REIMAGINING HOUSING EQUITY

2020 2021 POPULAR ANNUAL FINANCIAL REPORT OF THE CALIFORNIA HOUSING FINANCE FINANCE FUND for the Fiscal Years Ended June 30, 2021 and June 30, 2020
Introduction

INTRODUCTORY LETTER

The California Housing Finance Agency is pleased to present our Popular Annual Financial Report of the California Housing Finance Fund for the Fiscal Year ending June 30, 2021. 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 Annual Comprehensive 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 2020-2021 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 7,603 low- and moderate-income families achieve the dream of homeownership with more than $2.5 billion in first mortgages and more than $139 million in down payment/closing cost assistance. Additionally, the Agency used more than $1.8 billion in lending and bond issuance to create and preserve more than 5,195 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 Annual Comprehensive 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.

Tiena Johnson Hall
Executive Director
For 46 years, the California Housing Finance Agency has supported the needs of renters and homebuyers by providing financing programs for low- to moderate-income Californians. Established in 1975, CalHFA was chartered as the state’s affordable housing lender and continues to serve that purpose. CalHFA’s mission of investing in diverse communities with financing programs that help more Californians have a place to call home is accomplished through a variety of housing programs and activities.

The Agency’s Multifamily Division finances affordable rental housing through partnerships with local jurisdictions, affordable housing developers and other financial institutions, while the Single Family Division provides lending products and down payment assistance for first-time homebuyers through our vast network of private lenders.

CalHFA’s operations are self-funded by revenues generated through its lending activities; however, in recent years some of its special program funding has come from California’s General Fund and voter approved initiatives, but may be continuously appropriated to CalHFA.

Over the course of its existence, CalHFA has helped more than 207,000 Californians purchase their first home with a mortgage they can afford, and helped build or preserve more than 70,000 affordable homes and apartments for veterans, seniors, those with special needs and families in danger of experiencing homelessness.
Vision: All Californians living in homes they can afford
MEMBERS OF THE BOARD OF DIRECTORS

as of June 30, 2021

TIENA JOHNSON HALL
SVP, Community Development Finance Manager, BBVA Compass

SCOTT MORGAN*
Acting Director, Office of Planning and Research, State of California

DALILA SOTELO
Managing Director, Western Region Community Development Division, Integral Group

JONATHAN C. HUNTER
Consultant, JC Hunter Consulting

DONALD CAVIER*
Acting Executive Director, California Housing Finance Agency

MICHAEL A. GUNNING
ACTING CHAIRPERSON
Senior Vice President of Legislative Affairs, California Building Industry Association

DONALD CAVIER*
Acting Executive Director, California Housing Finance Agency

TIENA JOHNSON HALL
SVP, Community Development Finance Manager, BBVA Compass

JONATHAN C. HUNTER
Consultant, JC Hunter Consulting

DALILA SOTELO
Managing Director, Western Region Community Development Division, Integral Group

SCOTT MORGAN*
Acting Director, Office of Planning and Research, State of California
LOURDES CASTRO RAMÍREZ  
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

KEELY BOSLER*  
Director, Department of Finance, State of California

DR. VITO IMBASCIANI  
Secretary, Department of Veterans Affairs, State of California

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
Our mission: Investing in diverse communities with financing programs that help more Californians have a place to call home.
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 170 employees as of June 30, 2021. 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. About 21% of CalHFA employees reported having a disability.
During the fiscal year ending June 30, 2021, 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 the year, 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.
MULTIFAMILY HIGHLIGHTS

Statistical Snapshot for FY 2020–21

5,195
affordable rental units*

$1.8 billion IN LENDING AND BOND ISSUANCE

$266 M 1ST LIEN

$1.36 B CONDUIT
### Program Types
- Mixed Income Program (MIP)
- Conduit Issuance
- Local Partnerships
- Bond Recycling
- Preservation

### Area Median Income (AMI)

<table>
<thead>
<tr>
<th>AMI UNIT BREAKDOWN</th>
<th>AMI ES</th>
</tr>
</thead>
<tbody>
<tr>
<td>80 AMI</td>
<td>8.6%</td>
</tr>
<tr>
<td>70 AMI</td>
<td>10%</td>
</tr>
<tr>
<td>60 AMI</td>
<td>31%</td>
</tr>
<tr>
<td>50 AMI or below</td>
<td>50%</td>
</tr>
<tr>
<td>Above 80 AMI</td>
<td>0.4%</td>
</tr>
</tbody>
</table>

**Financial Breakdown**

- **$134 M** MIP
- **$25.9 M** SNHP/MHSA
SINGLE FAMILY HIGHLIGHTS

7,603 homebuyers helped

$2.5 billion IN FIRST MORTGAGE LENDING

$139 million IN DOWN PAYMENT & CLOSING COST ASSISTANCE

ETHNICITIES SERVED

- 53% HISPANIC
- 8% AFRICAN AMERICAN
- 4% ASIAN
- 30% WHITE
- 5% OTHER/UNKNOWN
Loans by Combined Borrower Income

<table>
<thead>
<tr>
<th>Income Range</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $25,000</td>
<td>2</td>
</tr>
<tr>
<td>$25,001 to $40,000</td>
<td>262</td>
</tr>
<tr>
<td>$40,001 to $55,000</td>
<td>932</td>
</tr>
<tr>
<td>$55,001 to $70,000</td>
<td>1,549</td>
</tr>
<tr>
<td>$70,001 to $85,000</td>
<td>1,536</td>
</tr>
<tr>
<td>$85,001 to $100,000</td>
<td>1,324</td>
</tr>
<tr>
<td>$100,001 and over</td>
<td>1,998</td>
</tr>
</tbody>
</table>

Loans by Sales Price

<table>
<thead>
<tr>
<th>Sales Price Range</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $100,000</td>
<td>5</td>
</tr>
<tr>
<td>$100,001 to $150,000</td>
<td>79</td>
</tr>
<tr>
<td>$150,001 to $200,000</td>
<td>455</td>
</tr>
<tr>
<td>$200,001 to $250,000</td>
<td>1,158</td>
</tr>
<tr>
<td>$250,001 to $300,000</td>
<td>1,568</td>
</tr>
<tr>
<td>$300,001 to $350,000</td>
<td>1,495</td>
</tr>
<tr>
<td>$350,001 and over</td>
<td>2,843</td>
</tr>
</tbody>
</table>

Government vs. Conventional Loan Count

- FHA Loans: 72.3%
- Conv. Loans: 27.4%
- USDA Loans: 0.2%
- VA Loans: 0.1%

Loans by Household Size

- 1-2: 62%
- 3-4: 29%
- 5-6: 8%
- 7+: 1%

Government vs. Conventional Loan Count

- Govt. Loans: 72.3%
- Conv. Loans: 27.4%
- FHA Loans: 0.2%
- USDA Loans: 0.1%
- VA Loans: 0.1%
Financial Highlights

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, 2021, the total net position of the Fund was $2.8 billion, an increase of $618.9 million from the prior fiscal year ending June 30, 2020. The increase in net position was primarily due to $151.1 million operating income, $31.2 million investment SWAP fair value revenue and $429 million net transfer in that included $300 million from the National Mortgage Settlement Fund for National Mortgage Settlement (NMS) Counseling Program and $101 million from the California Department of Housing and Community Development for AB101 and SB2 program.

Of the $2.819 billion in total net position, the Fund’s restricted net position is 99.98% of the total.
TOTAL NET POSITION
Dollars in Millions

2017 2018 2019 2020 2021
$1,401 $1,565 $1,748 $2,200 $2,819
## CONDENSED STATEMENTS OF NET POSITION

Dollars in Millions

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets &amp; Deferred Outflows</td>
<td>$ 4,094</td>
<td>$ 3,747</td>
<td>$ 3,649</td>
<td>$ 3,653</td>
<td>$ 3,969</td>
</tr>
<tr>
<td>Total Liabilities &amp; Deferred Inflows</td>
<td>$ 2,693</td>
<td>$ 2,182</td>
<td>$ 1,901</td>
<td>$ 1,453</td>
<td>$ 1,150</td>
</tr>
<tr>
<td><strong>TOTAL NET POSITION</strong></td>
<td><strong>$ 1,401</strong></td>
<td><strong>$ 1,565</strong></td>
<td><strong>$ 1,748</strong></td>
<td><strong>$ 2,200</strong></td>
<td><strong>$ 2,819</strong></td>
</tr>
</tbody>
</table>
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, 2021, the Agency’s total assets increased by $319 million from the prior fiscal year to a total of $3.96 billion. The increase in total assets is primarily due to the $308.9 million increase in investment and an additional $11.3 million received due to larger volume of prepayments and repayments from the first lien homeownership program loans.

Of the Fund’s assets, 96.3% was cash and investments and program loans receivable.

Total cash and investments were $1.7 billion as of June 30, 2021, which was an increase of $433.3 million from the prior fiscal year.

Approximately $1.2 billion of the Fund’s investments are held in the State’s Surplus Money Investment Fund (“SMIF”) and earn a variable rate of interest. The amount of funds invested in SMIF increased by $313 million due to a $300 million transfer in for National Mortgage Settlement Program and a $12.6 million increase of the multifamily loan servicing account from additional funds received through the Low & Moderate Income Housing Program (Assembly Bill 101). Net capital assets were $620 thousand as of June 30, 2021 which was an increase of $21 thousand from the previous fiscal year.

Total liabilities as of June 30, 2021 were $1.1 billion, a decrease of $300 million from the prior fiscal year.

Of the Fund’s liabilities, 28% are in the form of bond indebtedness compared to 50% in the prior fiscal year. The Fund’s net bonds payable at June 30, 2021 decreased by $409.2 million from the prior year due to $405.8 million in bond redemptions and $3.4 million of scheduled principal maturities.

As of June 30, 2021, notes payable slightly increased by $15 million to $228 million, which represent 20% of the Fund’s liabilities compared to 15% in the prior fiscal year.

The other liabilities increased due to the Agency’s receipt of $105.5 million on June 22, 2021 of U.S. Treasury Homeowner Assistance Funds (“HAF”) for the California
TOTAL ASSETS, TOTAL LIABILITIES AND DEBT TO ASSET RATIO*

Dollars in Millions

*Excludes deferred inflows and outflows
Mortgage Relief Program. These funds will be transferred to the CalHFA Homeowner Relief Corporation (“HRC”) on August 1, 2021.

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.
BONDS PAYABLE

As of June 30, 2021, the Fund’s net bonds payable decreased by $409 million from the prior fiscal year to $312 million mainly due to federally taxable bonds outstanding decreased by $352.1 million to $247 million as of June 30, 2021 and represent 79% of all bonds outstanding, while tax-exempt bonds outstanding decreased by $57 million to $65.2 million and represent 21% of all bonds outstanding.

NOTES PAYABLE

As of June 30, 2021, notes payable slightly increased by $15 million to $228 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, 2021, the total operating revenues of the Fund were $254.2 million compared to $347.9 million from the prior fiscal year, which was a decrease of $93.7 million. The decrease is primarily due to the following reasons:

- Interest income on program loans and investments decreased $23.1 million mainly due to reduction in program loans and mortgage-backed securities.
- Realized and unrealized gain on sale of securities decreased by $17.6 million to $97.4 million. Among the decrease, $1.2 million was from the realized gain on securitizations related the TBA Market Rate Program and $16.3 million was from the change of fair value.
- Servicer acquisition fees revenue decreased by $45.1 million compared with the prior year due to decrease in volume of the securitization in Single Family TBA Market Rate Program.
- Administrative fees revenue decreased by $6.6 million due to the reduction in volume of subordinate loans purchased for MyHome Program.

As of June, 30, 2021 the total operating expenses of the Fund were $102.7 million compared to $121 million for the prior fiscal year, a decrease of $18.3 million. The decrease is primarily due to an $18 million decrease in expenses for the TBA loan program.
OPERATING REVENUES AND OPERATING EXPENSES
Dollars in Millions

- Operating Revenues:
  - 2017: $257
  - 2018: $243
  - 2019: $341
  - 2020: $348
  - 2021: $254

- Operating Expenses:
  - 2017: $158
  - 2018: $128
  - 2019: $166
  - 2020: $121
  - 2021: $103
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.

As of June 30, 2021, the total non-operating revenues and expenses were $38.5 million. This was an increase from the prior fiscal year primarily due to the increase in Investment SWAP revenue (fair value).

Non-operating revenues were $70 million, which was 22% of the total revenues. Non-operating expenses were $31 million, which was 23% of the total expenses.
2021 TOTAL REVENUES*:
$324 MILLION

- INTEREST INCOME - 33%
- REALIZED GAIN/LOSS ON SALE OF SECURITIES - 30%
- OTHER LOAN FEE & OTHER REVENUES - 15%
- NON-OPERATING REVENUES - 22%

2021 TOTAL EXPENSES*:
$134 MILLION

- INTEREST EXPENSES - 16%
- SALARIES & GENERAL EXPENSES - 18%
- OTHER LOAN FEE & OTHER EXPENSES - 43%
- NON-OPERATING EXPENSES - 23%

*Dollars in Millions

*2021 Total Revenues and Expenses include both operating and non-operating revenues and expenses
The Agency's housing programs are the primary source of income for the Fund. Macroeconomic factors, such as economic growth, employment rates, and inflation rates impact the Agency through changes in the supply and demand for housing in California, volume of mortgage lending (including refinancing), and the Agency's cost of capital. In addition, the Agency can be affected by various regulatory and statutory changes, impacting results from its Single Family and Multifamily production divisions and the Agency's overall operations.

During the fiscal year ending June 30, 2021, Single Family revenues generated from participation in the TBA market rate program accounted for approximately 59.4% of the Agency's total operating revenue. The volume of single family first mortgages purchases through the TBA market rate program reached over $2.5 billion. The Agency also provided $138.7 million in subordinate lending for down payment assistance and closing costs.

Multifamily program revenues are mainly composed of interest received from the Agency's permanent loans. The Agency makes a financial commitment to refinance construction loans up to 36 months prior to the refinancing. Only after this refinancing does the Agency realize interest revenue from this financial commitment. As such, annual commitments will not materially impact the Agency's immediate financial condition. As of June 30, 2021, the Agency had $358.8 million in outstanding commitments to fund Multifamily Program loans.
Due to restrictions related to the recent pandemic having been lifted Single family delinquency rate has declined to 6.42% by the end of the 2020-21 fiscal year from 7.83% the previous fiscal year. Multifamily Programs 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 in the fiscal year ending June 30, 2021. 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 Fund’s total amount of outstanding indebtedness cannot exceed $13.15 billion at any time. Additionally, the Fund has an annual resolution approved by the Agency’s board of directors limiting the taxable bond issuance to $1 billion for Single Family programs for MBS pass-through bonds. The Multifamily programs limit is set at $500 million for 501(c)(3) and taxable issues and $2.5 billion for 501(c)(3), taxable, and non-private activity bond Multifamily tax-exempt conduit issuances. The Agency is authorized to apply for up to $2.0 billion in new money private activity volume cap for multifamily bond issuances.

A large challenge to the U.S. economy is inflation and increasing interest rates. This new economic environment, coupled with the decreased level of support by the Federal Reserve for the MBS market has resulted in decreased revenue from the Agency’s TBA market rate program. The Agency is currently exploring financial alternatives for improved performance from its Single-Family production division. Multifamily developments in planning or construction are facing challenges with higher material cost and availability. This has resulted in project delays and in the rare cases, cancellation. The Agency is currently exploring financial alternatives to support the completion of multifamily developments.
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 “AA3 STABLE OUTLOOK”)

   During FY 2020-21, CalHFA’s issuer credit rating from Standard & Poor’s (S&P’s) remains the same as “AA-” with a Stable Outlook. The rating from Moody’s for CalHFA’s issuer credit was upgraded from “A1 Positive outlook” to “Aa3 Stable outlook”.

2. **HOME MORTGAGE REVENUE BONDS**
   
   (S&P’s “AA STABLE OUTLOOK”/
   Moody’s “AA3 STABLE OUTLOOK”)

   During FY 2020-21, the rating for CalHFA’s Home Mortgage Revenue Bonds (HMRB) from S&P’s remains the same as “AA Stable outlook”. The rating from Moody’s for HMRB was upgraded to “Aa3 Stable outlook” from “A1 Positive outlook”. During FY 2020-21, 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 “AA3 STABLE OUTLOOK”)

   During FY 2020-21, the rating for all outstanding MFIII Bonds from S&P’s remains “AA+ Stable outlook”. The rating from Moody’s for MFIII Bonds was upgraded to “Aa3 Stable outlook” from “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:

CalHFA Financing Division
500 Capitol Mall, Suite 1400
Sacramento, CA 95814

Phone: 916.326.8650
Fax: 916.322.1464

financing@calhfa.ca.gov