

Morgan Stanley



# CalHFA Board Workshop

March 19, 2025

# What Is the Difference Between Conduit and Parity Indenture Funding?

## Conduit Example

NEW ISSUE—BOOK ENTRY ONLY

RATING: S&P: BBB

In the opinion of Special Counsel, containing compliance with all provisions of the Brochure, Trust Agreement and Certificate:

(a) the arrangement established pursuant to the Trust Agreement represents undivided ownership interests between the Class A Certificateholders and the Class X Certificateholders; (b) the arrangement among the Class A Certificateholders pursuant to the Trust Agreement will be classified as a grantor trust under subpart E, part I of subchapter J of the Code, rather than an association (or publicly traded partnership) taxable as a corporation for U.S. federal income tax purposes; and (c) assuming Note Interest is excludable from gross income for U.S. federal income tax purposes and is exempt from State of California personal income taxes, (1) a Class A Certificateholder's share of such interest which accrued during the period that such Holder held its Class A Certificate will also be excludable and exempt to the same extent as if it held its interest in the Loans directly, and (14) a portion of a Class X Certificateholder's share of such interest which accrued during the period that such Holder held its Class X Certificate will be excludable from gross income for U.S. federal income tax purposes and exempt from State of California personal income taxes to the same extent as if it held its interest in the Loans directly. For a more complete description, see "CERTAIN TAX CONSIDERATIONS" herein.

**\$349,264,926**

**CALIFORNIA HOUSING FINANCE AGENCY**

**MUNICIPAL CERTIFICATES**

**\$349,264,926 SERIES 2021-3 CLASS A**

**\$349,264,926 SERIES 2021-3 CLASS X**

**(SOCIAL CERTIFICATES)**

Date of Certificate: November 1, 2021

The California Housing Finance Agency (the "Agency"), a public instrumentality and political subdivision of the State of California, is issuing its Municipal Certificates, Series 2021-3 Class A (the "Class A Certificates") and its Municipal Certificates, Series 2021-3 Class X (the "Class X Certificates") and, together with the Class A Certificates, the "Certificates" pursuant to a resolution of the Board of Directors of the Agency and the Trust Agreement, dated November 23, 2021 (the "Trust Agreement"), between the Agency and U.S. Bank National Association, as trustee (the "Trustee"). The proceeds of the Class A Certificates will be used by the Trustee to purchase the Loans described herein from Citicreditable Depositor LLC (the "Seller") to be deposited with the Trustee under the Trust Agreement. Capitalized terms used herein are defined in the Glossary attached hereto as Schedule I.

The Certificates will be issued in denominations of \$100,000 and increments of \$1,000 in excess thereof upon initial delivery, and increments of \$0.01 in excess thereof thereafter. The Class A Certificateholders will be entitled to Distributions of Note Interest at the rate set forth on the certificate schedule appearing on page (i) hereof (the "Certificate Schedule") and all Note Principal received on the twentieth (20th) day of each month or, if such twentieth (20th) day is not a Business Day, then the next succeeding Business Day, beginning on December 20, 2021 ("each," a "Distribution Date") until the Final Scheduled Distribution Date listed on the Certificate Schedule or such earlier date as the Class A Certificate Balance is reduced to zero. The Class X Certificateholders will be entitled to Distributions of Note Interest at the rate set forth on the Certificate Schedule on each Distribution Date until the Final Scheduled Distribution Date listed on the Certificate Schedule or such earlier date as the Notional Amount of Class X Certificates is reduced to zero. The Class X Certificateholders will not be entitled to Distributions of Note Principal.

The Certificates will be sold with an accrued distribution in respect of interest from November 1, 2021 at the initial Class A and Class X Rates.

The Trustee will hold the Portfolio Assets (defined herein), including the Loans, the Priority Transfer Right and the rights associated therewith on behalf of the Issuer for the benefit of purchasers of the Certificates and make Distributions on the Certificates on behalf of the Issuer. The Portfolio Assets are the sole source of the payments on the Certificates as more fully described herein. The Certificates are subject to payment prior to the Final Scheduled Distribution Date as described herein. The Notional Amount of the Class X Certificates is subject to reduction without payment prior to maturity as described herein. See "THE CERTIFICATES" and "THE PORTFOLIO ASSETS" herein.

INVESTMENT IN THE CERTIFICATES INVOLVES A SIGNIFICANT DEGREE OF RISK AND EACH PROSPECTIVE INVESTOR SHOULD CONSIDER ITS FINANCIAL CONDITION AND THE RISKS INVOLVED TO DETERMINE THE SUITABILITY OF INVESTING IN THE CERTIFICATES. SEE "CERTAIN RISK FACTORS" HEREIN. This cover page contains only a brief description of the Certificates and the security therefor and is not intended to be a summary of all material information with respect to the Certificates. Prospective investors should read this entire Official Statement to obtain information necessary to make an informed investment decision.

PAYMENT OF DISTRIBUTIONS ON THE CERTIFICATES ARE SPECIAL LIMITED OBLIGATIONS OF THE AGENCY PAYABLE EXCLUSIVELY FROM THE PORTFOLIO ASSETS. NONE OF THE AGENCY, THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF (EXCEPT THE AGENCY, TO THE LIMITED EXTENT SET FORTH IN THE TRUST AGREEMENT) NOR ANY PUBLIC ENTITY SHALL IN ANY EVENT BE LIABLE FOR THE PAYMENT OF DISTRIBUTIONS ON THE CERTIFICATES, OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER WITH RESPECT THEREON EXCEPT AS SET FORTH IN THE TRUST AGREEMENT, AND NEITHER THE CERTIFICATES NOR ANY OF THE AGENCY'S OBLIGATIONS UNDER THE TRUST AGREEMENT, SHALL BE CONSIDERED 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. THE AGENCY HAS NO TAXING POWER.

The Certificates are offered when, as and if issued by the Issuer and received by the Underwriter, subject to prior sale, modification or withdrawal of the offer without notice, and subject to the delivery of an approving opinion regarding legality and tax-exempt status, as applicable, by Orrick, Herrington & Sutcliffe LLP (Special Counsel). Certain legal matters will be passed upon by Kotak Rock LLP, as counsel to the Seller and the Underwriter. It is expected that the Certificates will be available for delivery through DTC against payment therefor on or about November 23, 2021.

Citicgroup

Dated November 9, 2021

- CalHFA conduit only with no first mortgage lending and no ownership of loans
  - No credit exposure to CalHFA
  - No CalHFA servicing
  - Ongoing Fee = 0.06%

## Parity Indenture Example

NEW ISSUE—BOOK ENTRY ONLY

Moody S&P: "Aa2/AA" (See "RATING" herein)

This cover page contains information for quick reference only. It is not a summary of the information contained in this Official Statement. Investors must read the entire Official Statement to obtain information necessary to make an informed investment decision.

**\$107,580,000**

**CALIFORNIA HOUSING FINANCE AGENCY**

**Affordable Housing Revenue Bonds**

**\$67,580,000 2024 Series A-1 (Non-AMT) (Sustainability Bonds)**

**\$40,000,000 2024 Series A-2 (Non-AMT) (Sustainability Bonds)**

Dated: Date of delivery

Due: as shown on the inside cover page

Purpose

The Agency will use the proceeds of the Affordable Housing Revenue Bonds, 2024 Series A-1 (the "2024 Series A-1 Bonds") and Affordable Housing Revenue Bonds, 2024 Series A-2 (the "2024 Series A-2 Bonds") and, collectively with the 2024 Series A-1 Bonds, the "2024 Series A Bonds") to refinance the Agency's previous financing of five (5) permanent mortgage loans (the "Mortgage Loans") for five (5) multifamily rental housing developments (collectively, the "2024 Series A Projects"). See "PLAN OF FINANCING."

Sustainability Bonds

The Agency has designated the 2024 Series A Bonds as "Sustainability Bonds." See "DESIGNATION OF THE 2024 Series A BONDS AS SUSTAINABILITY BONDS."

The Issuance of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Agency, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2024 Series A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), except that no opinion is expressed as to the status of interest on any 2024 Series A Bond for any period that such 2024 Series A Bond is held by a "substantial user" of the facilities financed or refinanced by the 2024 Series A Bonds or by a "related person" within the meaning of Section 141(c) of the Code. In the further opinion of Bond Counsel, interest on the 2024 Series A Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the 2024 Series A Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel is also of the opinion that interest on the 2024 Series A Bonds is exempt from State of California personal income taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2024 Series A Bonds. See "TAX MATTERS."

Redemption of 2024 Series A Bonds

The 2024 Series A-1 Bonds are subject to mandatory redemption at the option of the Agency on February 1, 2028 or such earlier date on or after August 1, 2027 as determined by the Agency for all or a portion of the 2024 Series A-1 Bonds, subject to the provisions described herein regarding subsequent voluntary tender.

Mandatory Tender of 2024 Series A-2 Bonds

The Agency has no liability or obligation to pay or make available the Purchase Price on the Mandatory Tender Date. Failure to pay the Purchase Price of the 2024 Series A-2 Bonds does not, in and of itself, constitute an Event of Default under the Indenture. In the event that the Purchase Price or the Redemption Price of the 2024 Series A-2 Bonds is not paid, the Outstanding 2024 Series A-2 Bonds will bear interest at a rate equal to 1% per annum from the Mandatory Tender Date to but not including the date of purchase, redemption or maturity, as applicable. This Official Statement in general describes the 2024 Series A-2 Bonds only prior to the Mandatory Tender Date or the earlier date, if any, on which the 2024 Series A-2 Bonds are purchased upon mandatory tender at the option of the Agency.

See "DESCRIPTION OF THE 2024 Series A-2 BONDS."

Interest

The 2024 Series A Bonds will bear interest at the rates and payable on the dates set forth on the inside cover page of this Official Statement.

Security

The 2024 Series A Bonds are limited obligations of the Agency and will be payable solely from and secured by the Revenues and assets pledged thereto pursuant to the Indenture, including, without limitation, certain payments to be made under or with respect to the 2024 Series A Borrower Loans and the 2024 Series A Residential Assets. The 2024 Series A Bonds are the second series of Bonds issued under the Indenture and will be secured on a parity with and will be entitled to the same benefit and security as other Bonds (other than Subordinate Bonds) issued and to be issued by the Agency under the Indenture, except as described herein.

Neither the Agency, any of its members, the State of California, nor any political subdivision thereof (except the Agency, to the limited extent set forth in the Indenture) 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 2024 Series A Bonds or for the performance of any pledge, obligation or agreement of any kind whatsoever except as set forth in the Indenture, and none of the 2024 Series A 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. The Agency has no taxing power.

Bond Counsel

Orrick, Herrington & Sutcliffe LLP

Underwriters' Counsel

Kotak Rock LLP

Disclosure Counsel

Orrick, Herrington & Sutcliffe LLP

Trustee

U.S. Bank Trust Company, National Association

Bond Entry System

The Depository Trust Company. See APPENDIX E - "Book-Entry Only System."

Delivery

The 2024 Series A Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval as to their legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Issuer, and certain other conditions. The 2024 Series A Bonds are expected to be delivered on or about November 14, 2024.

Morgan Stanley

RBC Capital Markets

Academy Securities, Inc. BofA Securities, Inc. Fidelity Capital Markets Ramirez & Co., Inc.

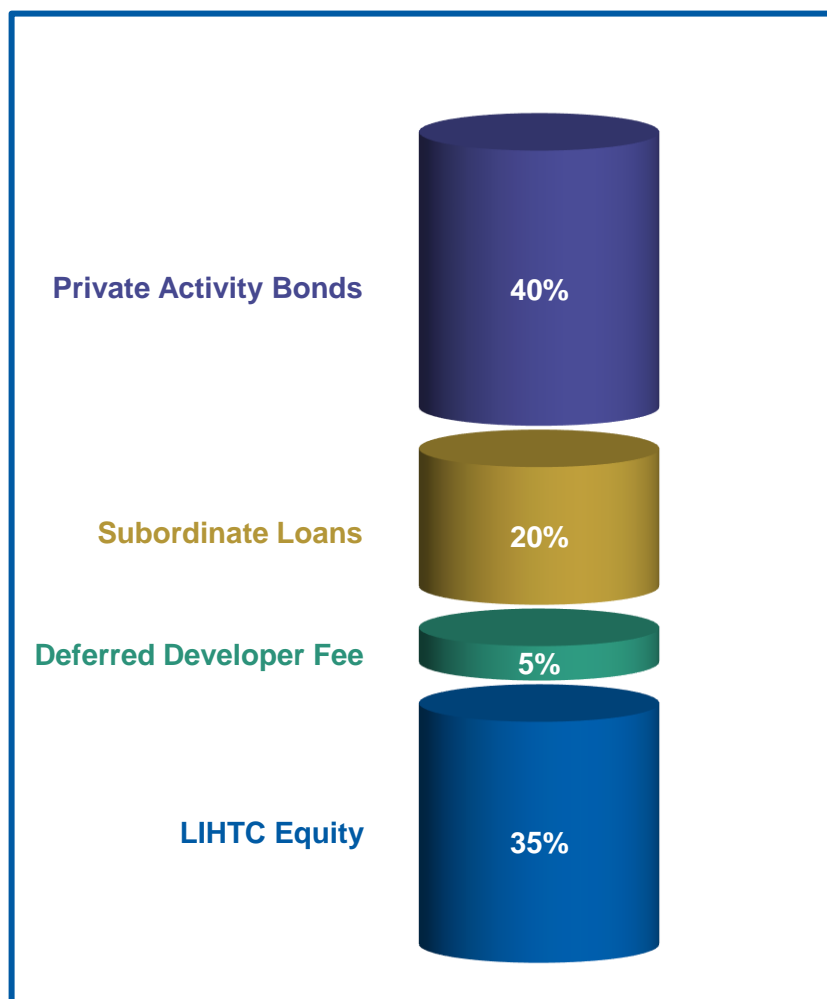
Dated October 23, 2024

- CalHFA holds first mortgage on financed loans through Aa2/AA rated limited obligation Trust Indenture
  - Bonds structured to be repaid by loans
  - CalHFA asset management services the loans
  - Ongoing allowed interest margin = up to 1.50%

Source: California Housing Finance Agency Official Statements; Morgan Stanley Housing Group

## Why Issue Multifamily Bonds Under Parity Indentures?

### Illustrative LIHTC Funding Stack



### Funder Under AHRB Parity Indenture

- CalHFA issues bonds under AHRB to fund first mortgage loans that finance 4% LIHTC developments
- Bonds are secured by first mortgage loans and other assets held under the Indenture
- Developments benefit from MIP and other subsidy loan programs
- Loan interest margin and investment earnings accrue to the Indenture to benefit the CalHFA multifamily program, i.e. growing net assets

Source: Morgan Stanley Housing Group

## Which HFAs Fund Multifamily Through Parity Indentures?

Issuer	Indenture	Total Par Outstanding (\$MM)	Issuer	Indenture	Total Par Outstanding (\$MM)
NYCHDC	MFHRB	\$12,316	Maryland CDA	HRB	\$528
NYSHFA	AHRB	7,458	New Hampshire HFA	MFHRB	476
MassHousing	HB	2,961	Illinois HDA	MRB	468
NYCHDC	HIB	1,442	RI Housing	MFDB	384
New Jersey Housing	MFRB	1,259	DC HFA	MFDPB	336
Michigan SHDA	RHRB	784	Minnesota HFA	RHB	207
Colorado HFA	MFPB	766	California HFA	AHRB	189
HOC Montgomery Co.	MHDB	590	<b>Total</b>		<b>\$30,164</b>

### Goals of Parity Bond Programs Include:

- ✓ *Hold, rather than sell, high credit quality LIHTC loans*
- ✓ *Leverage second loans and other subsidy sources*
- ✓ *Leverage Volume Cap / LIHTC*
- ✓ *Leverage Agency expertise to generate ROI*
- ✓ *Create ongoing net interest margin*
- ✓ *Grow Agency net assets*
- ✓ *Generate internal subsidy for reinvestment in program*
- ✓ *Increase ability to launch new programs*

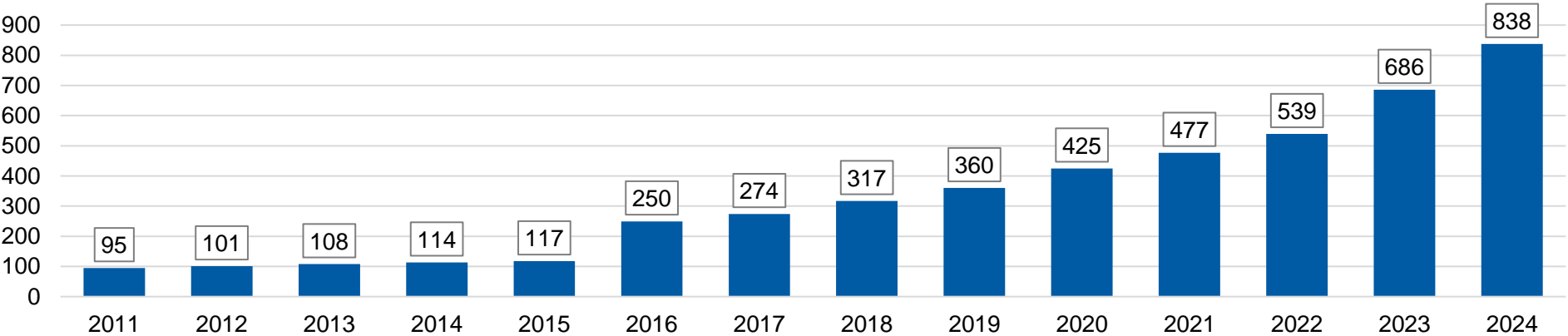
**Source:** Most recent Official Statements for each respective issuer as of March 10, 2025

# Why Fund Under Multifamily Parity Bond Indentures?

Example: NYSHFA AHRB Indenture (Created in 2007)

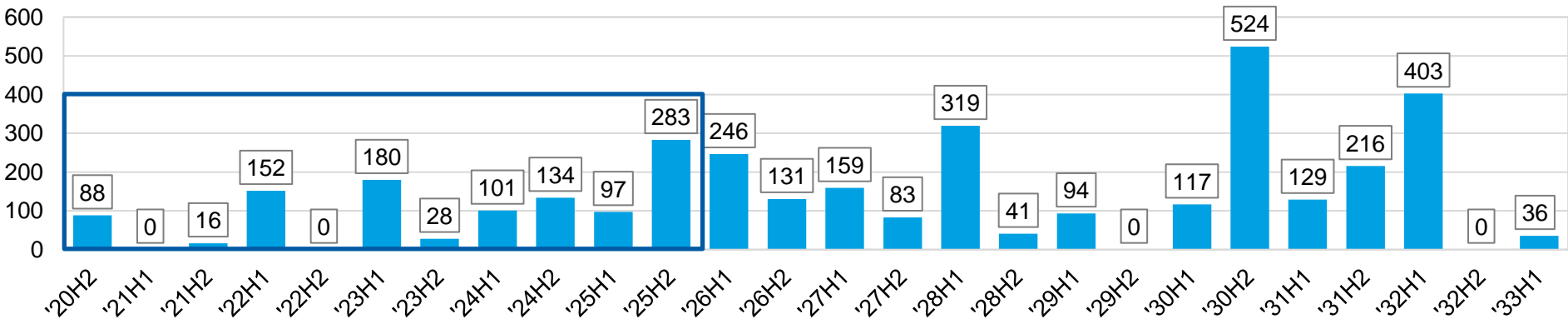
## NYSHFA's AHRB Indenture Net Assets Have Grown Significantly

(Fiscal Year; \$MM)



## AHRB Indenture Call Profile (\$1,079MM currently callable)

(\$MM)



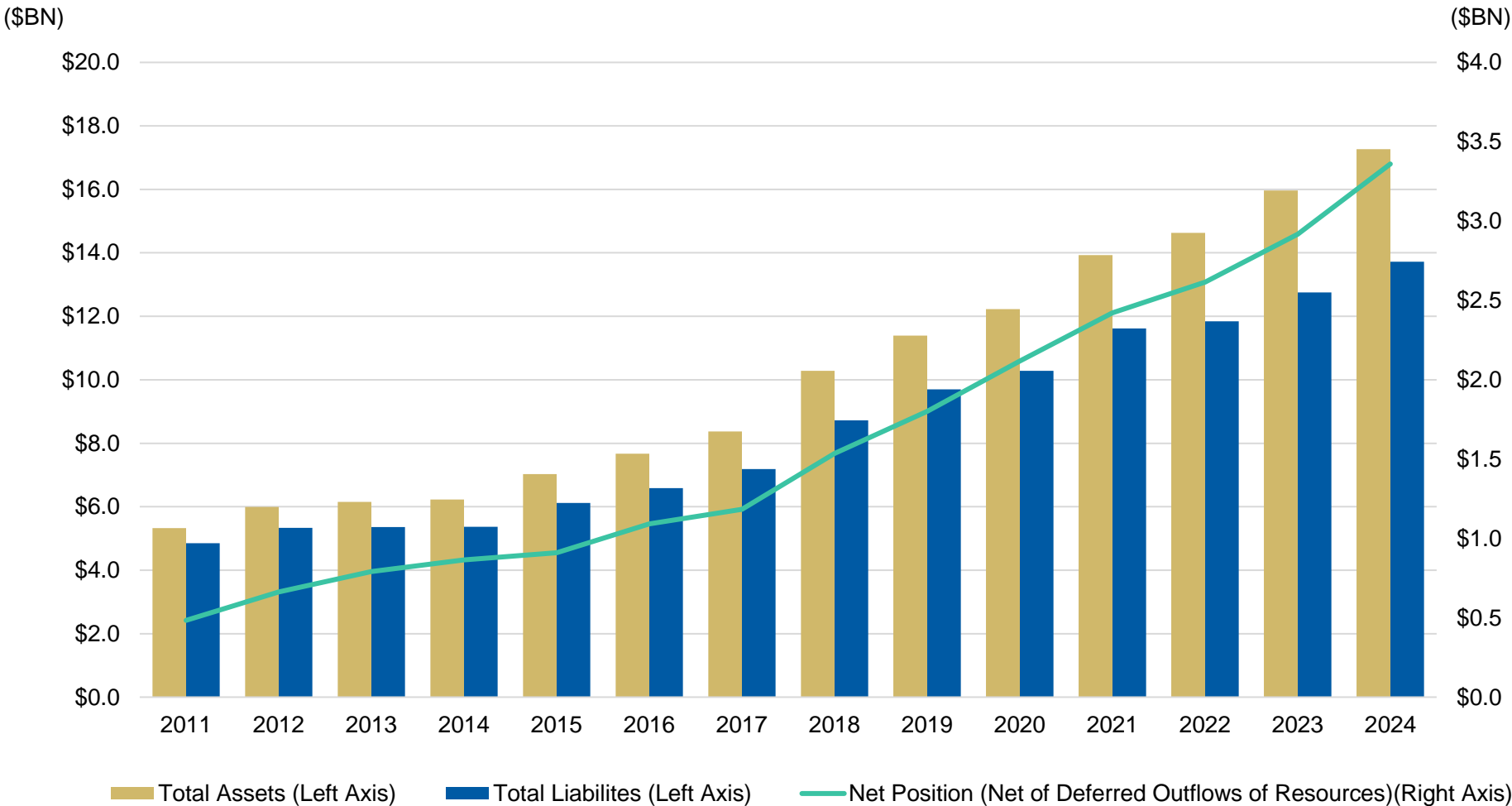
Source: NYSHFA 2024 Fiscal Year Financial Report

# Why Fund Under Multifamily Parity Bond Indentures?

Example: NYCHDC MFHRB Indenture (Net Assets = \$3.36 BN)

## Total Assets, Liabilities, and Net Position

(Fiscal Year 2011-2024)



Source: NYCHDC 2024 Fiscal Year Financial Report

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Capital  
Markets



# CalHFA Board Workshop

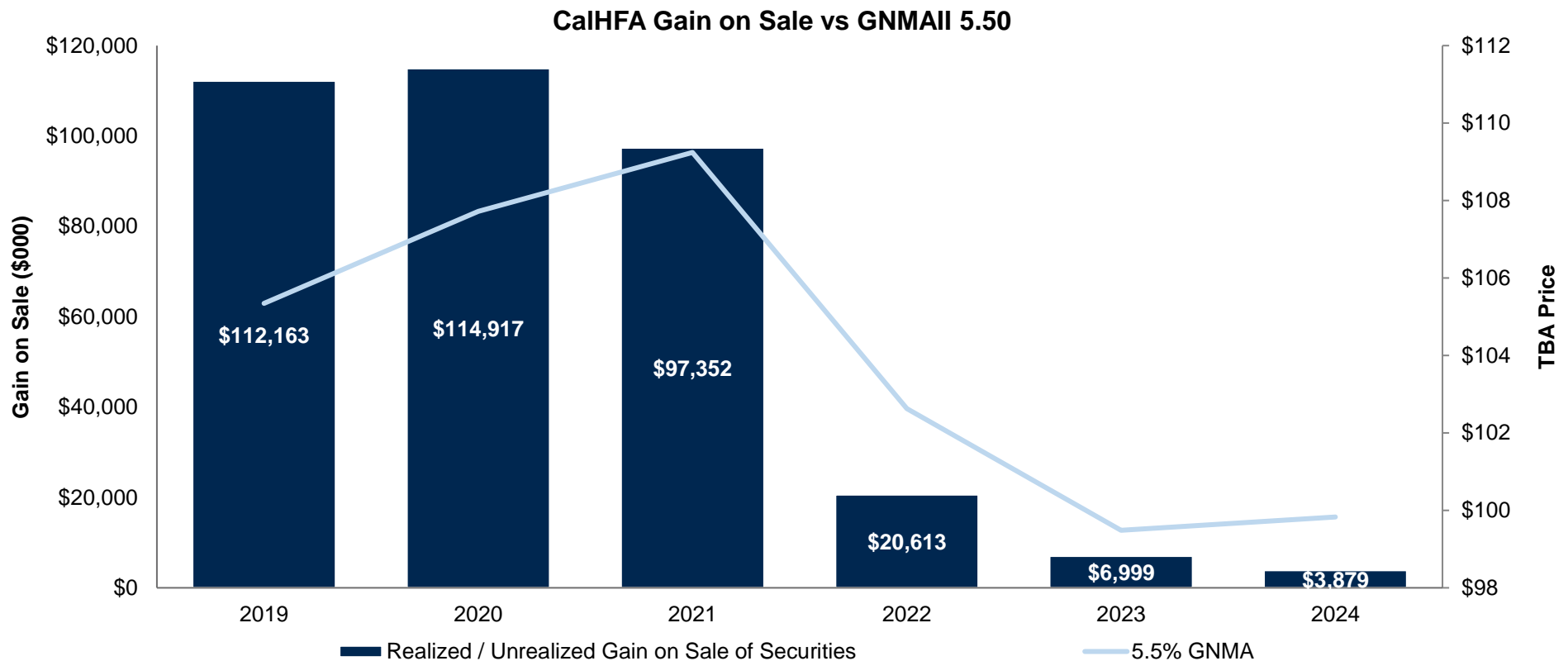
March 19, 2025



# TBA Execution was the primary driver for single family funding

- To-Be-Announced (“TBA”) Market is the secondary market for purchasing/selling of mortgage-back securities (“MBS”)
- CalHFA participates in the TBA Market through the selling of its loans via MBS and earning a “premium” generally
- TBA Execution was a robust execution until recent years

TBA Economics (Abbreviated) <sup>1</sup>		
	Dollar Price	Notional Value
CalHFA MBS Value	\$100.00	\$10,000,000
TBA Sale Price	\$105.00	\$10,500,000
Net Premium	\$5.00	\$500,000



1) TBA Economics (Abbreviated) example does not account for hedging costs, lender's compensation or SRP  
Source: CalHFA Audited Financial Statements; Bloomberg



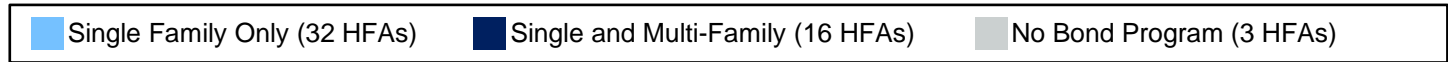
- **1<sup>st</sup> Single Family Bond transaction since 2017 for the Agency**
- **Inaugural transaction issued from the newly created Single Family Indenture**
- **Establishes MyAccess Assistance Program (2.50% of DPA/CCA)**
- **MyAccess enhances the existing MyHome, providing up to 6.00% of DPA/CCA**

TBA versus Bond Execution		
	TBA Execution	Bond Execution
Timing	45-60 days	45-90 days
Method of Sale	Trade Execution	Bond Sale
Mortgage Rate Setting	Predicated on TBA Market	Predicated on Bond Yield
Income Timing	Upfront (Gain on Sale)	Annuitized Income (Interest Spread)
Prepayment Environment	Beneficial in High Prepayments	Beneficial in Low Prepayments
DPA Funding Source	Gain on Sale (Limited by Net Premium)	Bond Proceeds (Limited by CF Stress)
Investor Base	Institutional Investors	Institutional Investors, Retail Investors
Volume Cap Usage	No	No

Source: CalHFA 2025 Series A Official Statement

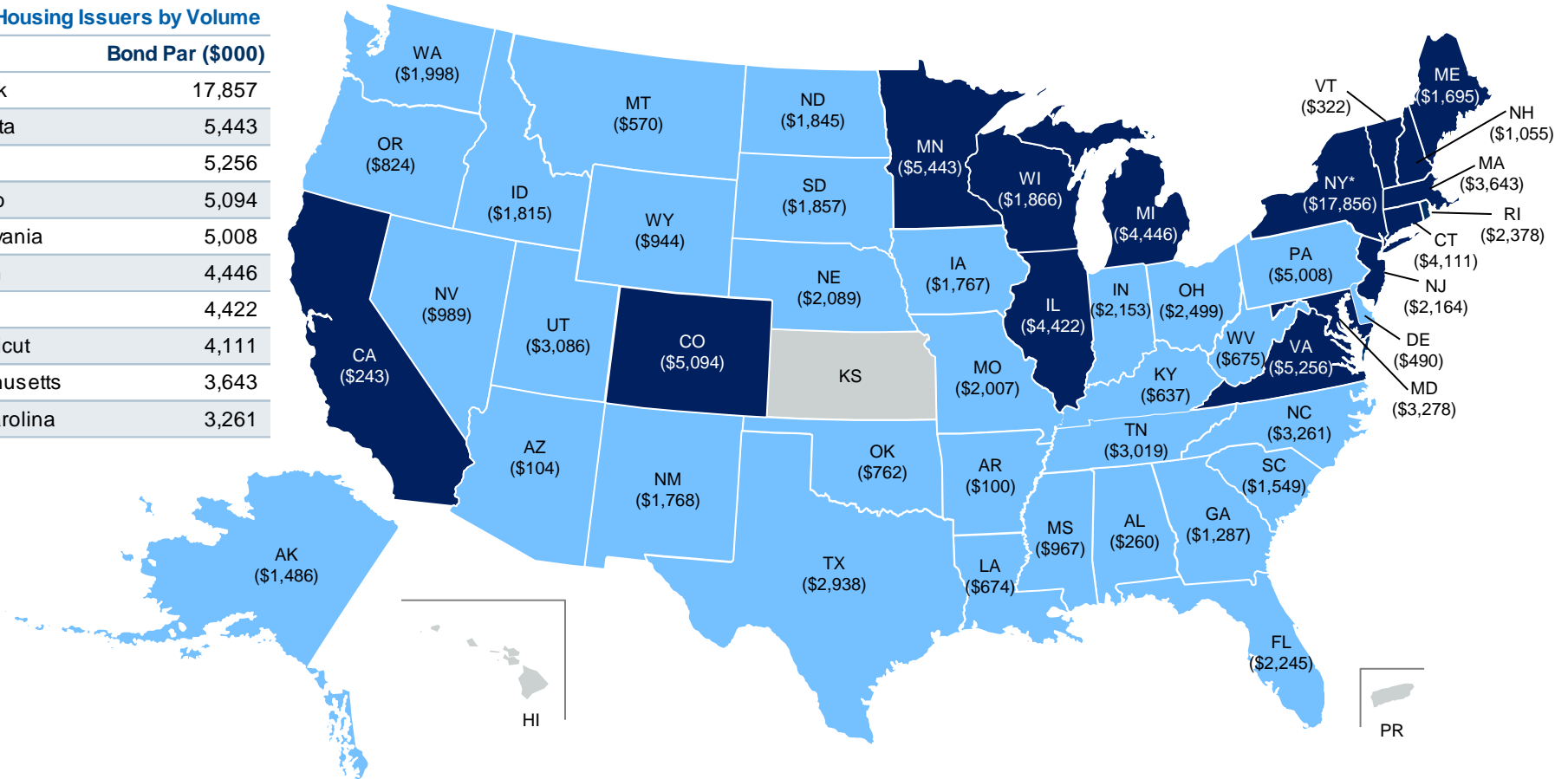
# CalHFA fully established Single Family and Multifamily bond programs in 2025

- The Agency now has tools to generate annuitized income going forward



## Top 10 Housing Issuers by Volume

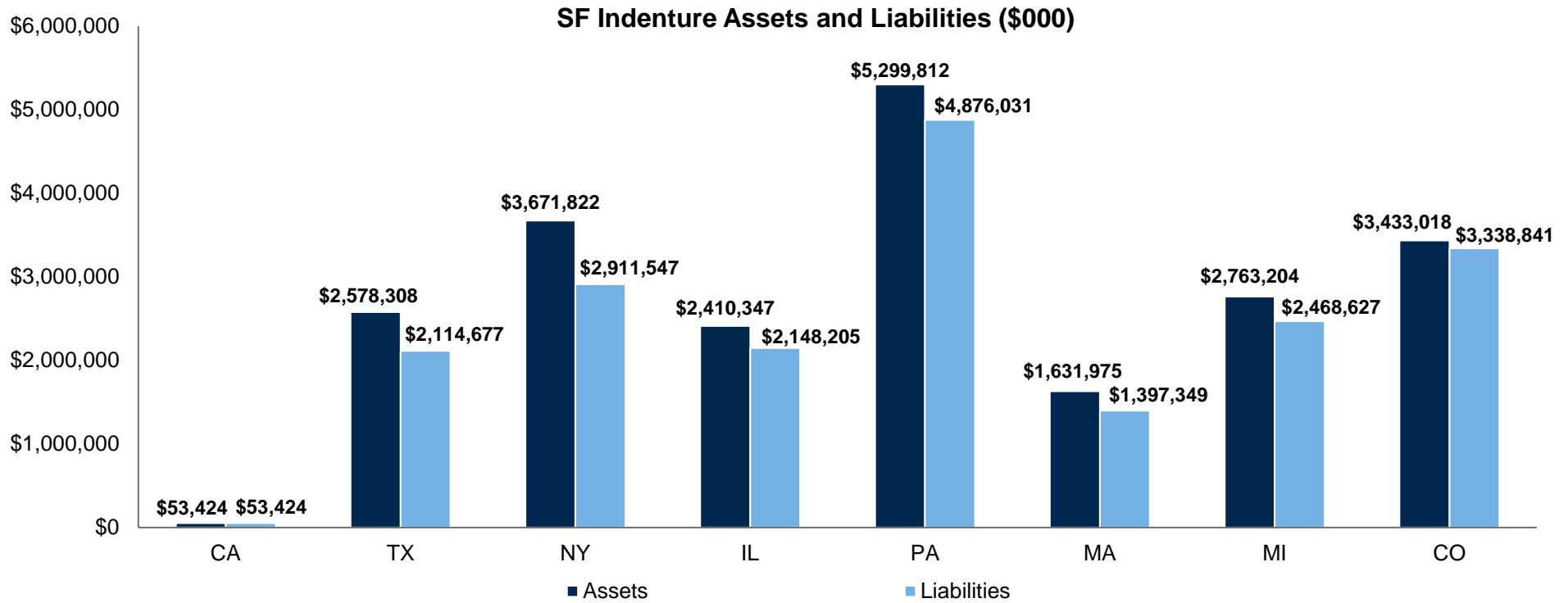
State	Bond Par (\$000)
New York	17,857
Minnesota	5,443
Virginia	5,256
Colorado	5,094
Pennsylvania	5,008
Michigan	4,446
Illinois	4,422
Connecticut	4,111
Massachusetts	3,643
North Carolina	3,261



\*New York total includes New York City Housing Development Corp, State of New York Mortgage Agency, and New York State Housing Finance Agency

Source: Bloomberg – Single and Multi-Family Housing Bond Issuance From January 1, 2020 – March 15, 2025

# CalHFA compared to other HFA Single Family Indentures



Single Family Indenture (\$000)	CA	TX	NY	IL	PA	MA	MI	CO
Assets	\$53,424	\$2,578,308	\$3,671,822	\$2,410,347	\$5,299,812	\$1,631,975	\$2,763,204	\$3,433,018
Liabilities	\$53,424	\$2,114,677	\$2,911,547	\$2,148,205	\$4,876,031	\$1,397,349	\$2,468,627	\$3,338,841
Net Position	\$0	\$463,630	\$760,275	\$262,142	\$423,781	\$234,626	\$294,577	\$94,177
Assets to Debt Ratio	1.0	1.2	1.3	1.1	1.1	1.2	1.1	1.0
State GDP % of National GDP	14.1%	9.3%	7.9%	3.9%	3.5%	2.7%	2.4%	1.9%

Source: Moody's MFRA Data – FY 2023

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