreements thereafter to be observed by the Agency or to surrender any right or power herein reserved to or conferred upon the Agency; or

(f) to add provisions relating to Bonds with coupons appertaining thereto or Bonds issued with full book-entry delivery, if necessary, if the Agency shall determine to so issue Bonds in such form under this Indenture; or

(g) to modify any of the provisions of the Indenture in any respect whatever not otherwise set forth in this Section; *provided, however*, that either (i) such modification shall apply only to Series of Bonds issued after the effective date of the Supplemental Indenture and shall not materially adversely affect the interests of the owners of Bonds of any Series Outstanding on the effective date of the Supplemental Indenture or (ii) (a) such modification shall be, and be expressed to be, effective only after all Bonds of any Series Outstanding at the date of the execution of such Supplemental Indenture shall cease to be Outstanding, and (b) such Supplemental Indenture shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of the execution of such Supplemental Indenture and of Bonds issued in exchange therefor or in place thereof; or

(h) to modify, amend or supplement this Indenture in such manner as to permit, if presented, the qualification hereof and thereof under the Trust Indenture Act of 1939 or any similar Federal statute hereafter in effect or under any state Blue Sky Law; or

(i) to surrender any right, power or privilege reserved to or conferred upon the Agency by the terms of this Indenture, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Agency contained in this Indenture; or

(j) to add to the definition of Investment Obligations pursuant to the last proviso of the definition thereof; or

(k) to modify, amend or supplement this Indenture in such manner as to permit a trustee (other than the Trustee) with respect to any subordinated Bonds issued hereunder; or

(l) to modify, amend or supplement this Indenture in order to maintain the tax-exempt status of any Bonds; or

(m) if authorized by resolution of the Agency, to modify, amend or supplement this Indenture in any manner to include provisions related to issuing variable rate bonds, including but not limited to provisions regarding liquidity or credit support and interest rate or other hedges; or

(n) to make any other change that does not materially adversely affect the interest of the Bondowners (as to any change relating to security for the Bonds, evidence that such change, at the time of such change, will not, in and of itself, impair, or cause the Bonds to fail to retain, the then-existing rating(s) assigned to them by the Rating Agencies, shall constitute sufficient evidence that such change does not materially adversely affect the interest of the Bondowners).

Section 1002. *Supplements and Amendments Requiring Consent of Owners of a Majority in Principal Amount of Bonds.* Subject to the terms and provisions contained in this Section, and not otherwise, (i) the Owners of not less than fifty-one per centum (51%) in aggregate principal amount of the Bonds then Outstanding; (ii) if less than all of the Bonds then Outstanding are affected, of the Owners of greater than fifty per centum (50%) in principal amount of Bonds so affected then Outstanding; and (iii) in case the terms of any Sinking Fund Requirements are changed, of the Owners of greater than fifty per centum (50%) in principal amount of the Bonds of the particular Series and maturity entitled to such Sinking Fund Requirements and then Outstanding, shall have the right, from time to time, anything contained in this Indenture to the contrary notwithstanding, to consent to and approve the execution by the Agency and the Trustee of such indenture or indentures supplemental hereto as shall be deemed necessary or desirable by the Agency for the purpose of modifying, altering, amending, adding to, repealing or rescinding, in any particular, any of the terms or provisions contained in this Indenture. Notwithstanding the foregoing, nothing herein contained shall permit, or be construed as permitting, without the consent of all adversely affected Bondowners, (a) change in the terms of redemption or of the maturity of the principal of or the interest on any Bond issued hereunder, or (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of the Revenues, or any part thereof, other than the lien and pledge created or permitted by this Indenture, or (d) a preference or priority of any Bond or Bonds over any other Bond or Bonds except as may be permitted by the applicable Series Indenture(s), or (e) a reduction in the aggregate principal amount or classes of the Bonds required for consent to such Supplemental Indenture. Nothing herein contained, however, shall be construed as making necessary the approval by Bondowners of the execution of any Supplemental Indenture as authorized in Section 1001 hereof. If any such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. For the purpose of this Section, a Series shall be deemed

to be affected by a modification or amendment of this Indenture if the same adversely affects or diminishes the rights of the Owner of Bonds of such Series. The Trustee may in its discretion determine whether or not in accordance with the foregoing powers of amendment, Bonds of any particular Series and maturity would be affected by any modification or amendment of this Indenture and any such determination shall be binding and conclusive on the Agency and all Owners of Bonds.

The Trustee shall, at the expense of the Agency, cause notice of the proposed execution of such Supplemental Indenture to be mailed, first class postage prepaid, to all affected Bondowners at their addresses as they appear on the registration books. Such notices shall briefly set forth the proposed Supplemental Indenture and shall state that copies thereof are on file at the principal office of the Trustee for inspection by all Bondowners. The Trustee shall not, however, be subject to any liability to any Bondowners by reason of its failure to mail the notice required by this Section, and any such failure shall not affect the validity of such Supplemental Indenture when consented to and approved as provided in this Section.

Whenever, at any time within one year after the date of the first giving of such notice, the Agency shall deliver to the Trustee an instrument or instruments in writing purporting to be executed by the owners of not less than fifty-one per centum (51%) in aggregate principal amount of the affected Bonds then Outstanding, which instrument or instruments shall refer to the proposed Supplemental Indenture described in such notice and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the Trustee may perform its duties under such Supplemental Indenture in substantially such form, without liability or responsibility to any Bondowner, whether or not such Bondowner shall have consented thereto.

If the required number of owners at the time of the execution of such Supplemental Indenture shall have consented to and approved the execution thereof as herein provided, no Bondowner shall have any right to object to the execution of such Supplemental Indenture, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Agency from executing the same or from taking any action pursuant to the provisions thereof.

Upon the execution of any Supplemental Indenture pursuant to the provisions of this Section, this Indenture shall be and be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the Agency, the Trustee and all Bondowners shall thereafter be determined, exercised and enforced in all respects under the provisions of this Indenture as so modified and amended.

Section 1003. *Supplements and Amendments Deemed Part of Indenture.* Any Supplemental Indenture executed in accordance with the provisions of this Article shall thereafter form a part of this Indenture, and all of the terms and conditions contained in any such Supplemental Indenture as to any provision authorized to be contained therein shall be and shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes. In case of the execution of any Supplemental Indenture, express reference may be made thereto in the text of any Bonds issued thereafter, if deemed necessary or desirable by the Trustee.

Section 1004. *Discretion of Trustee in Performing Under Supplemental Indentures.* In each and every case provided for in this Article, the Trustee shall be entitled to exercise its discretion in determining whether or not to perform under any proposed Supplemental Indenture, or any term or provision therein contained, if the rights, obligations and interests of the Trustee would be affected, having in view the purposes of such instrument, the rights and interests of the Bondowners, the respective rights and interests of the Agency and the rights, obligations and interests of the Trustee, and the Trustee shall not be under any responsibility or liability to the Agency, any Bondowner, or to anyone whomsoever for its refusal in good faith to perform under any such Supplemental Indenture, if such Supplemental Indenture is deemed by it to be contrary to the provisions of this Article. The Trustee shall be entitled to receive, and shall be fully protected in relying upon, the opinion of any counsel approved by it, who may be counsel for the Agency, as conclusive evidence that any such proposed Supplemental Indenture does or does not comply with the provisions of this Indenture, and that it is or is not proper for it, under the provisions of this Article, to perform under such Supplemental Indenture.

Section 1005. *Notation on Bonds.* Bonds authenticated and delivered after the effective date of any action taken as in Article X provided may, and, if the Trustee or the Agency so determines, shall bear a notation by endorsement or otherwise in form approved by the Agency and the Trustee as to such action, and in that case upon demand of the Owner of any Bond Outstanding at such effective date and presentation of their Bond for the purpose at a corporate trust office of the Trustee or upon any transfer of any Bond Outstanding at such effective date, suitable notation shall be made on such Bond or upon any such transfer by the Trustee as to any such action. If the Agency or the Trustee shall so determine, new Bonds so modified as in the opinion of the Trustee and the Agency to conform to such action shall be prepared, authenticated and delivered, and upon demand of the Owner of any Bond then Outstanding, shall be exchanged, without cost to such Bondowner, for Bonds then Outstanding, upon surrender of such Bonds for Bonds of the same maturity then Outstanding.

ARTICLE XI

DEFEASANCE

Section 1101. *Defeasance.* (a) If, when the Bonds secured hereby shall have become due and payable in accordance with their terms or otherwise as provided in this Indenture, and all Bonds not described in the prior clause shall have been duly called for redemption or irrevocable instructions to call such Bonds for redemption shall have been given by the Agency to the Trustee and (a) the whole amount of the principal of, Redemption Price, and the interest on all of such Bonds shall be paid, or (b) the Trustee shall hold money or Government Obligations or shall hold money and Government Obligations, sufficient to pay the principal of, Redemption Price, and interest on all Outstanding Bonds on their respective interest payment, stated maturity or prescribed redemption dates, provided that such Government Obligations shall be in such amount that the principal of and the interest on such Government Obligations so held by the Trustee, when due and payable, will provide sufficient money which, with any and all other money held by the Trustee for such purpose under the provisions of this Indenture, shall be sufficient to pay such principal of, Redemption Price, and the interest on such

Bonds and, if sufficient funds shall also have been provided for paying all other obligations payable under this Indenture by the Agency, then and in that case the right, title and interest of the Trustee under this Indenture shall thereupon cease, terminate and become void, and the Trustee in such case, on demand of the Agency, shall release this Indenture and shall release the security, and shall execute such documents to evidence such release as may be reasonably required by the Agency, and shall turn over to the Agency or to such officer, board, or body as may then be entitled to receive the same, all the remaining property held by the Trustee under this Indenture. Otherwise, this Indenture shall be, continue and remain in full force and effect; *provided, however*, that in the event money or Government Obligations shall be deposited with and held by the Trustee as provided in this subsection (a), applicable provisions of this Indenture, particularly Articles II, III, VIII and XI, pertaining to the payment of the principal and Redemption Price of, or interest on the Bonds issued under this Indenture and other obligations payable hereunder by the Agency, shall be continued in force until such Bonds and other obligations have been fully paid.

(b) All money and Government Obligations held by the Trustee pursuant to this Section shall be held in trust exclusively for and applied to the payment, when due, of the Bonds payable therewith.

ARTICLE XII

MISCELLANEOUS PROVISIONS

Section 1201. *Successorship of Agency; Effect of Covenants; Construction of Indenture.* All covenants, stipulations, obligations and agreements of the Agency contained in this Indenture shall be deemed to be covenants, stipulations, obligations and agreements of the Agency to the full extent authorized or permitted by law, and all such covenants, stipulations, obligations and agreements shall be binding upon the successor or successors thereof from time to time, and upon any officer, board, body, commission, authority, agency or instrumentality to whom or to which any power or duty affecting such covenants, stipulations, obligations and agreements shall be transferred by or in accordance with law.

No covenant, stipulation, obligation or agreement herein contained shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future director, agent or employee of the Agency in their individual capacity, and neither the Agency nor any officer thereof, present or future, executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or responsibility by reason of the issuance thereof.

The laws of the State shall govern the construction of this Indenture.

Section 1202. *Manner of Giving Notice.* Any notice, demand, direction, request or other instrument authorized or required by this Indenture to be given to or filed with the Agency or the Trustee shall be deemed to have been sufficiently given or filed for all purposes of this Indenture if made, given, furnished or filed in writing as follows and if and when delivered by hand or sent by registered mail, first-class, postage prepaid, return receipt requested, or sent

by any delivery service which provides receipt for delivery, addressed as follows (unless changed by notice as hereinafter provided):

(a) to the Agency, if addressed to Executive Director, California Housing Finance Agency, 500 Capitol Mall, Suite 1400, Sacramento, CA 95814, with a second copy addressed to the Director of Financing, at the same address;

(b) to the Trustee, if addressed to it at a corporate trust office, or to any successor Trustee, if addressed to it at a corporate trust office.

All documents received by the Trustee under the provisions of this Indenture or photographic copies thereof, shall be retained in its possession until this Indenture shall be released under the provisions of Section 1101 hereof, subject at all reasonable times to the inspection of the Agency, any agency or officer of the State, any Bondowner, and the agents and representatives thereof.

Section 1203. *Parties and Bondowners Alone Have Rights Under Indenture.* Except as herein otherwise expressly provided, nothing in this Indenture expressed or implied is intended or shall be construed to confer upon any person, firm or corporation other than the parties hereto and the owners of the Bonds issued under the provisions of this Indenture any right, remedy or claim, legal or equitable, under or by reason of this Indenture or any provisions hereof, this Indenture and all its provisions being intended to be and being for the sole and exclusive benefit of the parties hereto and the owners from time to time of the Bonds issued hereunder.

Section 1204. *Effect of Partial Invalidity.* In case any one or more of the provisions of this Indenture or of the Bonds shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Indenture or of the Bonds, but this Indenture and the Bonds shall be construed and enforced as if such illegal or invalid provision had not been contained therein. In case any covenant, stipulation, obligation or agreement contained in the Bonds or in this Indenture shall for any reason be held to be in violation of law, then such covenant, stipulation, obligation or agreement shall be deemed to be the covenant, stipulation, obligation or agreement of the Agency to the full extent permitted by law.

Section 1205. *Written Notices and Other Communications.* Notwithstanding anything to the contrary herein, any written notice or other communication hereunder shall be considered delivered as herein provided if (A) transmitted by (i) facsimile, (ii) email or (iii) such other electronic means as may be provided for in a Series Indenture or Supplemental Indenture (and in the case of a notice or other communication to the Trustee, such other electronic means shall have been consented to in writing by the Trustee prior to the first use thereof for such purpose) and (B) receipt of such notice or other communication is affirmatively acknowledged by the recipient thereof (excluding any “read receipt” or other similar passive automatic response).

Section 1206. *Headings, Table of Contents and Notes for Convenience Only.* Any heading preceding the text of the several articles hereof and any table of contents or

marginal notes appended to copies hereof shall be solely for convenience of reference and shall not constitute a part of this Indenture, nor shall they affect its meaning, construction or effect.

Section 1207. *Payment Due or Acts to be Performed on Weekends and Holidays.* If the date for making any payment of principal or premium, if any, or interest or the last date for performance of any act or the exercising of any right, as provided in this Indenture, shall be a legal holiday or a day on which banking institutions in the city where the Trustee is located, are authorized by law to remain closed, such payment may be made or act performed or right exercised on the next succeeding day not a legal holiday or not a day on which such banking institutions are authorized by law to remain closed, unless otherwise provided in a Series Indenture, with the same force and effect as if done on the nominal date provided in this Indenture.

Section 1208. *Agency Request or Direction of Authorized Officer.* In connection with any Agency Request or direction of an Authorized Officer delivered hereunder, if such Agency Request or direction involves a calculation in which the outstanding principal balance of Mortgage-Backed Securities is relevant, then such Agency Request shall include the amount of the outstanding principal balance of Mortgage-Backed Securities as of the relevant date.

Section 1209. *Notice to Rating Agencies.* The Agency shall give notice to each Rating Agency prior to the occurrence of any of the following thirty days prior to the occurrence thereof (or such lesser period of time as may be acceptable to each Rating Agency), with a copy of the relevant documentation:

- (a) the issuance of Additional Bonds;
- (b) the effective date of a Supplemental Indenture or a Series Indenture; and
- (c) the resignation or removal of the Trustee or the appointment of a successor Trustee.

Section 1210. *Counterparts.* This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 1211. *Effective Date; Execution and Delivery.* This Indenture shall become effective upon its execution and delivery by the Agency and the Trustee.

IN WITNESS WHEREOF, the California Housing Finance Agency has caused this Indenture to be signed in its name by its _____ and its corporate seal to be affixed hereto and attested by the Secretary of its Board of Directors, and U.S. Bank Trust Company, National Association, in token of its acceptance of the trusts created hereunder, has caused this Indenture to be executed in its name by an authorized signatory thereof, all as of the day and year first above written.

CALIFORNIA HOUSING FINANCE AGENCY

By: _____
[Name]
[Title]

[SEAL]

Attest: _____
Secretary of the Board of Directors

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Signatory

CALIFORNIA HOUSING FINANCE AGENCY

Financial Risk Management Policy

Dated: May 5, 2014

Amended and Restated: April 21, 2022, Amended: June 16, 2023

I. Purpose

The purpose of this Financial Risk Management Policy (the “Policy”) is to provide guidelines for the establishment and maintenance of financial reserves and the use and management of interest rate swaps and other derivative financial products for financial risk management in conjunction with the California Housing Finance Agency’s (“CalHFA” or the “Agency”) financing activities.

The Agency seeks to broaden the existing Master Hedge Policy to include other Agency financial risks and risk mitigation strategies including reserve funds, and management of other long-term liabilities to reduce market and interest rate risk exposure. This Policy reflects amendments made from time to time of the Master Hedge Policy dated May 5, 2014 and incorporates the Emergency Reserve Account established in Resolution 17-12.

II. Board of Directors

The Board of Directors (the “Board”) shall receive written notice of changes to this Policy and reports as detailed herein. The Board retains sole authority to change Section II of this Policy.

III. Executive Director

The Executive Director shall be responsible for overseeing this Policy and approving any changes recommended by the Financial Risk Management Committee to this Policy. The Executive Director may present to the Board any informational or action items that pertain to the scope of this policy. The Executive Director may designate the Chief Deputy Director to approve changes recommended by the Financial Risk Management Committee to this Policy.

IV. Financial Risk Management Committee

The Financial Risk Management Committee (the “Committee”) shall be composed of the following: Director of Financing (Chair), Director of Enterprise Risk Management and Compliance (Vice-Chair), the General Counsel or the General Counsel’s designee, the Comptroller or the Comptroller’s designee, and the Risk Manager. The Committee shall:

- A. meet at the call of the Chair or the Vice-Chair; and
- B. annually meet to review this Policy and recommend any changes to this Policy to the Executive Director; and
- C. annually meet to review the adequacy of the funding level of the Emergency Reserve Account and any other reserve accounts as established in this Policy; and

- D. meet as required to review any procedures created by the Director of Financing pertaining to this Policy to ensure that the procedures are consistent with this Policy; and
- E. meet as required to review any reports to be submitted to the Board of Directors as prepared by the Director of Financing as directed by this Policy.

The Committee may also retain and consult with legal, financial, and other investment professionals and advisors.

V. Emergency Reserve Account

- A. The purpose of the Emergency Reserve Account is to fund:
 - 1. Unforeseen expenditure for previous Board authorized obligations.
 - 2. Fund necessary administrative and operating expenses for which funds may not otherwise be available.
 - 3. Fund the payment of any obligations or commitments previously approved by the Board which are necessary to protect the credit ratings of the Agency and the security interests of the holders of the Agency's bonds, notes, or other debt instruments, including other financing instruments and obligations associated with the issuance of the Agency's bonds, notes, or other debt instruments.
- B. The Executive Director has the authority to approve disbursements or otherwise encumber the Emergency Reserve Account for purposes listed in Section V.A.
 - 1. The Executive Director may delegate this authority to the Chief Deputy Director, the Director of Financing, or the Comptroller.
 - 2. The authority of the Director of Financing and the Comptroller shall be limited to \$1,000,000.
 - 3. Any disbursement or encumbrance of the Emergency Reserve Account shall be communicated to the Board in writing at the next regularly scheduled meeting of the Board.
- C. The Emergency Reserve Account shall be funded by an amount equal to the Board approved operating budget of the following fiscal year, rounded to the nearest one million dollars ("Required ERA Amount"). The Director of Financing shall be responsible for the calculation of the Required ERA Amount.
- D. No less than 25% of the Required ERA Amount shall be funded in cash. The Agency may fund the remaining Required ERA Amount with Eligible Securities as defined in the Investment and Debt Policy.
- E. The Director of Financing shall, prior to the end of each fiscal year, and no later than each June 30th, instruct the Comptroller to deposit or withdraw cash or marketable securities, such that the assets in the Emergency Reserve Account are greater than to the Required ERA Amount.

VI. Hedge Reserve Account

- A. The Agency shall establish a Hedge Reserve Account for the purpose of funding potential termination payments of outstanding interest rate swaps or other derivative products that include a mandatory cash settlement feature, scheduled within a five-year timeframe.
1. The Hedge Reserve Account shall be funded and updated at least monthly with a minimum balance as further described within this section (“Reserve Requirement”)
 2. The calculation of the Reserve Requirement is the sum of the calculations below for each respective swap, that is in scope of this provision.
 - a) Current swap mark-to-market, less
 - b) the swap DV01¹, multiplied by
 - c) the Potential Rate Movement against the Agency, and then multiplied by
 - d) the Posting Percentage

Whereas the Potential Rate Movement and Posting Percentage is equal to the corresponding figures from the table below:

<u>Time Left Until Mandatory Cash Settlement Date:</u>		<u>Potential Rate Movement</u>	<u>Posting Percentage</u>
<u>Greater or Equal Than</u>	<u>But Less Than</u>		
0.0 years	0.5 years	25 bp	80%
0.5 years	1.0 years	50 bp	60%
1.0 years	2.0 years	75 bp	40%
2.0 years	5.0 years	100 bp	20%

3. To the extent the Agency is posting any collateral on the in-scope swaps, it shall net those amounts against the Reserve Requirement.
- B. To the extent the Director of Financing determines the need to create a separate reserve account to manage cash-flows and/or other requirements related to the overall short-term or long-term hedging strategy, timing mismatch or other risks related to derivatives and other hedging instruments, such action shall be authorized upon the approval of the Financial Risk Management Committee.

¹ DV01 = Dollar Value of 1 Basis Point. The risk metric used for financial instruments that demonstrates the present value impact to a contract with a one basis point change in prevailing interest rates taking into account all economic details of the transaction.

VII. Financing Programs**A. Single-Family Programs**

1. Recommendations to propose new risk mitigation strategies and/or update existing risk mitigation strategies, including but not limited to interest rate hedges discussed in Section VII, will be made based on the review and analysis of the (i) Single Family Reservation Pipeline consisting of loans previously purchased plus those loans for which a reservation has been received and is in an “active” (not cancelled, denied or other inactive status) status and not yet sold; and (ii) Quarterly portfolio review of the “Homeownership Loan Portfolio Delinquency, REO and Short sale Report”.
2. Home Mortgage Programs (Bond issuance): All the mortgage loans purchased under the Agency’s home mortgage programs will be insured either by the Federal Housing Administration (FHA), the Department of Veterans Affairs (VA), a private mortgage guaranty insurance policy, or a combination thereof, covering a loss of up to 50%, 100% in the case of a FHA-insured loan, of the outstanding principal amount of the mortgage loans.
3. TBA (To Be Announced) Market Rate Program: Under the current TBA program, there is no balance sheet risk, as well as no credit or interest rate risk to the Agency. The Agency has agreement to sell on a mandatory delivery basis certain specified Agency mortgage pass-through securities, the repayment of which is guaranteed in full as to principal and interest by Fannie Mae or GNMA. The Director of Financing will review the hedging costs and target return for the Agency are built into the all-in rate provided by the Servicer (Lakeview). The Agency’s revenue from this program thus comprises of program fee and gain on sale of the TBA market rate securities.
4. Portfolio Risk Management: To monitor the potential losses on individual loans in the portfolio, the Director of Financing (and the Fiscal Services) will receive quarterly reports computing the Probability of Default (“PD”) and Loan Loss (“LL”) Reserve levels. The procedures for PD and LL reserve computations will be reviewed annually by the Committee.

B. Multifamily Programs

1. Recommendations to propose new risk mitigation strategies and/or update existing risk mitigation strategies, including but not limited to interest rate hedges discussed in Section VII, will be made based on the review and analysis of (i) Multi-family loan commitment pipeline; and (ii) Multifamily and Special Programs Delinquency and Loan Loss Allowances Quarterly report.

2. Further, as part of the overall risk mitigation strategy, the Director of Financing may recommend certain multifamily perm loan originations to qualify for the HUD-FHA Risk Share program and thereby be eligible to be insured under Sec. 542(c) Risk-sharing program. Risk Share apportionment through the Agency's participation in the program is HUD 50%/ CalHFA 50%.
3. Conduit Bond Issuance Program (including Securitization and Municipal Certificates issuance): For all transactions in which the Agency is the conduit issuer either to provide access to multi-family developers to the tax-exempt bond market or for securitization deals with other lenders, the Agency's financial risk is de minimis and limited only to the non-collection of fees and legal costs. Nonetheless, the Agency will develop procedures for assessing the inherent risks associated with conduit issuances including but not limited to, vetting the borrowers (sellers in case of municipal certificates), conflict of interest laws, CDLAC approval requirements, reputational risks associated with failure of the borrower to fulfill its obligations to the investors (bond payments, disclosure requirements, compliance issues).
4. Portfolio Risk Management: To monitor the potential losses on individual loans in the portfolio, the Director of Financing will receive quarterly reports computing the Multi-family Loan Loss allowances. The procedures for computations of loan loss allowances and the effectiveness of such will be reviewed annually by the Committee.

VIII. Interest Rate Hedges

- A. Interest Rate Risk is the risk that rates committed to through the single-family loan reservation process, or the multifamily loan commitment process may rise, producing either losses in income or absolute losses.
- B. The Agency may enter into interest rate swaps or other derivative products ("Hedges") to mitigate interest rate risk.
- C. CalHFA has statutory authority to enter into Hedges.
- D. CalHFA may amend, terminate, or enter into offsetting transactions to manage market, counterparty, credit, and other risks associated with its Hedges.
- E. CalHFA shall not enter into Hedges where one or more of the following conditions exist:
 1. The Hedge serves a purely speculative purpose, such as entering into a hedge for the sole purpose of trading gains, or create extraordinary leverage;
 2. There is insufficient pricing data available to allow the Agency and its advisors to adequately value the hedge instrument.

- F. Hedges shall comply with California statutes, resolutions approved by the Board, federal tax law, and as appropriate, other indenture and contractual requirements.
- G. The Agency's Executive Director, the Chief Deputy Director, and the Director of Financing are authorized to enter, amend, or terminate Hedges consistent with this Policy.
 - 1. The Executive Director may delegate additional individuals that are authorized to enter, amend, or terminate Hedges consistent with this Policy.
- H. The Director of Financing shall maintain records of all current Hedges, including, but not limited to ISDA Master Agreements, Credit Support Annexes, trade confirmations, legal opinions, and tax certificates.

IX. Counterparty Requirements

The Agency may select a Swap Counterparty through either a competitive or negotiated process and will be done on a case-by-case basis. Nonetheless, the Agency will utilize the following standards in selecting counterparties for Hedges:

- A. Credit Ratings
 - 1. The Agency will enter into transactions only with counterparties whose obligations are rated in the "A" category (or equivalent) or better from both Moody's Investors Service and Standard & Poor's Global Ratings.
 - 2. In cases where the counterparty's obligations are rated based on a guarantee or specialized structure to achieve the required credit rating, the Agency shall thoroughly investigate the nature and legal structure of the guarantee or structure in order to determine that it meets the Agency's requirements in full.
- B. Diversification of Counterparties
 - 1. The Agency shall strive to keep a diversified amount of exposure ("Exposure") to Swap Counterparties based on aggregate swap DV01².
 - 2. When the total DV01 of the Agency's swap portfolio is less than \$250,000, no diversification is required by policy though the Agency may make efforts to diversify.
 - 3. When the total DV01 of the Agency's swap portfolio is greater than \$250,000 but less than \$500,000, the Agency shall not enter into new swaps with a Swap Counterparty if their resulting Exposure would be greater than 75%.

² DV01 = Dollar Value of 1 Basis Point. The risk metric used for financial instruments that demonstrates the present value impact to a contract with a one basis point change in prevailing interest rates taking into account all economic details of the transaction.

4. When the total DV01 of the Agency's swap portfolio is greater than \$500,000, the Agency shall not enter into new swaps with a Swap Counterparty if their resulting Exposure would be greater than 50%.
5. Any exceptions to Section IX. B can be approved by the Executive Director upon recommendation of the Committee.

C. Collateral Thresholds

1. The Agency's threshold in the "Aaa/AAA" or "Aa/AA" rating categories shall be infinity or at a high enough level whereas it can be reasonably demonstrated that the Agency's underlying trade exposure will never breach such threshold.
2. The Agency may require asymmetrical and lower threshold amounts for counterparty (or parent) collateral posting requirements.

D. Optional Termination

1. Counterparties shall not have the right to optionally terminate any Hedge. The Agency shall always retain such right which would be specified in either the ISDA Agreement or individual trade confirmation.

X. Mitigation of Interest Rate Swap and Derivative Risk

Before entering into a new Hedge, the Director of Financing shall ensure that the risks, costs, and benefits are evaluated to make well-informed decisions for Hedge structuring. The following paragraphs describe risks and the identified strategy for mitigation, if appropriate:

A. Counterparty Risk

1. Defined as the risk that a counterparty will fail to make required payments or fulfill its obligations per the swap contract.
2. Counterparty risk is mitigated through the counterparty requirements in Section IX.

B. Hedge Mismatch Risk

1. Defined as the risk that the settlement payment on the hedge fails to offset the change in the actual cost of the deferred debt financing.
2. To mitigate this risk, the Agency shall review the efficiency of potential indices prior to entering into any new Hedge.

C. Market Risk

1. General market risk may occur because the Hedge market has suffered a loss of liquidity or collapsed, making it difficult or impossible to obtain a replacement hedge.
 - a) Market access risk is the risk that following an early termination, the Agency will not be able to obtain a replacement Hedge because

its credit has deteriorated, or it is shut out of the market for other Agency-specific reasons.

- b) To mitigate this risk, the Agency will not allow optional termination of its Hedges from any counterparty. The Agency shall also monitor counterparty ratings and seek to novate any Hedges prior to any credit-related termination event.

D. Non-Delivery Risk/Fallout Risk

1. Defined as the risk that the committed loans are not delivered thus the Hedges effectively become an investment.
2. To mitigate this risk, the Agency has breakage penalties to be applied on multifamily commitments.

E. Notional Amount Mismatch Risk

1. Defined as the risk that the size of a commitment at financial close differs from the size of the commitment at rate-lock.
2. To mitigate this risk, there are permitted adjustment limits of 7% of loan value for multifamily commitments. Any deviation beyond 7% will require approval by the Board.

F. Termination Risk

1. Defined as the risk that due to some event or exercise of a right the Hedge may terminate or be terminated prior to its scheduled expiration.
2. To mitigate this risk, the Agency will monitor its termination exposure for all existing and proposed Swaps at market value (and under adverse economic conditions, if/as required). Further, the agency will not enter into any Hedge that can terminate at the counterparty's option.

G. Rollover Risk

1. Defined as the risk that loan extensions or early closings leave the loan commitment under-hedged or over-hedged.
2. To mitigate this risk, the Agency shall include extension fees that at a minimum offset any costs of extending a Hedge.

XI. Reserved

XII. Board Reports

- A. The Director of Financing shall prepare and provide a written report on a semi-annually at the next regularly scheduled meeting of the Board after February 1 and August 1 of each year that includes:

1. A summary of outstanding interest rate swaps and their counterparties;
2. The mark-to-market value (termination value) of all interest rate swaps, as measured by the economic cost or benefit of terminating outstanding contracts as of a designated valuation date;
3. The mark-to-market value (termination value) that the Agency has to each specific counterparty, as measured by aggregate mark-to-market value, netted for offsetting transactions;
4. The credit ratings of each counterparty (or guarantor, if applicable) and any changes in the credit rating since the last reporting period;
5. Any collateral posting as a result of ISDA or other agreements; and
6. A summary of risks involved with Hedges or interest rate swaps.

XIII. Financial Reporting

- A. The Agency will present the use of derivatives on its financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

XIV. Policy Administration

- A. The Director of Financing is the designated administrator of this Policy.
- B. The Director of Financing shall create procedures consistent with this Policy. Procedures shall include:
 1. Methods of evaluating hedging strategies for potential reduction in risk to the Agency
 2. Methods of evaluating risks and mitigation described in Section X of this Policy
 3. Evaluation of potential impact of any Hedge on the Agency's credit ratings
 4. Evaluation of potential impact of any Hedge on the Agency's finances or financial flexibility, including but not limited to letters of credit and bond insurance
 5. Method of selecting Hedge counterparty
 6. Notification requirements prior to the entrance, amendment, or termination of any Hedge. Such notices shall include the Chief Deputy Director and the Committee.
- C. The Director of Financing shall submit all changes in procedures to the Committee for review.

CALIFORNIA HOUSING FINANCE AGENCY

Investment and Debt Management Policy

Dated: March 14, 2012

Amended and Restated: April 21, 2022, Amended: June 16, 2023

I. Purpose

The purpose of this Investment Policy (the “Policy”) is to preserve and strengthen the California Housing Finance Agency’s (“CalHFA” or the “Agency”) financial capacity through safeguarding financial assets, maintaining access to diverse sources of capital, and leveraging available capital.

The Agency seeks to broaden the Investment Policy to include debt management and to clarify the scope of the Policy. This Policy reflects amendments made from time to time to the Investment Policy dated March 14, 2012.

II. Board of Directors

The Board of Directors (the “Board”) shall receive written notice of changes to this Policy and reports as detailed herein. The Board retains sole authority to change Section II of this Policy.

III. Executive Director

The Executive Director shall be responsible for overseeing this Policy and approving any changes recommended by the Investment and Debt Management Committee to this Policy. The Executive Director may present to the Board any informational or action items that pertain to the scope of this policy. The Executive Director may designate the Chief Deputy Director to approve changes recommended by the Investment and Debt Management Committee to this Policy.

IV. Investment and Debt Management Committee

The Investment and Debt Management Committee (the “Committee”) shall be composed of the following: Director of Financing (Chair), the Comptroller (Vice-Chair), the General Counsel or the General Counsel’s designee, the Director of Enterprise Risk Management, and the Risk Manager. The Committee shall:

- A. meet at the call of the Chair or the Vice-Chair; and
- B. annually meet to review this Policy and recommend any changes to this Policy to the Executive Director; and
- C. meet as required to review any procedures or internal controls created by the Director of Financing or the Comptroller pertaining to this Policy to ensure that the procedures are consistent with this Policy; and

- D. meet as required to review any reports to be submitted to the Board as prepared by the Director of Financing as directed by this Policy.

The Committee may also retain and consult with legal, financial, and other investment professionals and advisors.

V. Ethics and Conflicts of Interest

The Executive Director, Chief Deputy Director, Director of Financing, Comptroller, other members of the Investment and Debt Management Committee, other Agency employees involved with investments or debt management at the Agency, investment advisors and trustees involved in funds management operations shall operate in a manner that is consistent with applicable conflict of interest and incompatible activity laws of the State. They shall refrain from personal business activities that could conflict with the proper execution of the Agency's investment or debt management program, or which could impair their ability to make impartial decisions, advise on investment or debt issuance decisions, or perform investment or debt management activities impartially, as applicable.

VI. Objectives and Scope

This Policy covers investments as listed below:

A. Agency Funds

California Government Code §53600.5 establishes investment objectives for local agencies. The Agency is not a local agency under the Government Code but intends to align this Policy with the provisions in California Government Code §53600.5. The Agency's investment objectives, in the following priority order, shall be:

1. Safety of Principal: When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the primary objective shall be to safeguard the principal of funds under its control.
2. Liquidity: The Agency's investments shall meet its liquidity needs as reasonably anticipated.
3. Return on Investment: The Agency seeks to optimize the yield on its investments.

B. Exclusions from Policy

1. The Policy does not apply to interest rate swaps as defined as Hedges or Pre-2014 Swaps as defined in the Agency's Financial Risk Management Policy.
2. This Policy does not apply to funds and accounts established under the Agency's Multifamily Conduit Bond program. The Agency has no responsibility for investments in these funds and accounts.
3. This Policy does not apply to funds and accounts relating to any collateral posted by the Agency for Hedges, nor collateral posted as

required to use Lines of Credit or Credit Facilities as described in Section XXII.

VII. Investment Standard of Care

California Government Code §53600.3 establishes investment objectives for local agencies. The Agency is not a local agency under the California Government Code but intends to align this Policy with the provisions in California Government Code §53600.3.

When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, persons authorized to make investment decisions on behalf of the Agency shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

VIII. Investment Authority

The Agency has authority to invest funds in accordance with California Health and Safety Code §51003.

IX. Divestment

The Agency shall comply with State and Federal divestment directions.

X. Investment Management and Investment Operations

- A. Investment Management: The Director of Financing has the authority to manage the Agency's investments in accordance with this Policy and within the authority of California Health and Safety Code §50912.
- B. Investment Operations: The trustees under the bond resolutions along with the Comptroller are responsible for the execution of the Agency's investment decisions and for the safekeeping of investment securities.

XI. Permitted Investments for Agency Funds (excluding Bond Indentures)

- A. Single family and multifamily mortgage loans as part of the Agency's goal of supporting its core mission-based affordable housing program portfolio growth. Investments in such mortgage loans shall be based on the credit analysis and impact on the Agency's issuer credit rating and credit ratings of the respective indentures of trust.

- B. Surplus Money Investment Fund (“SMIF”): The Comptroller may direct the State Treasurer’s Office (“STO”) to deposit funds in the State Treasury to be invested in SMIF.
- C. Eligible Securities: The Comptroller may direct the STO or a registered broker-dealer for fixed-income securities to invest funds that are not required for its current needs in the following Eligible Securities:
 - 1. Treasury notes, treasury bills or treasury bonds
 - 2. Mortgage-backed securities guaranteed by the Federal National Mortgage Association (“FNMA”), Government National Mortgage Association (“GNMA”) or Federal Home Loan Mortgage Corporation (“FHLMC”)
 - 3. U.S. Bank open commercial paper program
 - 4. Any other securities as described in the California Government Code §16430
- D. State of California Approved Depository Bank Accounts and Money Market Funds (“MMF”): The Comptroller may deposit or direct the STO to deposit funds in State approved depository bank accounts or MMF outside the State’s Centralized Treasury System (“CTS”) if:
 - 1. the depository bank deposits, with the STO, collateral in excess of 110 percent of the deposit (in accordance with California Government Code §16521); and
 - 2. the funds are deposited for administrative efficiencies that are not available through the CTS.

XII. Permitted Investments for Agency Funds (Bond Indentures & Bond Proceeds)

Bond Proceeds shall be invested in accordance with the provisions of each indenture of trust and supplemental indentures. Permitted investments pertaining to indentures of trust and supplemental indentures of trust may be attached as exhibits to this Policy. Such attachments are for reference purposes only and shall not be construed to be amendments to the Policy.

XIII. Internal Controls

The Comptroller shall establish a system of procedures and internal controls. The internal control structure shall be designed to ensure that the assets of the Agency are protected from loss, theft, or misuse and to provide reasonable assurance that these objectives are met. Internal controls shall address the following issues:

- A. Clear delegation of authority to staff members
- B. Separation of transaction authority from financial reporting

- C. Authorizations of wire transfers
- D. Written confirmation of transactions for investments and wire transfers
- E. Timely reconciliation of transactions
- F. Avoidance of physical delivery of securities
- G. Control of collusion

XIV. Safekeeping and Custody of Securities

- A. Third Party Safekeeping: Securities will be held by an independent third-party trustee or other custodial arrangement. All securities will be held by the third party in the Agency's name.
- B. Delivery versus Payment: All trades of securities will be cleared and settled on a delivery versus payment basis to ensure that securities are deposited with the third-party trustee prior to the release of funds.

XV. Collateral Posting Requirement

The Agency has established demand accounts with one of the State of California's approved depository banks. The depository bank is required to deposit, with the STO, collateral in excess of 110 percent of the deposit (California Government Code §16521).

XVI. Investment Risks

The Agency shall evaluate the following risks for investment of funds:

- A. **Credit Risk** – The risk that the issuer will fail to pay principal or interest in a timely manner, or the perception of such a failure to pay. Obligations of the US Government or those explicitly guaranteed by the US Government are considered not to have this risk.
- B. **Custodial Credit Risk** – The risk of the failure of a custodian that causes securities not to be returned to the Agency.
- C. **Concentration of Credit Risk** – The risk associated with lack of diversification, such as having investments with a limited number of individual issuers. Obligations of the US Government or those explicitly guaranteed by the US Government are considered not to have this risk.
- D. **Interest Rate Risk** – The risk associated with the value of holding fixed income securities in an increasing interest rate environment, causing a decline in market value.

DEBT ISSUANCE AND MANAGEMENT

XVII. Debt Issuance Authority

The Agency has authority to issue bonds, including refunding bonds, and incur other indebtedness in accordance with California Health and Safety Code §51350.

XVIII. Debt Limit

As of January 1, 2023, the California Health and Safety Code §51350 established the statutory limit of total debt outstanding for the Agency as \$13,150,000,000.

XIX. Debt Issuance Objectives

The Agency shall issue debt to:

- A. Finance multi-family and single-family loans in accordance with the California Health and Safety Code
 - 1. §51350 to provide sufficient funds for financing housing developments and other residential structures;
 - 2. §51065.5 To make unsecured loans or loans secured by assets other than real property to local public entities;
 - 3. §51365 Any other purposes of the Agency.
- B. Debt proceeds may also be used to fund reserves as created by indentures of trust and to pay associated costs of issuance from the debt issuance.

XX. Issuance of Bonds or other Securities

- A. The Agency shall retain outside experts as needed, including, but not limited to:
 - 1. Bond Counsel in accordance with California Health and Safety Code §50911(c);
 - 2. Disclosure Counsel;
 - 3. Investment banking firms, qualified to do business with the State of California as evidenced by inclusion in the State Treasurer's Office Underwriter Pool;
 - 4. Arbitrage calculation agents;
- B. The Agency shall conduct a competitive process to qualify investment banking firms to publicly sell or privately place the Agency's debt issuances.
- C. The Agency shall monitor outstanding debt for refinancing opportunities.

1. The Agency may consider a refunding transaction if the refunding will provide a 4.0% or greater net present value savings to the Agency.
 2. The Executive Director may approve any refunding or restructuring to meet organizational or strategic needs at the Executive Director's sole discretion.
- D. The maximum term of debt shall not exceed the underlying loan term or loan amortization.
- E. The Agency's bonds shall be structured with 10-year par call options or shorter, and extraordinary call provisions for default or prepayment of underlying loans. Pass-through bonds are not subject to this call option requirement.
- F. The Agency shall not issue variable rate demand bonds or enter into any derivative products related to variable rate demand bonds without the prior written approval of the Executive Director.
- G. The Agency shall maintain ratings with Moody's Investors Service (Moody's) and Standard & Poor's Global Ratings (S&P) on its outstanding bonds. The Director of Financing may waive this requirement if there is no material impact to the potential pricing of the public bond.
- H. Credit enhancement, such as bond insurance, will only be used when the anticipated present value savings in terms of reduced interest expense exceeds the cost of the enhancement.

XXI. Annual Financing Resolutions

- A. The Director of Financing shall annually submit one or more resolution(s) to the Board seeking approval for the issuance of bonds or other debt instruments.
- B. The Director of Financing shall annually submit one or more resolution(s) to the Board seeking approval for the Agency to apply for volume cap from the California Debt Limit Allocation Committee

XXII. Compliance

- A. The Comptroller shall create and maintain procedures and internal controls associated with outstanding debt, including but not limited to:
 1. Debt Service Payments
 2. Arbitrage Compliance
- B. The Director of Financing shall create and maintain procedures for continuing disclosure as provided in the Agency's Disclosure Policy.

XXIII. Line of Credit and Credit Facilities

- A. The Agency shall have the authority to borrow money by means of a secured credit facility from a financial institution as necessary, as determined by the Executive Director, to provide sufficient funds to finance its lending programs.
- B. The Executive Director, the Chief Deputy Director, the Director of Financing, or any other person specifically authorized in writing by the Executive Director, shall be authorized to execute, for and on behalf of the Agency, such credit facility agreements and other documents necessary to enter into, effectuate and administer a secured credit facility with a financial institution. Such agreements and documents include but are not limited to: Settlement/Transaction Account Agreement, a Safekeeping Agreement; an Advances and Security Agreement; and a Certificate of Designated Persons – Wire Transfer Services.

XXIV. Board Reports

- A. The Director of Financing will prepare and provide a written report on an annual basis to the Board including:
 - 1. A summary of the dollar amount invested in each type of investment.
 - 2. A summary of securities by type of security showing the par value, market value, weighted average coupon and weighted average remaining maturity of the securities.
- A. The Director of Financing shall prepare and provide a written report after each debt financing to the Board that includes:
 - 1. A summary of the amount of debt issued, use of proceeds, interest costs, and costs of issuance.

CALIFORNIA HOUSING FINANCE AGENCY

Disclosure Policy

Dated: October 22, 2014

Amended and Restated: April 21, 2022, Amended: June 16, 2023

I. Purpose

The purpose of this Disclosure Policy (the “Policy”) is to provide guidelines for the disclosure of financial and operating information to the public by the California Housing Finance Agency’s (“CalHFA” or the “Agency”) to comply with federal and state securities laws and regulations including the information required to satisfy the contractual obligations under the Agency’s continuing disclosure agreements with respect to outstanding bonds.

II. Board of Directors

The Board of Directors (the “Board”) shall receive written notice of changes to this Policy and reports as detailed herein. The Board retains sole authority to change Section II of this Policy.

III. Executive Director

The Executive Director shall be responsible for overseeing this Policy and approving any changes recommended by the Disclosure Oversight Committee to this Policy. The Executive Director may designate the Chief Deputy Director to approve changes recommended by the Disclosure Oversight Committee to this Policy.

IV. Disclosure Oversight Committee

The Disclosure Oversight Committee (the “Committee”) shall be composed of the following: Director of Financing (Chair), the Comptroller (Vice-Chair), Director of Enterprise Risk Management and Compliance or the Director of Enterprise Risk Management and Compliance’s designee, the General Counsel or the General Counsel’s designee, the Director of Homeownership Programs or the Director of Homeownership Programs’ designee, the Director of Multifamily Programs or the Director of Multifamily Programs’ designee, and the Risk Manager. The Committee shall:

- A. meet at the call of the Chair or the Vice-Chair; and
- B. annually meet to review this Policy, evaluate the efficacy of the procedures established under the policy in satisfying the Policy’s objectives, and recommend any changes to this Policy to the Executive Director; and
- C. Review of reportable events occurred during the year and action taken thereof; and
- D. meet as required to review all procedures created by the Director of Financing pertaining to this Policy to ensure that the procedures are consistent with this Policy.

The Committee may also retain and consult with legal, financial, and other investment professionals and advisors.

V. Scope

- A. This Policy does not apply to the Agency's Multifamily Conduit Bond program.

VI. Issuance of Publicly Offered Bonds or Securities

- A. The Agency's finance team for every bond or securities issuance shall include the Committee and other Agency staff as determined by the Director of Financing.
- B. The Director of Financing shall be responsible for developing procedures for assembly of necessary financial and operating information and data for preparation of any offering document and the review of any offering document prepared in connection with any debt issuance to ensure there are no misstatements or omissions of material information therein.
- C. The Director of Financing or the Director of Financing's designee shall develop a schedule for any public offering of bonds or securities that allows the Agency's finance team sufficient time for review of financial and operating information contained within any offering document.
- D. The Agency shall retain legal and financial professionals as necessary and appropriate to assist with the review of financial and operating information contained within any offering document.
- E. Not less than seven (7) calendar days prior to posting, the Director of Financing shall provide the Executive Director and Chief Deputy Director the offering document for review and approval.

VII. Municipal Securities Rulemaking Board

- A. The Director of Financing shall maintain an issuer account for the Agency with the Electronic Municipal Market Access ("EMMA") website as created by the Municipal Securities Rulemaking Board ("MSRB").
- B. All staff in the Financing Division of the Agency shall maintain accounts with EMMA.

VIII. Continuing Disclosure Agreements ("CDAs")

- A. The Agency has executed master continuing disclosure agreements with trustees relating to its trust indentures and from time to time will enter into new continuing disclosure undertakings to assist underwriters in compliance with the provisions of the Rule 15c2-12(b)(5) under the Securities Exchange Act of 1934 (the "Rule"). The form of such continuing disclosure agreements may be modified to the extent necessary to conform to changes in the Rule. Director of Financing shall evaluate each amendment and supplement to the master continuing disclosure agreements and each new continuing disclosure undertaking to confirm that the Agency will be able to satisfy the obligations undertaken thereunder. The Agency has agreed to make publicly available certain financial information and

operating data as well as the Agency's annual audited financial statements. The Agency shall file the required information by due dates as specified by each respective continuing disclosure undertaking (each, a "CDA").

- B. The Director of Financing shall be responsible for the creation and maintenance of procedures to ensure that the Agency retains a list of current outstanding debt with corresponding CUSIP numbers, subject to any CDA.
- C. The Director of Financing shall be responsible for the creation and maintenance of procedures to monitor required information to be filed under each CDA.
- D. The Agency may retain a third-party dissemination agent to assist with the preparation or filing of any information.

IX. CDAs - Annual Disclosure Reports

- A. The Director of Financing shall be responsible for the creation of procedures to ensure the accurate and timely filing of annual reports, or to file notice of failure to provide annual information by the specified due date, in the appropriate format required by each of the Agency's outstanding CDAs.
 - 1. The Director of Homeownership Programs, the Director of Multifamily Programs, and the Comptroller shall designate staff as necessary for completion of annual reports.
 - 2. The procedures shall include a listing or description of the information required to be included in each annual report under each CDA.
 - 3. The procedures shall include necessary steps to ensure that the information contained in each annual report is complete, true and accurate in all material respects and not materially misleading.
- B. The Director of Financing shall be responsible for retaining the documentation of all annual disclosure filings in accordance with the Agency's document retention policy.
- C. The Agency reserves the right to modify, from time to time, the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the Agency, provided that any modification shall be done in a manner consistent with the Agency's CDAs for outstanding debt.

X. CDAs - Event Notices

- A. The Director of Financing shall be responsible for the creation of procedures to ensure the accurate and timely filing of event notices relating to each of the Agency's CDAs. Procedures shall include the following:
 - 1. Maintaining a list of events of which the Issuer is required to provide notice pursuant to each CDA.

2. Monitoring Financial Obligations (as defined in the Rule) for necessary event reports.
3. Regular circulation of a questionnaire to key management staff regarding the knowledge of information subject to event notices.
4. Weekly monitoring of rating changes for the Agency's bonds, bond insurers, swap counterparties, if appropriate.
5. Procedures to determine the materiality of the applicable listed events.
6. Procedures for filing event notice in a timely manner, as required by each CDA.

XI. Major Obligated Borrower

- A. Certain CDAs require disclosure pertaining to "Major Obligated Borrowers".
- B. A Major Obligated Borrower is a borrower whose loan or loans have an aggregate outstanding principal balance which equals or exceeds twenty percent (20%) of the aggregate outstanding principal balance of all the loans pledged under any individual indenture
- C. The Agency shall file, on an annual basis, not later than 180 days after the end of the fiscal year the related development or developments of a Major Obligated Borrower, certain financial and operating data, including (a) if produced in the usual course of business, audited financial statements for the immediately preceding fiscal year prepared in accordance with generally accepted accounting procedures generally accepted accounting procedures, or, if not so produced in the usual course of business, unaudited financial statements for the immediately preceding fiscal year prepared in accordance with generally accepted accounting procedures and (b) levels of occupancy (collectively, the "Major Obligated Borrower Annual Disclosure"). If the Agency has not received such Major Obligated Borrower Annual Disclosure by the required date, the Agency shall, in a timely manner, file a notice with the MSRB of the failure of such Major Obligated Borrower to file such information with the Agency.

XII. Public Statements

- A. The Director of Marketing and Communications and the Director of Financing shall ensure that public statements or releases of information relating to the Agency's finances that are reasonably expected to reach investors and the trading markets are complete, true and accurate in all material respects and not materially misleading from such sources as, but not limited to:
1. The Agency's website
 2. Agency Press Releases

XIII. Annual Debt Transparency Report

- A. The Agency is required to file an Annual Debt Transparency Report ("ADTR") with the California Debt and Investment Advisory Commission ("CDIAC") by January 31 of every year for bonds issued since January 31, 2017.
- B. The Director of Financing shall be responsible for the creation and maintenance of procedures to ensure accurate and timely filings of ADTRs with CDIAC.

XIV. Annual Comprehensive Financial Report

- A. Prior to the completion of the Agency's annual audit, the Comptroller shall submit the draft Management Discussion and Analysis and footnotes to the following individuals for approval to ensure that such information is complete, true and accurate in all material respects and not materially misleading:
1. Executive Director
 2. Chief Deputy Director
 3. General Counsel
 4. Director of Enterprise Risk Management and Compliance
 5. Director of Financing
 6. Risk Manager

XV. Investor Relations Website

- A. The Agency shall maintain financial information on its website including, but not limited to:
1. The Agency's Annual Report
 2. Audited Financial Statements for both the California Housing Finance Fund and the California Housing Loan Insurance Fund
 3. Unaudited Interim Financial Statements for both the California Housing Finance Fund and the California Housing Loan Insurance Fund
 4. Debt Outstanding
 5. Debt Redemption History

6. Composition of Bond Portfolio
7. Delinquency, REO and Loss Reports
8. Investment Reports
9. Mortgage Loan Information
10. Swap Agreement Portfolio Information
11. Mortgage-Backed Securities Information
12. Information on accessing official statements on EMMA

XVI. Annual Disclosure Training

- A. The Director of Financing shall schedule annual training for all staff in the Financing Division and any Agency Staff responsible for the collection of information in any of the Agency's CDAs covering:
 1. This Policy
 2. Continuing disclosure undertakings pursuant to the Rule and events required to be reported
 3. Agency's obligations under federal and state securities laws
 4. Individual roles and responsibilities as assigned

- B. The Director of Financing shall schedule annual training for the Executive Director, Chief Deputy Director, and members of the Committee to review:
 1. This Policy
 2. Agency's obligations under federal and state securities laws

State of California

MEMORANDUM

To Board of Directors

Date: June 22, 2023

From: Rebecca Franklin, Director of Enterprise Risk Management and Compliance
CALIFORNIA HOUSING FINANCE AGENCY

Subject: California Mortgage Relief Program

The CalHFA Homeowner Relief Corporation (CalHRC) launched the California Mortgage Relief Program in December 2021 to provide assistance to California homeowners that have struggled to make housing payments due to COVID-related economic disruption.

The program is continually doing data-driven analysis of the market and homeowner need and has made various expansions to the guidelines that offer new opportunities for Californians struggling with housing payments to get help. The most recent expansions were announced on February 7:

- Homeowners with a primary residence that includes up to 4 units on the property may now be eligible
- Previously awarded homeowners who are still eligible and need more assistance can return for additional funds with a maximum of \$80,000 in total assistance
- The delinquency date for assistance with past-due mortgage and property tax payments was reset – applicants must have missed at least two mortgage payments OR at least one property tax payment prior to March 1, 2023
- Assistance is now available to reduce or eliminate partial claims or loan deferrals homeowners took during or after January 2020 to address mortgage arrearages

Successful program outcomes

Over the past 17 weeks since the expansion, the program has received a higher volume of applications and approved more funds per week to help homeowners in need.

To be specific, over the first 57 weeks the program was open, it received an average 614 applications per week, but in the last 17 weeks that average has jumped to 1,061 weekly applications. The average funds approved jumped from \$5.25 million per week to \$9.1 million.

The weekly increases have led to the following overall metrics. As of June 7, 2023, the program has:

- Processed 49,857 applications
 - Average applications per week have increased from 614 in the first 57 weeks to 1,061 since the expansion
- Served 17,269 households in California
- Disbursed \$446.1 million in assistance for California households
 - The average funds approved per week has increased from \$5.25 million in the first 57 weeks to \$9.1 million since the expansion.
- Approved an average assistance amount of \$25,830

Expansion-related outcomes

Results are promising since the expansions as highlighted below. It should also be noted that CalHRC expects to see even more growth in partial claims/loan deferrals funded in the coming months.

- Applications received from homeowners with partial claims/loan deferrals: 3,965
 - Approved 827 homeowners for assistance totaling \$24,291,838
- Applications received from homeowners in multi-unit properties: 544
 - Approved 109 multi-unit homeowners for assistance totaling \$3,355,368

Another key February expansion was an update of the delinquency date, which allowed applicants who had become delinquent in the second half of 2022 and early 2023 to be eligible. The program expects to update the delinquency date once again this summer.

Expansion Outreach Update

When the California Mortgage Relief Program launched its expansions in early February, the outreach team implemented a multi-faceted engagement strategy designed to raise awareness and drive homeowners to apply to the program.

To generate interest, the team deployed our messaging across multiple channels to more effectively reach, engage and inspire the target audience. Of note, in an effort to continue to produce equitable program outcomes, a cross-functional team of CalHRC Eligibility, Contact Center and Marketing/Outreach staff launched an email campaign to coincide with the February program expansions. This campaign consisted of outreach to applicants that had previously been denied and may now be eligible, as well as applicants who had received approval and may now be eligible to receive more funds if they had continued to struggle making payments.

Additionally, CalHRC's servicer and outreach teams are collaborating with partner mortgage servicers to expand efforts to directly notify their borrowers about options for financial assistance through the California Mortgage Relief Program. This effort has already reached thousands of homeowners and will be an ongoing activity.

Outreach also continues through a 16,000-member email list, collaboration with community-based organizations, housing counselors, legal aid and county tax collectors, as well as social media and news media.

Of particular note, Spanish language media has always been an important outreach mechanism for the program, CalHRC worked even more in this area over the past two months. News stories have been successfully in print and online publications (such as La Prensa Hispana, a Coachella Valley magazine), while representatives from the program have appeared in interviews on television (Univision stations in LA, Fresno, the Bay Area and Sacramento) and radio (KFWB-AM, KTNQ-AM, KIQI 1010 AM – Hecho en California and 97.9 La Raza – Al Aire Con el Terrible).

Through a partnership with the Bay Area Telemundo and NBC television stations, on June 6th during the evening news, both stations hosted a phone bank that encouraged their viewers to call the California Mortgage Relief Program to find out if they may be eligible for assistance. Over the course of 3 consecutive newscasts on two different stations, the Program received considerable exposure in the state's second largest media market.