




California Housing Finance Agency  
A Component Unit of the State of California

# Breaking New Ground

21  
22

**POPULAR ANNUAL FINANCIAL REPORT**

of the California Housing Finance Fund for the fiscal years ending June 30, 2022 and June 30, 2021



Questions concerning any of the information presented in this financial report or additional requests for information should be addressed to: CalHFA Financing Division, 500 Capitol Mall, Suite #1400, Sacramento CA 95814. The agency can also be reached by phone at 916.326.8650 and by email at [financing@calhfa.ca.gov](mailto:financing@calhfa.ca.gov).

# Popular Annual Financial Report, 2021-22

## Table of Contents

About CalHFA .....	5
Letter from our Executive Director .....	6
CalHFA's Commitment to Diversity & Inclusion .....	12
Statement of Net Position .....	18
Assets & Liabilities .....	21
Long Term Debt .....	24
Operating Revenues & Expenses .....	26
Non-Operating Revenues & Expenses .....	30
Economic Condition & Outlook .....	32





## About CalHFA

**For 47 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.**

California chartered CalHFA as the State's affordable housing lender in 1975 and CalHFA 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 213,000 Californians purchase their first home with a mortgage they can afford, and helped to build or preserve more than 73,000 affordable homes and apartments for veterans, seniors, those with special needs, and families in danger of experiencing homelessness.

## Letter from our Executive Director

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, 2022.

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.

The challenges of California's high housing costs and the lingering aftereffects of the COVID-19 pandemic led CalHFA to slightly decreased production in Fiscal Year 2021-22. Nonetheless, we



were able to introduce a groundbreaking new program to help California build Accessory Dwelling Units, in addition to the Forgivable Equity Builder Loan, which helped more than 2,400 low-income residents purchase their first home, and continued to innovate with new and existing loan programs. Overall, CalHFA helped 5,659 low- and moderate-income families achieve the dream of homeownership with more than \$2 billion in first mortgages. Additionally, the Agency used more than \$1.45 billion in lending and bond issuance to create and preserve more than 3,576 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](http://www.calhfa.ca.gov).

*Tiena Johnson Hall*

Tiena Johnson Hall  
Executive Director



## Members Of The Board Of Directors as of June 30, 2022



**Dalila Sotelo** Acting Chair  
President, Primestor



**Tiena Johnson Hall** (non-voting)  
Executive Director,  
California Housing Finance  
Agency, State of California



**Frederick P. White**  
Housing Capital Advisor,  
City of Los Angeles Office of  
City Homelessness Initiatives



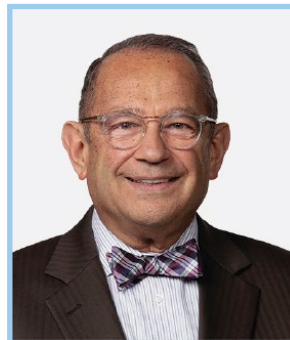
**Stephen Russell**  
Executive Director,  
San Diego Housing Federation



**Preston Prince**  
Executive Director, Santa Clara  
County Housing Authority



**Fiona Ma**  
State Treasurer,  
State of California

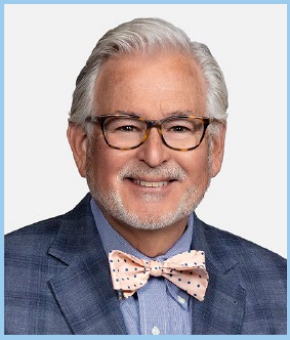


**Dr. Vito Imbasciani**  
Secretary,  
Department of Veterans Affairs,  
State of California



**Lourdes Castro Ramirez**  
Secretary, Business, Consumer  
Services and Housing Agency,  
State of California

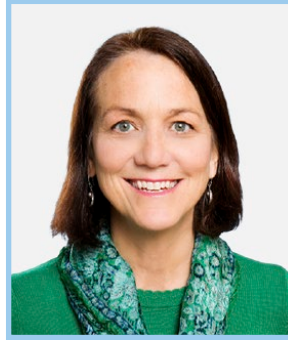




**James Cervantes**  
Retired (formerly Managing  
Director of Public Finance),  
Stifel, Nicolaus & Company



**AnaMarie Avila Farias**  
Operations Director,  
Contra Costa County  
Juvenile Hall Auxiliary



**Eileen Gallagher**  
Managing Director of Public Finance,  
Stifel, Nicolaus & Company



**Maria Cabildo**  
Director of Housing &  
Economic Opportunity,  
California Community Foundation



**Gustavo Velasquez**  
Director, Department of Housing  
and Community Development,  
State of California



**Keely Bosler** (non-voting)  
Director, Department of Finance,  
State of California



**Samuel Assefa** (non-voting)  
Director, Office of Planning &  
Research, State of California







**Tiena Johnson Hall**  
Executive Director



**Donald Cavier**  
Chief Deputy Director



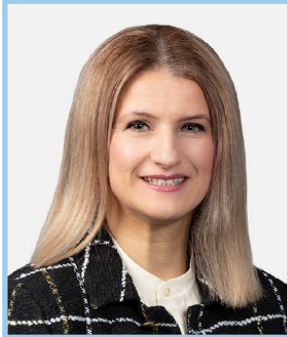
**Rebecca Franklin**  
Director of Enterprise Risk  
Management & Compliance



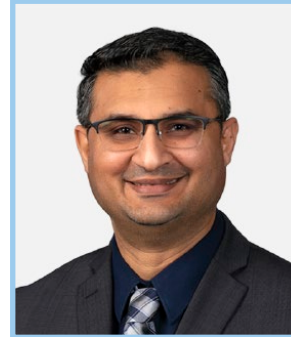
**Francesc R. Martí**  
Director of Policy,  
Strategy & Legislative Affairs



**Jennifer LeBoeuf**  
Director of Administration



**Oksana Glushchenko**  
Comptroller



**Ashish Kumar**  
Chief Information Officer



**Kathy Phillips**  
Director of Marketing &  
Communications



**Kate Ferguson**  
Director of Multifamily Programs



**Claire Tauriainen**  
General Counsel



**Ellen E. Martin**  
Director of Business  
Development & Stakeholder  
Relations



**Erwin J. Tam**  
Director of Financing

## Mission

Investing in diverse communities with financing programs that help more Californians have a place to call home.

## Vision

All Californians living in homes they can afford.



## CalHFA's Commitment to Diversity & Inclusion

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 173 employees as of June 30, 2022. While the state of California is almost evenly split by male and female, 64% 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 20% of CalHFA employees reported having a disability.





California State Population By Percentage



California State Employees By Percentage



CalHFA Employees By Percentage

■ Hispanic/Latino
 ■ African American/Black
 ■ Asian
 ■ White
 ■ Multiracial/Other

Statistical  
Snapshot  
for FY 2021-22

**3,576**  
affordable  
rental units\*

**\$1.45 billion**

**in Lending & Bond Issuance**

*\* Represents all units in developments financed by all CalHFA programs*





## Program Types

- » Mixed-Income Program (MIP)
- » Conduit Issuance
- » Local Partnerships
- » Bond Recycling
- » Preservation



## Area Median Income (AMI)

*Data specific to MIP projects only*



**\$395 Million**

1ST LIEN

**\$817 Million**

CONDUIT

**\$47 Million**

MIP

**\$7.3 Million**

SNHP/MHSA

Statistical  
Snapshot  
for FY 2021-22

**5,659**  
**Homebuyers**  
**Helped**

**\$122 million**

in Down Payment & Closing Cost Assistance

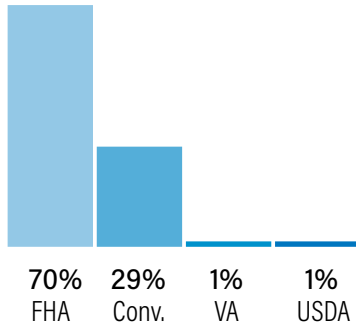
**\$2.0 billion**

in First Mortgage Lending

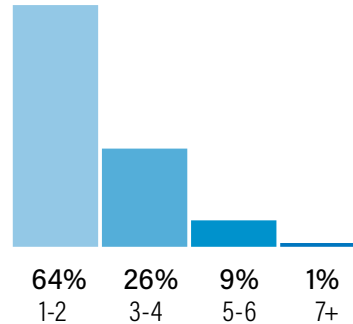




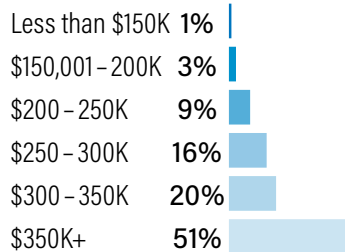
### Loan Type



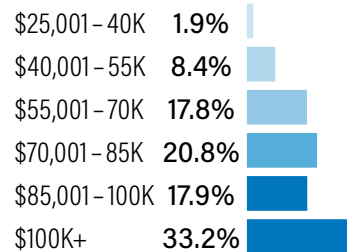
### Household Size



### Sales Price



### Combined Borrower Income



## Race/Ethnicity



Hispanic	54%
White	27%
African American	9%
Other/Unknown	6%
Asian	4%

# Overview of Financial Statements

## 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.

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.

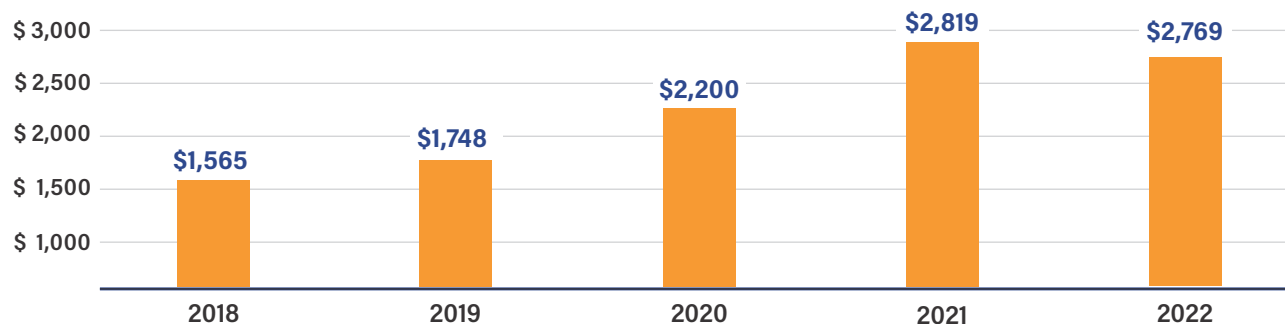
As of June 30, 2022, the total net position of the Fund remained \$2.8 billion, after a decrease of \$50 thousand from the prior fiscal year ending June 30, 2021.

Of the \$2.769 billion in total net position, the Fund's restricted net position is 99.99% of the total.





## Total Net Position Dollars in Millions



## Condensed Statements of Net Position Dollars in Millions

	2018	2019	2020	2021	2022
<b>Total Assets &amp; Deferred Outflows</b>	\$ 3,747	\$ 3,649	\$ 3,653	\$ 3,969	\$ 3,988
<b>Total Liabilities &amp; Deferred Inflows</b>	\$ 2,182	\$ 1,901	\$ 1,453	\$ 1,150	\$ 1,219
<b>TOTAL NET POSITION</b>	<b>\$ 1,565</b>	<b>\$ 1,748</b>	<b>\$ 2,200</b>	<b>\$ 2,819</b>	<b>\$ 2,769</b>

## Assets & 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, 2022, the Agency's total assets increased by \$18 million from the prior fiscal year to a total of \$3.97 billion. The increase in total assets is primarily due to the \$12.5 million increase in interest receivable and \$13.9 million gain on fair value of swap assets, partially offset by an \$8 million reduction in accounts receivable from mortgage lenders.

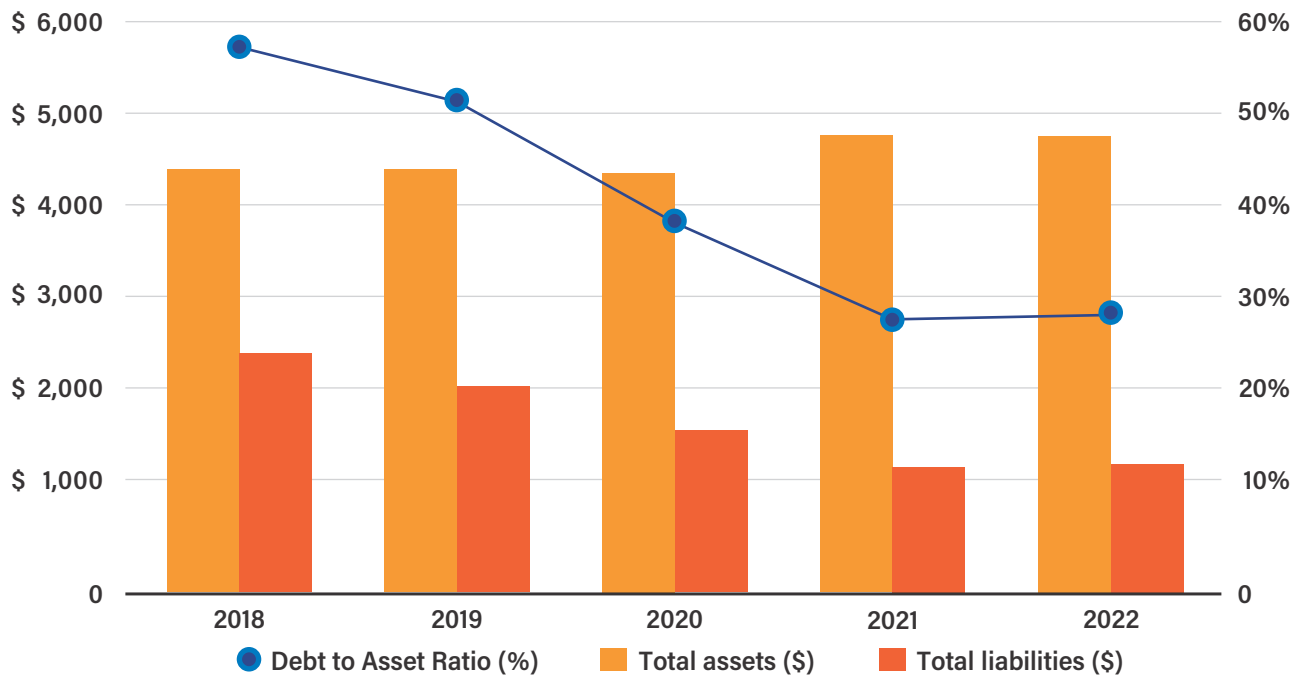
Of the Fund's assets, 93.7% was cash and investments and program loans receivable. Total cash and investments were \$1.74 billion as of June 30,

2022, which was an increase of \$38 million from the prior fiscal year.

Approximately \$1.4 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 \$117.3 million due to a \$46.6 million transfer in for the Building Homes and Jobs Program (Senate Bill 2) and funds transferred from the Agency's trustee accounts at US Bank. Net capital assets were \$26.1 million as of June 30,



## Total Assets, Total Liabilities & Debt to Asset Ratio Dollars in Millions



**Assets & Liabilities** continued

2022 which was an increase of \$25.5 million from the previous fiscal year, from implementation of GASB 87.

Total liabilities as of June 30, 2022 were \$1.2 billion, a decrease of \$45.9 million from the prior fiscal year.

Of the Fund's liabilities, 10% are in the form of bond indebtedness compared to 28% in the prior fiscal year. The Fund's net bonds payable at June 30, 2022 decreased by \$190.8 million from the prior year due to \$179.3 million in bond redemptions and \$11.5 million of scheduled principal maturities.

As of June 30, 2022, notes payable increased by \$47.7 million to \$275.4 million, which represent 23% of the Fund's liabilities compared to 20% in the prior fiscal year.

Other liabilities increased by \$181 million from prior year from the Agency's reclassification of receipts of \$277 million in the previous fiscal year for the Accessory Dwelling Unit Grant program and the National Mortgage Settlement Counseling program to unearned revenue, and \$25.8 million in lease liabilities resulting from the adoption of GASB 87. This is offset by the transfer out of FY 20-21 \$105.5 million for the U.S. Treasury Homeowner Assistance fund and a \$19.2 million decrease in Net Pension and Net OPEB liabilities.

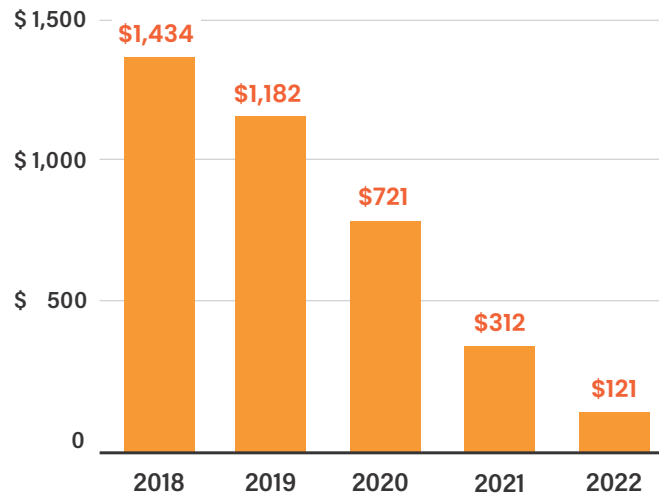


## Long Term Debt

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 Dollars in Millions





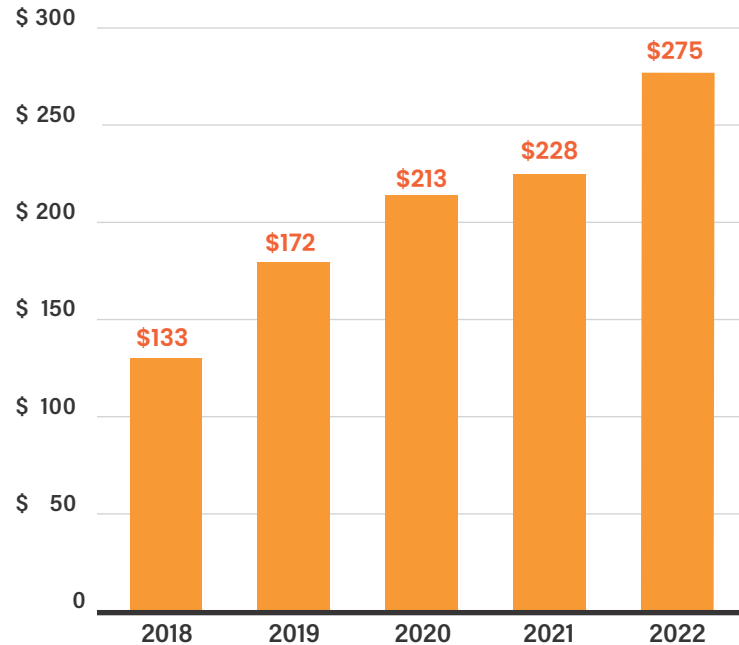
## Bonds Payable

As of June 30, 2022, the Fund's net bonds payable decreased by \$190.8 million from the prior fiscal year to \$121.2 million mainly due to federally taxable bonds outstanding decreasing by \$167.1 million to \$79.8 million as of June 30, 2022 and represent 66% of all bonds outstanding, while tax-exempt bonds outstanding decreased by \$23.7 million to \$41.5 million and represent 34% of all bonds outstanding.

## Notes Payable

As of June 30, 2022 notes payable slightly increased by \$47.7 million to \$275.4 million, primarily as a result of multifamily loan activities under Federal Housing Administration's HFA Risk-Sharing Program.

## Notes Payable Dollars in Millions



## Operating Revenues & Expenses

**The Fund's operating revenues and expenses are activities classified as core business activities of the Fund.**

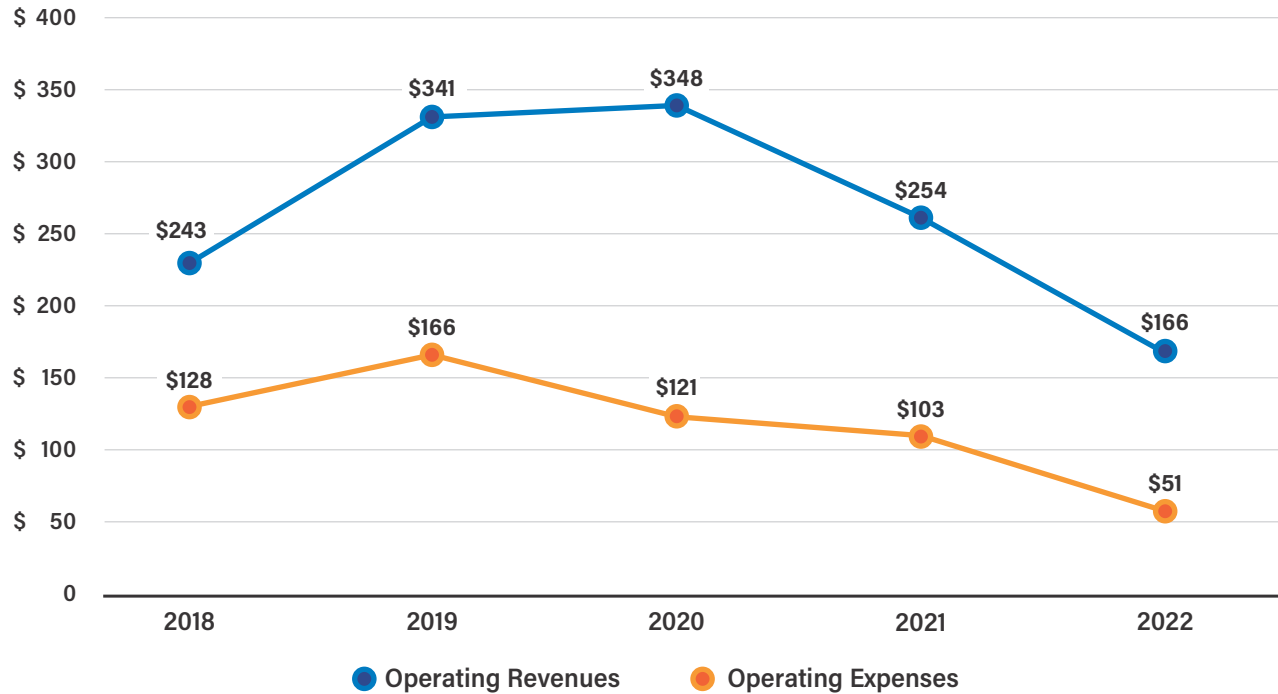
The Fund's primary operating revenue is derived from the TBA Market Rate Program fee revenue and gain on sale of the TBA Market Rate securities, investment of bond proceeds in the loan programs and investment in securities. The Fund's primary expense is interest expense on bonds outstanding. Net interest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

As of June 30, 2022, the total operating revenues of the Fund were \$166.5 million compared to \$254.2 million from the prior fiscal year, which was a decrease of \$87.7 million. The decrease is primarily due to the following:

- SMIF interest income decreased by \$1.7 million due to decreases in interest rates.
- Realized and unrealized gain on sale of securities decreased by \$76.7 million to \$20.6 million. Among the decrease, \$46.9 million was from the realized gain on securitizations related to the TBA Market Rate Program and \$29.8 million was from the change of fair value.
- Pool pay-up sale of securities revenue decreased by \$8.3 million compared with the prior year due to a decrease in volume of securitizations in the Single Family TBA Market Rate Program.



## Operating Revenues & Expenses Dollars in Millions



**Operating Revenues & Expenses** continued

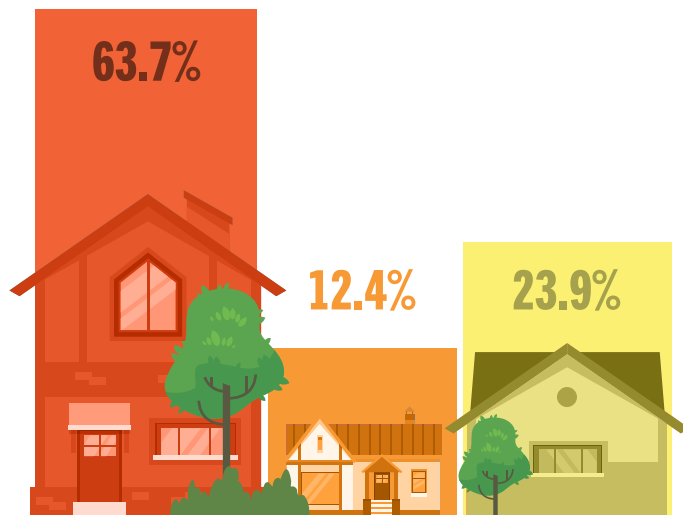
As of June, 30, 2022 the total operating expenses of the Fund were \$50.9 million compared to \$102.7 million for the prior fiscal year, a decrease of \$51.8 million. The decrease is primarily due to the following reasons:

- Bond interest expenses decreased by \$9.2 million due to \$179.3 million in bond redemptions and \$11.6 million of scheduled principal maturities.
- Provision (reversal) for estimated loan losses decreased by \$29.7 million compared to prior year primarily due to continued decrease in the Agency's single family loan portfolio and an increase in refinancing of existing subordinate loans due to lower mortgage interest rates.
- Pension expenses decreased by \$4 million mainly due to the change in the Agency's proportionate share adjustment according to the Statute's pensionable compensation amounts and calculated percentages.
- HUD risk share reserve expenses decreased by \$4.1 million due to property values increasing.
- Service release fee expenses decreased by \$4.4 million due to the reduced volume of securitizations in the Single Family TBA Market Rate Program.



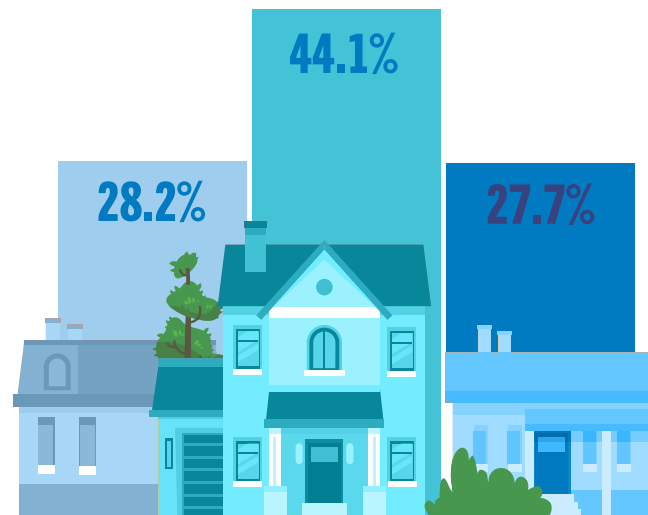
## — 2022 Operating Revenues —

## — 2022 Operating Expenses —



**\$166.5 million**

Interest:	Income	63.7%
Realized Gain/Loss On Sale Of Securities	Revenues	12.4%
Other Loan Fee & Other:	Revenues	23.9%



**\$50.9 million**

Expense	28.2%
Salaries & General Expenses	44.1%
Expenses	27.7%

## Non-Operating Revenues & 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.

As of June 30, 2022, Net non-operating revenues and expenses were \$56.1 million. This was an increase of \$17.7 million from the prior fiscal year primarily due to an increase of \$12.1 million in Investment SWAP revenue (fair value), \$3.4 million increase in prepayment penalty revenue, \$2.4 million increase in gain on termination of SWAP, and offset by \$270 thousand decrease in legal settlement revenue.

Non-operating revenues were \$1.15 billion. Non-operating expenses were \$1.1 billion. The majority of non-operating revenues are pass-through transactions offset by identical amounts of non-operating expenses from the HUD program and grant program disbursements.





## One Family at a Time

We did shop around — we went to big banks and credit unions and looked at their interest rates to see what they offered. What kept pulling us back (to CalHFA) was the down payment assistance and closing cost assistance.

— Vanessa Viramontes

”



## Economic Condition & Outlook

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, 2022, Single Family revenues generated from participation in the TBA market rate program accounted for approximately 56.9% of the Agency's total operating revenue. The volume of single family first mortgages purchases through the TBA market rate program reached over \$2 billion. The Agency also provided \$112.6 million in subordinate lending for down payment assistance and closing costs.

The single family delinquency rate decreased to 6.9% by the end of the 2021-22 fiscal year from 7.3% the previous fiscal year.

Due to rising inflation, the Federal Reserve increased the Fed Fund rate from 0.25% at the start of the fiscal year to 1.75% by June 30, 2022. The increase in interest rate has resulted in a drop

in home sales, and a possible decline in home prices. This decline in home sales and home values may lead to a possible decline in agency revenue for the 2022-23 fiscal year.

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 42 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, 2022, the Agency had \$693.5 million in outstanding commitments to fund Multifamily Program loans.

The fund's total amount of outstanding indebtedness cannot exceed \$13.15 billion at any time. The Agency's Board of Directors approves an annual new debt lending limit for the Fund. As of June 30, 2022, the Fund program limit for 501(c)3 and taxable bond issuance for direct lending is set at \$500 million. The Fund program limit for 501(c)3, taxable and non-private activity tax-exempt conduit issuances is \$2.5 billion. The Fund program limit for new money private activity bond issuance is subject to the Agency's authorization to apply for up to \$1.5 billion in private activity volume cap for multifamily bond issuance. The Fund is authorized to have up to \$2 billion in credit facilities available for use.

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 exploring financial alternatives for improved performance from its Single Family Lending division. Multifamily developments in planning or construction are facing challenges with higher material costs and availability. This has resulted in project delays and, in rare cases, cancellation. The Agency is exploring financial alternatives to support the completion of multifamily developments.

## Credit Ratings

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 2021-22, CalHFA's issuer credit rating from Standard & Poor's (S&P) remains the same as "AA- Stable Outlook". The rating from Moody's for CalHFA's issuer credit remains the same as "Aa3" with a stable outlook.

# 2

### Home Mortgage Revenue Bonds

**S&P's** AA Stable Outlook

**Moody's** Aa3 Stable Outlook

During FY 2021-22, the rating for CalHFA's Home Mortgage Revenue Bonds (HMRB) from S&P remains the same as "AA Stable Outlook". The rating from Moody's for HMRB remains the same as "Aa3" with a stable outlook.

# 3

### Multifamily Housing Revenue Bonds III

**S&P's** AA+ Stable Outlook

**Moody's** Aa3 Stable Outlook

During FY 2021-22 all MFHRB III bonds were fully redeemed and no rating remains.





[WWW.CALHFA.CA.GOV](http://WWW.CALHFA.CA.GOV)



California Housing Finance Agency  
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