AGENDA #9

CAPITAL MARKETS UPDATE

Erwin Tam
Director of Financing

OVERVIEW

- CalHFA has been very active in the capital markets since March, having priced three bond transactions
  - $157 million in tax-exempt multifamily revenue bonds (AHRB Indenture)
  - $130 million in taxable in two series of single family revenue bonds (HOMR Indenture)
- CalHFA has also secured a new line of credit supporting the Agency's Bond Recycling Program that closed last week
- CalHFA's capital markets activity level has increased from 0 financings in 2022 to a potential six bond issuances in 2025

CALHFA'S CAPITAL MARKETS TIMELINE

1H 2022

Board Adoption of new Financial Policies, Begin Interest Rate Hedge Program

1st Underwriter RFQ since 2004

2H 2022

$360 million orphan Swap terminations with a $700,000 discount to mid-market

S&P Upgrade to "AA" – Highest Issuer Credit Ratings Ever

Retirement of 1997 MHRB3 and 1982 HMRB bond indentures

2023

Moody's upgrade to "Aa2" – Highest Issuer Credit Ratings Ever

Issued $85 million Multifamily Revenue Bonds under new AHRB indenture – first since 2014

NCHSA Finance Award – first since 2002

2024

AHRB financing achieves lowest spread financing of any HFA in 2024

2025

Issued $50 million Homeownership Revenue Bonds under new HOMR indenture – first since 2011

SECOND PARTY OPINION & ESG FRAMEWORK

- CalHFA's Bonds have been designated as Sustainability Bonds or Social Bonds pursuant to a Second-Party Opinion provided by S&P Global Ratings in which S&P assesses the CalHFA Impact Framework and its alignment with the Sustainability Bond Guidelines and mapping to UNSDGs
- The S&P SPO finds that "California has among the strictest energy codes in the U.S. to ensure all new residential construction achieve greenhouse gas emissions reductions and zero-net-energy" and that the CalHFA Impact Framework aligns with the Sustainability Bonds Guidelines (AHRB)

> ***"California Housing Finance Agency (CalHFA) has a strong social license to operate in the communities it serves.** Since its inception, CalHFA has helped more than 226,000 low- to medium-income Californians purchase their first home via its affordable single-family loans and down payment assistance program, and helped preserve or build more than 82,000 affordable homes and apartments. CalHFA offers education and counseling services to promote financial literacy and upward mobility to the populations it serves, including historically underserved groups."*
>
> ***– S&P Global Ratings***

S&P Global Ratings

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An S&P Global Second Party Opinion (SPO) includes S&P Global Ratings' opinion on whether the documentation of a sustainable finance instrument, framework, or program, or a financing transaction aligns with certain third-party published sustainable finance principles. Certain SPOs may also provide our opinion on how the issuer's most material sustainability factors are addressed by the financing. An SPO provides a point-in-time opinion, reflecting the information provided to us at the time the SPO was created and published, and is not surveilled. We assume no obligation to update or supplement the SPO to reflect any facts or circumstances that may come to our attention in the future. An SPO is not a credit rating, and does not consider credit quality or factor into our credit ratings. See Analytical Approach: Second Party Opinions.

Second Party Opinion

California Housing Finance Agency's Impact Framework

May 19, 2025

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Location: U.S. **Sector:** Real estate

Alignment Summary

Aligned = ✓ Conceptually aligned = ○ Not aligned = ✗

- ✓ Social Bond Principles, ICMA, 2023
- ✓ Green Bond Principles, ICMA, 2021 (with June 2022 Appendix 1)
- ✓ Sustainability Bond Guidelines ICMA, 2021

See Alignment Assessment for more detail.

Strengths

California Housing Finance Agency (CalHFA) has a strong social license to operate in the communities it serves. Since its inception, CalHFA has helped more than 226,000 low- to medium-income Californians purchase their first home via its affordable single-family loans and down payment assistance program, and helped preserve or build more than 82,000 affordable homes and apartments. CalHFA offers education and counseling services to promote financial literacy and upward mobility to the populations it serves, including historically underserved groups.

A stringent regulatory framework underscores compliance with social objectives. All CalHFA single-family loans and multifamily rental developments financed under the framework are governed by various federal and state laws, which set specific requirements to lend to and set aside housing for low- to moderate- income residents and maintain affordable rent levels for residents.

California has among the most ambitious state energy codes in the U.S., and financed projects will likely meet or exceed state regulations. Properties financed will likely have third-party green building certifications, GreenPoint and LEED, which exceed the 2019 version of Title 24. Projects may also contain

Weaknesses

Multifamily developments financed under the framework may fund projects that contain fossil fuel direct heating. Any fossil fuel direct heating, in our view, increases emissions lock-in risk and prolongs the asset life of a technology that is incompatible with a low carbon, climate resilient (LCCR) future. However, CalHFA intends to fund projects with heating systems that optimize energy efficiency and emissions reduction per regulatory requirements.

Areas to watch

The properties that CalHFA finances are subject to physical climate risks. California is prone to extreme weather events and the physical impacts of climate change (such as wildfires, droughts, heat waves, and floods) and earthquake risks. CalHFA requires insurance for certain hazards, including fire and flood, where relevant, and Title 24 of the California Building Code stipulates additional protective building features for houses situated in wildfire-prone areas. We believe these measures address some environmental risks but do not mitigate the potential physical risks to CalHFA's properties and its residents.

Mortgages financed under the framework must not be previously labeled as social or sustainability bonds by loan originators or other parties to avoid double-counting of benefits. If the loans or MBS purchased by CalHFA already carry a social or sustainable label, the social or sustainability benefits of financings could be counted twice.

AFFORDABLE HOUSING REVENUE BOND PROGRAM (MULTIFAMILY)

- From 2008 to 2020, the Agency financed 4% LIHTC loans primarily with conduit bonds, federal funding programs, or bank private placements
- Under conduit lending, the loans were sold limiting the Agency to an upfront fee and passing servicing and ongoing income on to the purchaser of the loans
- To better align the Agency's mission for long-term financial stability and the ability to invest more in program over time, the Agency created a new parity bond trust indenture, the Affordable Housing Revenue Bonds trust indenture ("AHRB")
- Under AHRB, the Agency issues self-amortizing bonds to finance first mortgage LIHTC loans and holds the loans to maturity rather than selling the loans to third parties

GOAL	PROGRESS
• Create fully flexible parity indenture	• AHRB Trust Indenture launched in 2023
• Achieve high credit ratings	• Achieved Aa2 from Moody's and AA from Standard and Poor's
• Issue self-amortizing bonds	• 3 issues to date: 2023A, 2024A, and 2025A
• Leverage volume cap, MIP, and other second subsidy loans	• Issues to date have financed 16 loans totaling $392 million
• Create ongoing net interest margin to grow asset base, generate internal subsidy for investment in program, and ability to launch new programs	• AHRB Asset to Debt Ratio = 1.26
• Mitigate forward commitment interest rate risk for the Agency	• In 2022, the Agency instituted an interest rate swap hedging strategy to manage forward commitment rate risk

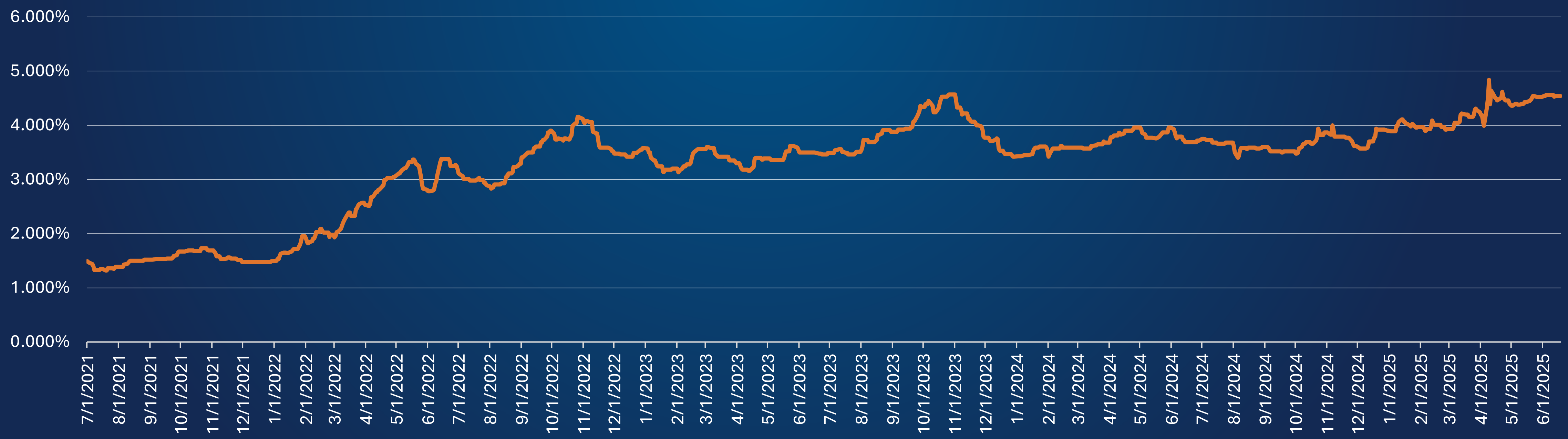
HOMEOWNERSHIP MORTGAGE REVENUE BOND PROGRAM (SINGLE FAMILY)

- Since 2014, CalHFA financed its single family programs solely through the TBA Market
- CalHFA created a new party bond indenture in 2025 to finance the new MyAccess Program
- MyAccess creates additional down payment assistance without any State funding
- Currently, bond funded DPA is lower in cost to low-and-moderate income homebuyers with an average savings of approximately $15,000 in interest cost over the life of the loan compared with TBA execution

GOAL	PROGRESS
• Create fully flexible parity indenture to finance both first and subordinate mortgages	• HOMR Trust Indenture launched in 2025, MBS only
• Achieve high credit ratings	• Achieved Aa1 from Moody's and AA+ from Standard and Poor's
• No Use of Volume Cap	• Taxable Debt Only
• Create ongoing net interest margin to grow asset base	• Diversified single family program revenues

ADDRESSING INTEREST RATE RISK IN MULTIFAMILY COMMITMENTS

- CalHFA is starting to finance permanent loan conversions from the 2021 MIP round, with rates now 300 basis points higher
- Interest rate risk was identified as a key risk for CalHFA since October 2021
- Current rates remain elevated and volatile, however, there is less expectation of an increase of a similar magnitude
- Overall financial risks to CalHFA change over time



ACHIEVING CALHFA'S STRATEGIC AND FINANCIAL GOALS

CalHFA priced $157 million in tax-exempt multifamily revenue bonds on May 28

- CalHFA received $24 million in revenue from the unwind of interest rate hedges through the Agency's interest rate management program
- CalHFA's prior multifamily bonds required the use of a put-bond structure to lower the cost of capital due to substantial unhedged loans prior to the Program. CalHFA structured the 2025A bonds without a put bond for the first time.

CalHFA priced $80 million in taxable single family revenue bonds on June 10

- CalHFA financed all reservations to date for the MyAccess program and attracted new investors to the program