The California Housing Finance Agency (CalHFA) is pleased to present our Popular Annual Financial Report of the California Housing Finance Fund for the Fiscal Year ending June 30, 2020. This report gives a general overview of CalHFA’s financial position. It also shows our continuing commitment to prudent and responsible financial management, in addition to giving context and background about the environment in which we operate. Financial and fiscal information in this document is a distillation of the much more detailed Comprehensive...
Annual Financial Report and will be of more interest to the general public than to financial analysts.

Despite facing the challenges of California’s high housing costs and the effects of the COVID-19 pandemic, CalHFA saw increased production in Fiscal Year 2019-2020 and continued to innovate with new and existing loan programs. In fulfilling our mission to create and finance progressive housing solutions so more Californians have a place to call home, CalHFA helped a record-breaking 13,060 low- and moderate-income families achieve the dream of homeownership with more than $4 billion in first mortgages and more than $200 million in down payment/closing cost assistance. Additionally, the Agency used more than $860 million in lending and bond issuance to create and preserve more than 3,509 affordable rental units for California families. CalHFA’s production is done in collaboration with public and private partners, and in accordance with Affirmatively Furthering Fair Housing principles.

The Comprehensive Annual Financial Report was written to conform with generally accepted accounting principles, and includes financial statements audited by CliftonLarsonAllen, LLP. Requests for hard copies can be sent to the Sacramento address on the back of this report, or the PDF version is available on our website at www.calhfa.ca.gov.

Donald Cavier
Acting Executive Director
For more than 45 years, the California Housing Finance Agency has supported the needs of renters and homebuyers by providing financing and programs so more low- to moderate-income Californians have a place to call home. Established in 1975, CalHFA was chartered as the state’s affordable housing lender and continues to serve that purpose. The Agency’s Multifamily Division finances affordable rental housing through partnerships with jurisdictions, developers and more, while its Single Family Division provides first mortgage loans and down payment assistance to first-time homebuyers. CalHFA’s operations are funded by revenues generated through its mortgage loan programs, not taxpayer dollars, although some of its program funding comes from California’s General Fund and voter-approved initiatives. Over the course of its existence, CalHFA has helped more than 201,000 Californians purchase their first home with a mortgage they can afford, and helped finance the development and preservation of more than 70,000 affordable homes and apartments for veterans, seniors, those with special needs and families in danger of experiencing homelessness.
connecting Californians to homes
members of the Board of Directors

as of June 30, 2020
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Secretary, Business, Consumer Services and Housing Agency, State of California

GUSTAVO VELASQUEZ
Director, Department of Housing and Community Development, State of California

STEPHEN RUSSELL
Executive Director, San Diego Housing Federation

EILEEN GALLAGHER
Managing Director, Stifel’s San Francisco Public Finance of California

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SVP, Community Development Finance Manager, BBVA Compass

ANAMARIE AVILA FARIAS
Housing Authority of Contra Costa County

PRESTON PRINCE
CEO and Executive Director, Fresno Housing Authority

FIONA MA
State Treasurer, State of California

* NON-VOTING
Senior Staff

as of June 30, 2020

TIA BOATMAN PATTERSON
Executive Director

DONALD CAVIER
Chief Deputy Director

KATE FERGUSON
Director of Multifamily Programs

LORI HAMAHASHI
Comptroller
We believe that it is important that our Agency reflect, in some measure, the incredible diversity of the people of California. Our commitment to low- and moderate-income housing — both on the homeownership and rental sides — demands that we employ people who share some of the characteristics of the people we serve.

CalHFA had 183 employees (including 175 full-time employees and 8 student assistants and retired annuitants) as of June 30, 2020. While the state of California is almost evenly split by male and female, 66% of CalHFA employees are women. CalHFA has a greater share of Black employees than the overall population of California, although we see room for improvement in attracting and hiring those of Latino descent.
For the coming year, CalHFA has partnered with the Capitol Collaborative on Race and Equity (CCORE) to address race and diversity issues across the entire spectrum of our business, both internal and external.

Over the course of 18 months, over a dozen employees are learning about, planning for, and implementing activities that embed racial equity approaches into institutional culture, policies, and practices.

This is in addition to ongoing work to increase homeownership among communities of color and other initiatives to find safe, decent and inclusive affordable housing for all Californians.
Statistical Snapshot

MULTIFAMILY HIGHLIGHTS

3,509 units created and preserved

$72 M

$789 M
MULTIFAMILY HIGHLIGHTS

34 PROJECTS

61% OF UNITS IN NORTHERN CA METROPOLITAN COUNTIES

$36 M MIXED-INCOME PROGRAM

$33 M SPECIAL NEEDS HOUSING PROGRAM

35% OF UNITS IN SOUTHERN CA METROPOLITAN COUNTIES

4% OF UNITS IN NON-METROPOLITAN COUNTIES
SINGLE FAMILY HIGHLIGHTS

13,060 homebuyers served

$4 billion in first mortgage lending

$213.8 million in down payment & closing cost assistance

- 53.4% Hispanic
- 8.2% African American
- 3.9% Asian
- 33.4% White
- 1.1% Other/Unknown
Government vs. Conventional Loan Count

Loans by Household Size

- 1-2: 58%
- 3-4: 31%
- 5-6: 10%
- 6+: 1%

Loans by Combined Borrower Income

<table>
<thead>
<tr>
<th>Income Range</th>
<th>Gov't. Loans</th>
<th>Conv. Loans</th>
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</thead>
<tbody>
<tr>
<td>Less than $25,000</td>
<td>465</td>
<td>12</td>
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<tr>
<td>$25,001 to $40,000</td>
<td>1683</td>
<td>249</td>
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<tr>
<td>$40,001 to $55,000</td>
<td>2522</td>
<td>1,121</td>
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<tr>
<td>$55,001 to $70,000</td>
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<td>$70,001 to $85,000</td>
<td>2299</td>
<td>2,814</td>
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<tr>
<td>$85,001 to $100,000</td>
<td></td>
<td>2,300</td>
</tr>
<tr>
<td>$100,001 and over</td>
<td></td>
<td>4,256</td>
</tr>
</tbody>
</table>

Loans by Sales Price

<table>
<thead>
<tr>
<th>Sales Price Range</th>
<th>Gov't. Loans</th>
<th>Conv. Loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $100,000</td>
<td>21</td>
<td>249</td>
</tr>
<tr>
<td>$100,001 to $150,000</td>
<td>1,121</td>
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<tr>
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<td>2,814</td>
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<td>3,001</td>
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<tr>
<td>$350,001 and over</td>
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<td>4,256</td>
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</tbody>
</table>
Financial Highlights

STATEMENT OF NET POSITION

The Statement of Net Position is a snapshot of the fiscal condition of the Fund at a certain point in time as over time increases or decreases in the Fund’s net position are one indicator of whether its financial status is improving, stable, or deteriorating. There are also other indicators that should be considered when reviewing the operational results of the Fund, such as changes in the interest rate environment, bond market, state and federal laws governing the Fund’s programs, the tax code, and the real estate market in the State. All of the Fund’s net position is restricted pursuant to trust agreements with bondholders and the Agency’s enabling legislation or classified as net investment in capital assets. Deferred outflow of resources is a consumption of net assets by the government that is applicable to a future reporting period, and the deferred inflow of resources is an acquisition of net assets by the government that is applicable to a future reporting period.

A financial position of strength and stability is supported by a variety of outstanding Single Family and Multifamily loan products and conservative management principles. The overall financial condition of the California Housing Finance Fund remained stable as the assets and deferred outflows of resources of the Fund exceeded liabilities and deferred inflows of resources at the close of the fiscal year.

As of June 30, 2020, the total net position of the Fund was $2.2 billion, an increase of $452 million from the prior fiscal year ending June 30, 2019. The increase in net position was primarily due to $227 million operating income and $247.4 million transfer in from the California Department of Housing and Community Development for the SB2 and the AB101 program while the previous year’s $182.6 million increase was primarily due to the $175.1 million in operating income, and $25.4 million transfer in from various counties for the Special Needs Housing Program (SNHP).
### CONDENSED STATEMENTS OF NET POSITION

Dollars in Millions

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets &amp; Deferred Outflows</td>
<td>$4,774</td>
<td>$4,094</td>
<td>$3,747</td>
<td>$3,649</td>
<td>$3,653</td>
</tr>
<tr>
<td>Total Liabilities &amp; Deferred Inflows</td>
<td>$3,183</td>
<td>$2,693</td>
<td>$2,182</td>
<td>$1,901</td>
<td>$1,453</td>
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<td><strong>TOTAL NET POSITION</strong></td>
<td>$1,591</td>
<td>$1,401</td>
<td>$1,565</td>
<td>$1,748</td>
<td>$2,200</td>
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### TOTAL NET POSITION

Dollars in Millions

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
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<tr>
<td>$1,000</td>
<td>$1,200</td>
<td>$1,400</td>
<td>$1,600</td>
<td>$1,800</td>
<td>$2,000</td>
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</tbody>
</table>
ASSETS AND LIABILITIES

The Agency’s assets primarily consist of cash, investments, interest receivable, accounts receivable, and program loan receivables. The Agency’s liabilities are predominantly made of bonds, notes and loans payable, interest payable, and compensated absences which represent the amount of accrued vacation or annual leave balances for the Agency’s employees.

As of June 30, 2020, the Agency’s total assets slightly increased by $4 million from the prior fiscal year ending June 30, 2019. The increase in assets is primarily due to the increase in cash and investments, as seen in the reasons listed:

- Cash was $75.9 million as of June 30, 2020. An increase of $29 million compared to $46.9 as of June 30, 2019.
- Investments were $1.2 billion as of June 30, 2020, an increase of $78.9 million compared to the prior year.
- Program loans receivable decreased by $112.8 million from the fiscal year ending June 30, 2020.
- Interest receivable was $73.8 million as of June 30, 2020 compared to $67.9 million as of June 30, 2019, an increase of $5.8 million.

Accounts receivable increased by $3.1 million during the fiscal year ending June 30, 2020. The increase in accounts receivable is primarily due to the $3.4 million increase in accounts receivable from mortgage lender related to funding of subordinated loans.

Total liabilities as of June 30, 2020 were $1.4 billion, a decrease of $448 million from the prior fiscal year ending June 30, 2019. The decrease from $1.9 million to $1.4 million is primarily a result of significant early bond redemption activities.

Of the Fund’s liabilities, 50% are in the form of bond indebtedness compared to 63% in the prior year. The Fund’s net bonds payable at June 30, 2020 decreased by $461 million from the prior year due to $446 million in bond redemptions and $15 million of scheduled principal maturities. Total other liabilities increased by approximately $3.9 million during the fiscal year ending June 30,
2020. The $11.3 million net increase in other non-current liabilities was mainly due to the increase in derivative swap liability and decrease in due to other government entities. The $7.4 million net decrease in other current liabilities was primarily due to the decrease in interest payable and HUD Risk Share loan loss reserves.
LONG TERM DEBT

The Agency’s enabling statutes empower the Agency, on behalf of the Fund, to issue both federally taxable and tax-exempt bonds and notes. Bonds and notes issued by the Agency are not debts of the State but are special and general obligations of the Agency payable solely from and collateralized by the revenues and other assets pledged under the respective indentures. The Agency has the authority to have outstanding bonds or notes, at any one time, in the aggregate principal amount of $13.15 billion excluding refunding issues and certain taxable securities.

As of June 30, 2020, the Fund’s net bonds payable decreased by $461 million from the prior fiscal year to $721 million mainly due to $446.1 million in bond redemptions.
and $14.6 million of scheduled principal maturities. During that fiscal year, the Agency issued $122.3 million in tax-exempt bonds and $599 million in taxable bonds.

Notes payable increased by $41 million from the prior fiscal year to $213 million primarily as a result of multifamily loan activities under Federal Housing Administration’s HFA Risk-Sharing Program.
OPERATING REVENUES AND EXPENSES

The Fund’s operating revenues and expenses are activities classified as core business activities of the Fund. The Fund’s primary operating revenue is derived from the TBA Market Rate Program fee revenue and gain on sale of the TBA Market Rate securities, investment of bond proceeds in the loan programs and investment in securities. The Fund’s primary expense is interest expense on bonds outstanding. Net interest income is an important measure of performance for the Fund.

As of June 30, 2020, the total operating revenues of the Fund were $347.9 million compared to $341.4 million for the prior fiscal year ending June 30, 2019, an increase of $6.5 million or 1.9%. The increase is primarily due to the increase in administrative fees and in application fees/certification.

Other revenues also increased by $29.8 million to $75.4 million as of June 30, 2020 compared to $45.6 million as of June 30, 2019. The increase is mainly due to the continued growth of Single Family TBA Market Rate program through pool pay-up sale of securities and servicer acquisition fee revenue.

As of June 30, 2020, the total operating expenses of the Fund were $121 million compared to $166.3 million for the prior fiscal year ending June 30, 2019, a decrease of $45.3 million or 27.3%. The decrease is primarily due to the decrease in bond interest expenses related to the reduction in bonds payable, the decrease in the provision for estimated loan loss, decrease in salaries and general expenses, and then an increase in expenses related to the Single Family TBA loan program.
OPERATING REVENUES AND OPERATING EXPENSES

Dollars in Millions

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating Revenues</th>
<th>Operating Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$200</td>
<td>$150</td>
</tr>
<tr>
<td>2017</td>
<td>$225</td>
<td>$160</td>
</tr>
<tr>
<td>2018</td>
<td>$250</td>
<td>$175</td>
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<tr>
<td>2019</td>
<td>$300</td>
<td>$225</td>
</tr>
<tr>
<td>2020</td>
<td>$350</td>
<td>$250</td>
</tr>
</tbody>
</table>
Total non-operating revenues and expenses were negative $17.1 million as of June 30, 2020, an increase of $819 thousand from the prior fiscal year ending June 30, 2019. The increase is primarily due to the $5.1 million increase in prepayment penalty and the $4.3 million decrease in Investment SWAP revenue.

The operating income as of June 30, 2020 was $227 million compared to $175.1 million for the prior fiscal year ending June 30, 2019. Change in net position before transfers was $209.8 million compared to $157.2 million for the prior fiscal year.

**NON-OPERATING REVENUES AND EXPENSES**

The Fund’s non-operating revenues and expenses include the reporting of the U.S. Department of Housing and Urban Development’s Section 8 Housing Assistance Program and Section 811 Project Rental Assistance Demonstration Program within Other Programs and Accounts. Also included in this section are activities not classified as core business activities of the Fund.
2020 TOTAL REVENUES*:
$405 MILLION

- INTEREST INCOME - 32.1%
- REALIZED GAIN/LOSS ON SALE OF SECURITIES - 28.4%
- OTHER LOAN FEE & OTHER REVENUES - 25.4%
- NON-OPERATING REVENUES - 14.1%

2020 TOTAL EXPENSES*:
$195 MILLION

- INTEREST EXPENSES - 18%
- SALARIES & GENERAL EXPENSES - 11%
- OTHER LOAN FEE & OTHER EXPENSES - 33%
- NON-OPERATING EXPENSES - 38%

*2020 Total Revenues and Expenses include both operating and non-operating revenues and expenses
ECONOMIC CONDITION AND OUTLOOK

The Fund’s housing programs are the primary source of income for the Fund. Various economic and regulatory factors such as prevailing economic conditions, mortgage interest rates, investment rates, the demand for housing, the cost of housing and of operating housing programs, the volume of mortgage lending activity in the State and other factors affecting the supply of housing in the State can create significant challenges for the Agency in Single Family and Multifamily housing programs as well as its overall operations.

The Fund’s total amount of outstanding indebtedness cannot exceed $13.1 billion at any time. Additionally, the Fund has an annual resolution approved by the Agency’s governing board limiting the taxable bond issuance to $100 million for Single Family programs. The Multifamily programs limit is set at $250 million for 501(c)(3) and taxable issues and $2.5 billion for Multifamily tax-exempt conduit issuances.

The Agency’s lending activities have once again experienced excellent progress during the fiscal year ending June 30, 2020. The revenues generated from the participation in the TBA market rate program again accounted for nearly 57.2% of the agency’s total operating revenues and
will continue to have a significant impact on the Agency’s operations in the following fiscal year. The continued growth is partially attributable to implementation of operational efficiencies, including ongoing collaboration with our master servicer. The volume of single family first mortgage purchases through the TBA Market Rate Program reached over $4 billion - an all-time record for CalHFA - and $213.8 million in subordinate lending for down payment assistance and/or closing costs.

Thanks to the governor’s approval of AB 101, the Agency’s Mixed-Income Program (MIP) with State’s Low-Income Housing Tax Credits (LIHTC) began taking reservations in FY 2019-20. There was high demand for this loan product during fiscal year ending 2020 and is expected to increase during the following fiscal year. We are pleased to report the Fund’s successful efforts to strengthen its financial position by continuing its partnership with the Federal Home Loan Bank of San Francisco, which provide credit facilities for both Single Family and Multifamily programs and increasing return on equity.

The U.S. economy, particularly the housing market and low interest rates, has had a significant impact on the Fund’s operations during the past several years. Interest rates have taken sharp decline causing the agencies derivative position to grow increasingly out of the money. The Agency
has a significant, although decreasing, interest-rate swap portfolio and fluctuations in interest rates can impact the Agency's collateral posting requirements.

In general, higher interest rates will reduce the collateral posting requirements and improve the Agency's liquidity profile, while lower interest rates will increase the collateral posting requirements and limit the Agency's liquidity profile. However, due to the significant decrease in the notional amount of the Agency's interest-rate swap portfolio since the housing crisis, the collateral posting requirements have not fluctuated significantly. Based on the remaining independent collateral posting requirements, fluctuations in the collateral postings, if any, would continue to be minimal.

In addition to modifying the Agency's lending activities to increase operational revenues, the Agency plans to continue to combat the challenges of the economy by actively reducing its debt costs through both refunding opportunities and early redemption of debt, especially with regards to its variable rate debt.

Due to the pandemic the Agency has seen a slight increase in Single Family delinquency rates growing to 7.8% by the end of the fiscal year. The Multifamily program has been able to avoid project forbearances and is continuing to see mortgage payments being made in a timely manner. Despite the pandemic home sale prices in the state have continued to increase as of June 30, 2020. The upward trend in single family home prices has had a positive impact on the Agency's profitability, although if prices trend too high, first-time homebuyers may be unable to afford homes in high-cost areas.
The Agency has three primary credit ratings that impact its financial results:

1. **CALHFA’S ISSUER CREDIT RATING**
   (S&P’S “AA- STABLE OUTLOOK”/
   MOODY’S “A1 POSITIVE OUTLOOK”)

During FY 2019-20, CalHFA’s issuer credit rating from Standard & Poor’s (S&P’s) remains the same at “AA-“ with a Stable Outlook. The rating from Moody’s for CalHFA’s issuer credit remains the same at “A1 Positive outlook”.

2. **HOME MORTGAGE REVENUE BONDS**
   (S&P’S “AA STABLE OUTLOOK”/
   MOODY’S “A1 POSITIVE OUTLOOK”)

During FY 2019-20, the rating for CalHFA’s Home Mortgage Revenue Bonds (HMRB) from S&P’s remains the same at “AA Stable outlook”. The rating from Moody’s remains the same for HMRB at “A1 Positive outlook”. During FY 2019-20, S&P’s affirms its rating of “AA+/A-1” for Variable Rate HMRB, various series.

3. **MULTIFAMILY HOUSING REVENUE BONDS III**
   (S&P’S “AA+ STABLE OUTLOOK”/
   MOODY’S “A1 POSITIVE OUTLOOK”)

During FY 2019-20, the rating for all outstanding Multifamily Home Revenue Bonds (MHRB III) Bonds from S&P’s remains “AA+ Stable outlook”. The rating from Moody’s for MHRB III Bonds remains the same at “A1 Positive outlook”.

CalHFA’s key credit ratings are for its general obligation, or issuer credit rating, and its two parity bond indentures, HMRB and MHRB III. It receives a rating for all three of these from both S&P Global Ratings and Moody’s Investor Service. These ratings affect the Agency’s cost of borrowing, as well as certain fees it pays. Higher ratings mean lower cost of funds, so a high credit rating can significantly improve CalHFA’s ability to borrow and thus lend and help create more affordable housing.

With the Agency’s current credit ratings, it is able to acquire funds that enable the financing of more affordable housing projects at favorable costs. CalHFA previously financed Single Family loans through its HMRB indenture, but is currently financing Single Family loans using the TBA Market Rate Program. The MHRB III indenture is used to fund Multifamily projects that help address the affordable housing crisis in California.

As CalHFA moves into next fiscal year and on into the future, it will also continue to search for new methods to expand its Single Family and Multifamily lending activities consistent with California’s housing needs and work collaboratively with other housing entities and stakeholders to deliver effective innovative housing.
REQUEST FOR INFORMATION

Questions concerning any of the information presented in this financial report or requests for additional information should be addressed to:

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500 Capitol Mall, Suite 1400
Sacramento, CA 95814

Phone: 916.326.8650
Fax: 916.322.1464

financing@calhfa.ca.gov