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

Reimagining Community

22/23 Popular Annual Financial Report

of the California Housing Finance Fund for the fiscal years ended June 30, 2023 and June 30, 2022

CalHFA℠ The California Housing Finance Agency

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.

Core Values

Accountable

We are each responsible for our actions, decisions, and quality of work.

Impact

We are committed to achieving equitable outcomes and opportunities.

Integrity

We behave with honest and ethical purpose in the decisions we make, and the work we do.

Respect

We treat all people with dignity and accept them for who they are.

Teamwork

We value the collective and individual contributions of our team and collaboration with our partners.

Popular Annual Financial Report, 2022-23

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Questions concerning any of the information presented in this financial report or additional requests for information should be addressed to: CalHFA Marketing Division, 500 Capitol Mall, Suite #1400, Sacramento CA 95814. The agency can also be reached by phone at 916.326.8600 and by email at marketing@calhfa.ca.gov.

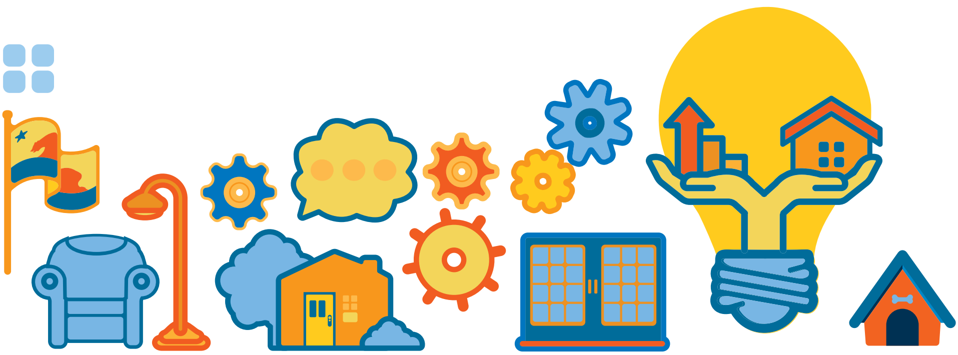
Introduction

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, 2023.

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.

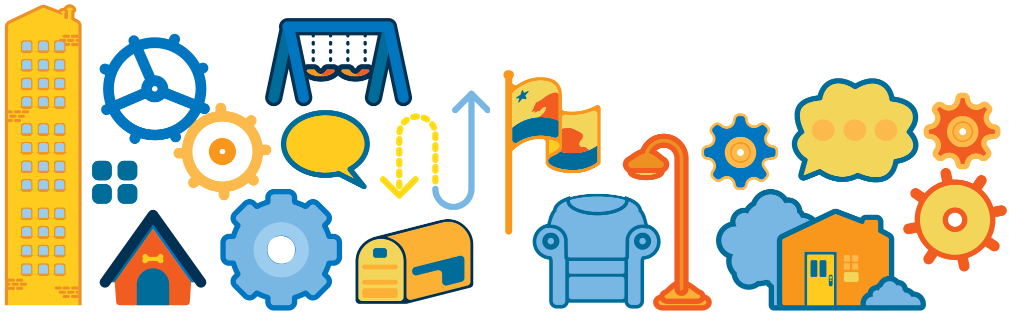
The introduction of the state-funded California Dream For All Shared Appreciation Loan Program led to increased loan production in Fiscal Year 2022-23. Overall, CalHFA helped 7,320 low- and moderate-income families achieve the dream of homeownership with more than $2.8 billion in first mortgage loans. Additionally, the Agency used more than $1.9 billion in lending and bond issuance to create and preserve



more than 4,200 affordable rental units for California families. We finance loans in collaboration with public and private partners, and in accordance with Affirmatively Furthering Fair Housing principles.

The Annual Comprehensive Financial Report, which gives a much more detailed look at CalHFA's finances, 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 calhfa.ca.gov.

Tiena Johnson Hall
Executive Director



About CalHFA

For 48 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.

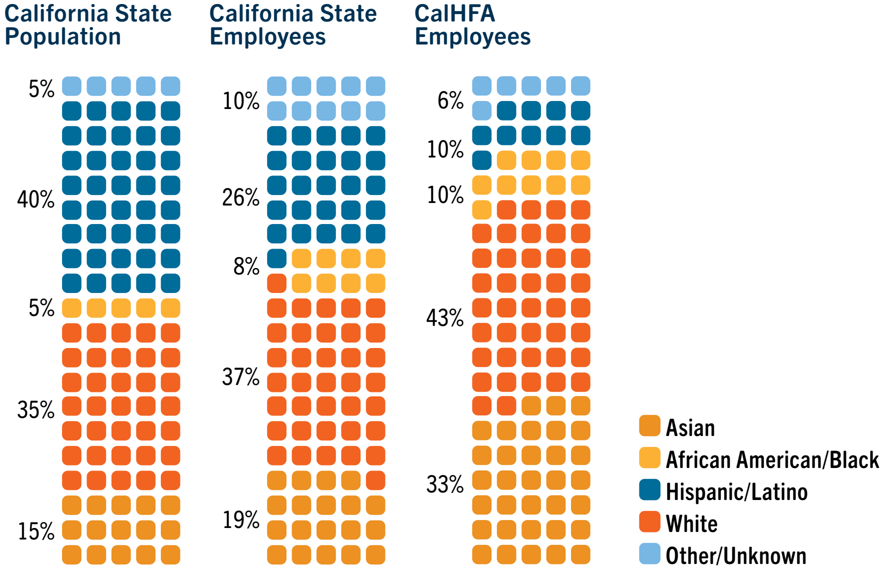
California chartered CalHFA as the state's affordable housing lender in 1975 and continues to serve that purpose. The Agency's Multifamily Division finances affordable rental housing through partnerships with jurisdictions, developers and more, while its Single Family Lending Division provides first 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 220,000 Californians purchase their first home with a mortgage they can afford, and helped build or preserve more than 77,000 affordable homes and apartments for veterans, seniors, those with special needs and families in danger of experiencing homelessness.

CalHFA's Commitment to Diversity & Inclusion

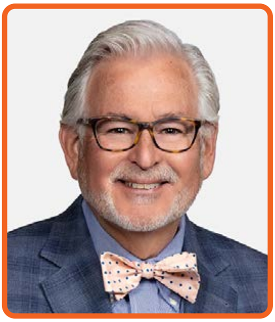
We believe that it is important that our Agency reflect, in some measure, the incredible diversity of the people of California.

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 170 employees as of June 30, 2023. About 62% of staff identifies as female, a much larger proportion than California state employees overall. CalHFA has a greater share of Black and Asian employees than the overall population of California, although there continues to be room for improvement in attracting and hiring those of Latino descent. About 9% of CalHFA employees reported having a disability.



Members of the Board of Directors as of June 30, 2023












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

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

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

Noerena Limón
Principal, Mariposa Strategies

Preston Prince
Executive Director, Santa Clara County Housing Authority

Stephen Russell
Executive Director, San Diego Housing Federation

Dalila Sotelo
Senior Development Executive, The Integral Group

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

Tyrone Roderick Williams
Chief Executive Officer, Fresno Housing Authority

Samuel Assefa*
Director, Office of Planning & Research, State of California

Lourdes Castro Ramírez*
Secretary, Business, Consumer Services & Housing Agency

Tiena Johnson Hall*
Executive Director, California Housing Finance Agency, State of California

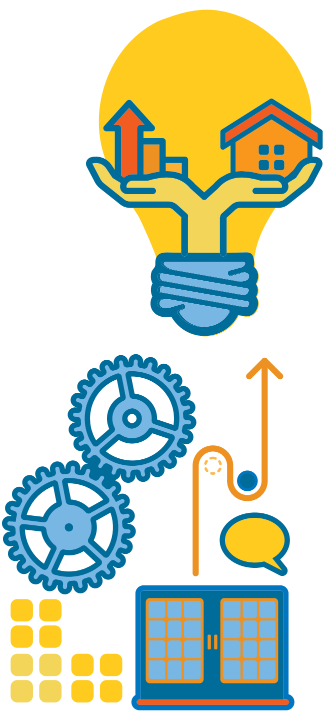
Fiona Ma*
California State Treasurer

Lindsey Sin*
Secretary, California Department of Veterans Affairs

Joe Stephenshaw*
Director, California Department of Finance

Gustavo Velasquez*
Director, California Department of Housing & Community Development

CalHFA Senior Staff as of June 30, 2023



Tiena Johnson Hall
Executive Director

Chris Schultz
Chief Deputy Director

Kate Ferguson
Director of Multifamily Programs

Rebecca Franklin
Director of Enterprise Risk Management & Compliance

Oksana Glushchenko
Comptroller

Ashish Kumar
Chief Information Officer

Jennifer LeBoeuf
Director of Administration

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

Ellen E. Martin
Director of Homeownership

Kathy Phillips
Director of Marketing & Communications

Erwin J. Tam
Director of Financing

Claire Tauriainen
General Counsel

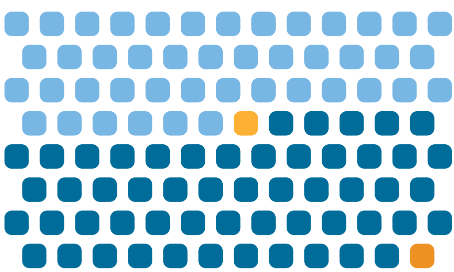
Single Family Highlights

7,320 Homebuyers Helped

$229 million in Down Payment & Closing Cost Assistance

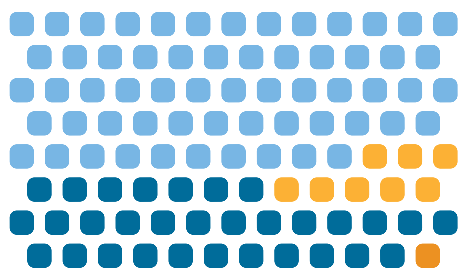
$2.8 billion in First Mortgage Lending

Loan Type



FHA: 44% | Conv: 54% | VA: 1% | USDA: 1%

Household Size



1-2: 69% | 3-4: 24% | 5-6: 7% | >7: 1%

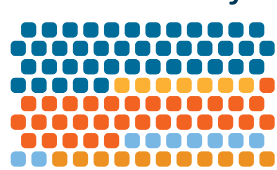
Sales Price

<$150K	1%
$150,001–200K	2%
$200–250K	6%
$250–300K	11%
$300–350K	15%
>$350K	5%

Combined Borrower Income

$25,001–40K	1%
$40,001–55K	7%
$55,001–70K	14%
$70,001–85K	17%
$85,001–100K	15%
$100K+	46%

Race & Ethnicity



Asian	11%
African American/Black	7%
Hispanic/Latino	42%
White	31%
Other/Unknown	9%

Multifamily Highlights

4,216 Affordable Rental Units*

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

$1.9 billion Lending & Bond Issuance

$127 million Mixed-Income Program

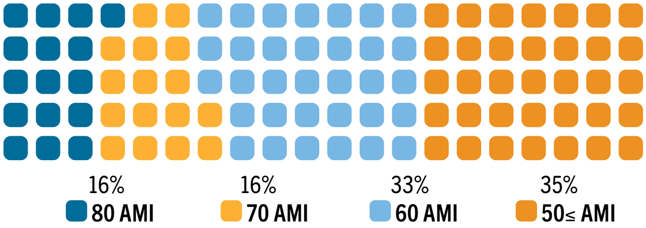
$373 million First Lien

$1.1 billion Conduit

$11 million SNHP/MHSA

Area Median Income AMI

Data specific to MIP projects only



* Represents all units in developments financed by all CalHFA programs

Financial Statements

Statement of Net Position

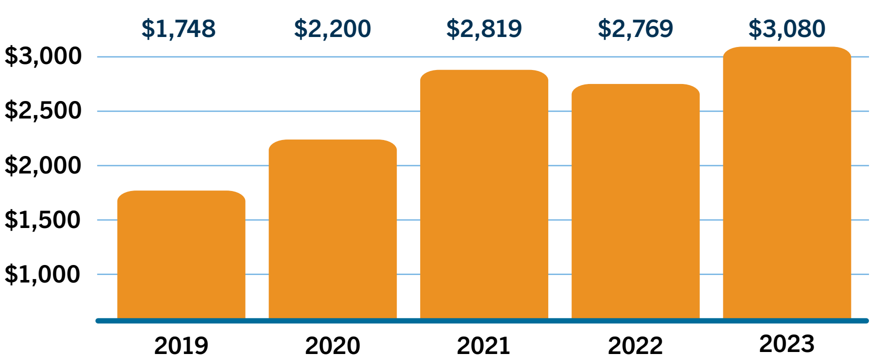
The Statement of Net Position is a snapshot of the fiscal condition of the Fund as of a certain point in time as over time increases or decreases in the Fund's net position are one indicator of whether its financial status is improving, stable, or deteriorating.

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. 99.9% of the Fund's net position is restricted pursuant to trust agreements with bondholders, the Agency's enabling legislation or 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

Total Net Position Dollars in millions



Condensed Statements of Net Position Dollars in millions

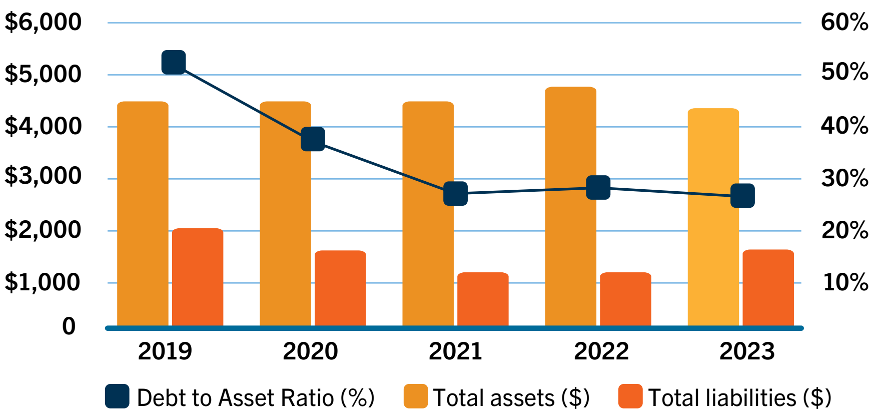
Totals	2019	2020	2021	2022	2023
Assets & Deferred Outflows of Resources	$ 3,649	$ 3,653	$ 3,969	$ 3,988	$ 4,300
Liabilities & Deferred Inflows of Resources	$ 1,901	$ 1,453	$ 1,150	$ 1,219	$ 1,220
Net Position	**$ 1,748**	**$ 2,200**	**$ 2,819**	**$ 2,769**	**$ 3,080**

conservative management principles. The overall financial condition of the 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, 2023, the total net position of the Fund increased to $3.08 billion after an increase of $311.2 million from the prior fiscal year ending June 30, 2022.

Of the $3.08 billion in total net position, the Fund's restricted net position is 99.9% of the total.

Total Assets, Total Liabilities & Debt to Asset Ratio Dollars in millions



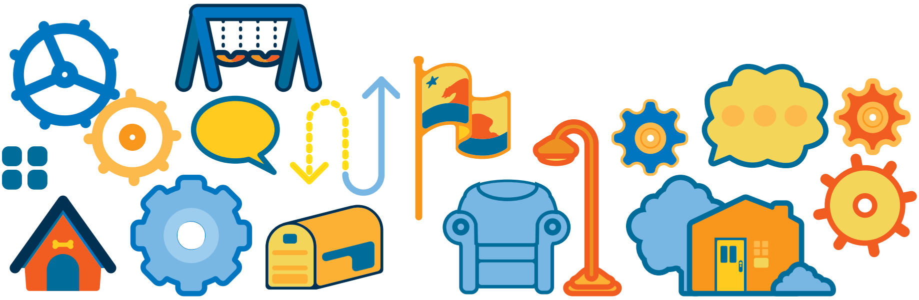
Assets & Liabilities

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

As of June 30, 2023, the Agency's total assets increased by $304.9 million from the prior fiscal year to a total of $4.28 billion. The increase in assets is primarily due to a $281.5 million increase in investments, an $11.1 million increase in payment due from other government entities for new contract administration programs, a $99.4 million increase in program loans receivable net of allowance, and an $8 million increase in interest receivable. These increases were partially offset by a $2.9 million reduction in capital assets, a $1.3 million reduction in accounts receivable from mortgage lenders, a $28 million reduction in cash collateral, and a $62.4 million reduction in cash and cash equivalents.

Of the Fund's assets, 94.5% was in cash and investments and program loans receivable. Total cash and investments were $1.96 billion as of June 30, 2023, an increase of $219.1 million from the prior fiscal year.

Approximately $1.6 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 $218.1 million due to transfers in of $98.4 million for the Building Homes and Jobs Program (Senate Bill 2), $56.9 million for the Low/Moderate Income Housing Program and additional funds transferred from the Agency's U.S. Bank accounts for investment in SMIF. Net capital assets were $23.2 million as of June 30, 2023, a decrease of $2.9 million from the previous year. Capital assets make up 0.75% of the $3.08 billion total net position.



Total liabilities as of June 30, 2023 were $1.17 billion, a decrease of $3.9 million from the prior fiscal year.

Of the Fund's liabilities, 3.5% are in the form of bond indebtedness compared to 10% in the prior fiscal year. The Fund's net bonds payable as of June 30, 2023 decreased by $80.3 million from the prior year due to $69 million in bond redemption and defeasance, and another $11.3 million of scheduled principal maturities.

As of June 30, 2023, net notes payable increased by $14.7 million to $290.1 million, which represents 24.7% of the fund's liabilities compared to 23% in the prior fiscal year. As of June 30, 2023, short term loans payable increased $48.1 million to $152.6 million.

As of June 30, 2023, the total of other liabilities increased by approximately $13.5 million. The $19.8 million increase in other noncurrent liabilities was primarily due to a $63.5 million increase in unearned revenues, offset by a $38.2 million decrease in derivative swap liability, a $1.9 million decrease in lease liabilities, and a $3.4 million decrease in total net pension and OPEB liabilities.

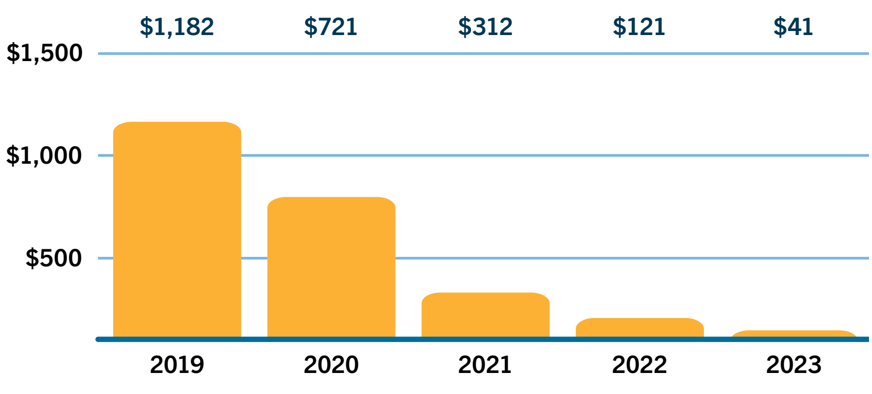
The current portion of other liabilities decreased $6.2 million due to a $5.2 million decrease in interest payable, a $2.1 million decrease in due to other government entities, and a $1.3 million increase in deposits and other liabilities.

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



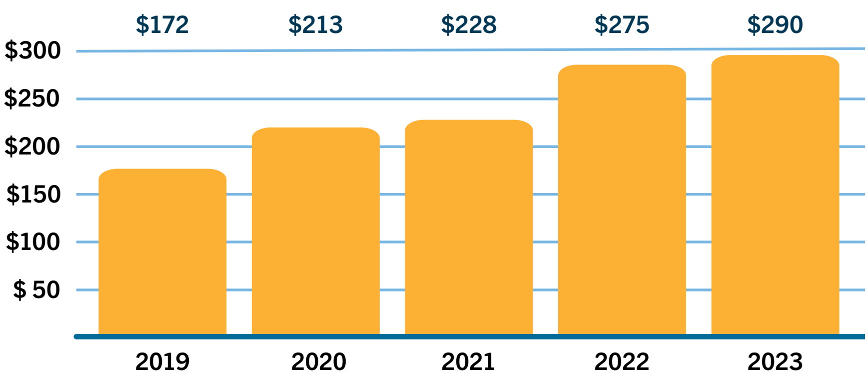
Bonds Payable

As of June 30, 2023, the Fund's net bonds payable decreased by $80.3 million from the prior fiscal year to $40.9 million from the redemption of all $79.8 million of federally taxable bonds outstanding, while tax-exempt bonds outstanding decreased by $535 thousand to $40.95 million.

Notes Payable

As of June 30, 2023, notes payable increased by $14.69 million to receiving $290.1 million from multifamily loan activities under the Federal Housing Administration's HFA Risk-Sharing Program.

Notes Payable Dollars in millions



Operating Revenues & Expenses

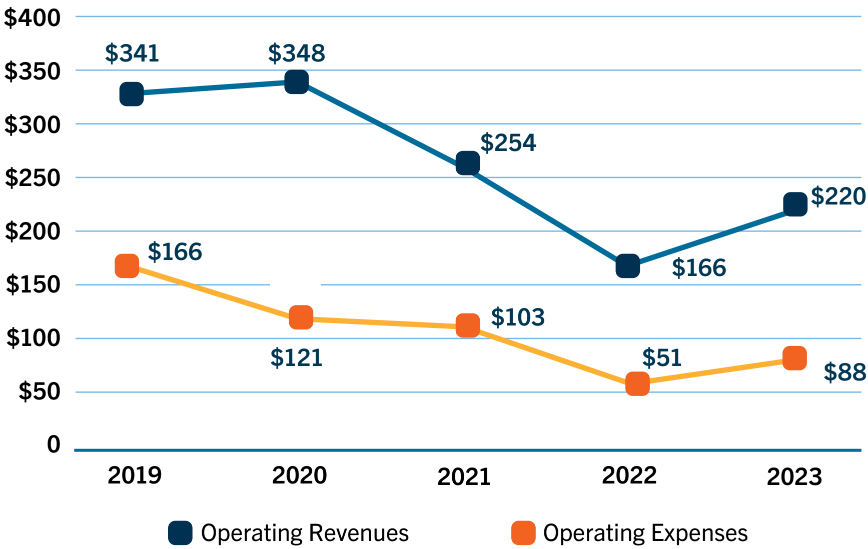
The Fund's operating revenues and expenses are activities classified as core business activities of the Fund.

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.

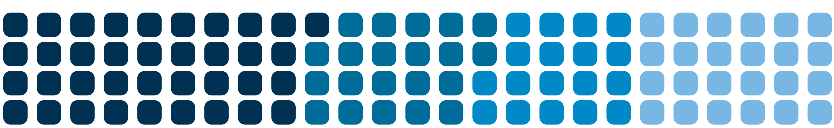
As of June 30, 2023, the total operating revenues of the Fund were $220.2 million compared to $166.5 million from the prior fiscal year, an increase of $53.7 million. The increase is primarily due to the following:

- Total interest income increased by $14.1 million in FY 2022-23 due to a $27.7 million increase in mortgage-backed securites (MBS) and Surplus Money Investment Fund (SMIF) interest income as a result of higher fiscal year-end interest rates when compared to the prior fiscal year-end market interest rates, partially offset by decreases of $13.6 million in program loans and loan agreement interest income.
- Realized and unrealized gain on sale of securities decreased by $13.6 million to $7 million due to a decrease in realized gain on securitization related to the TBA Market Rate Program and a $43.3 million increase in the change of fair value in the amount of $29.7 million for FY 22-23.
- Pool pay-up sale of securities revenue increased by $19.3 million compared with the prior year due to increase in volume of the securitization in Single Family TBA Market Rate Program.
- Administrative fees increased by $21.8 million primarily due to new contract administration programs.

Operating Revenues & Expenses Dollars in millions



Total Operating Revenues & Expenses

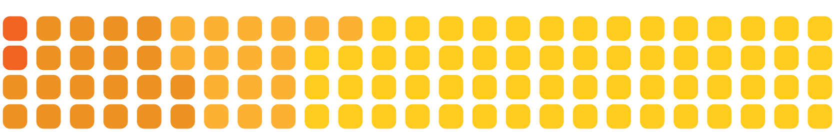


Operating Revenues

- Loan interest income 37%
- Investment income* 21%
- Fee income. 18%
- Other income 24%

Operating Expenses

- Fees 2%
- Interest. 20%
- Salaries, gen. expense 15%
- Other. 63%



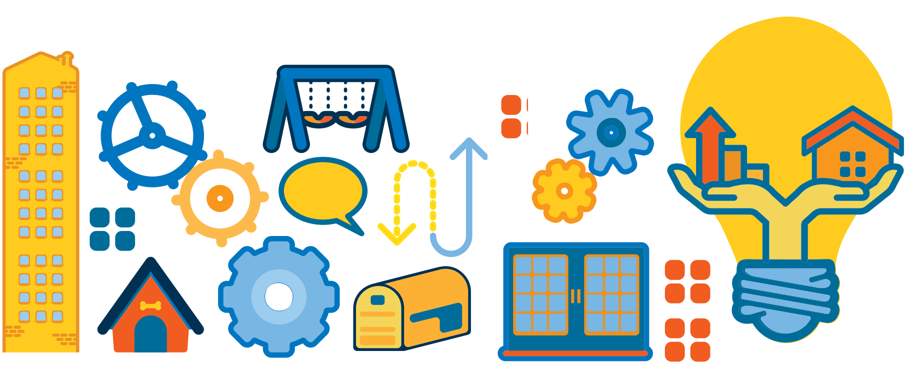
*includes investment interest, realized gain

Revenues & Expenses continued

- Investment SWAP revenue increased by $12.1 million primarily attributable to the termination of ineffective swaps.

As of June 30, 2023, the total operating expenses of the Fund were $88.2 million compared to $50.9 million for the prior fiscal year, an increase of $37.3 million. The increase is primarily due to the following:

- Bond interest expenses decreased by $4.3 million due to $69 million in bond redemptions and $11.3 million of scheduled principal maturities.
- Provision (reversal) for estimated loan losses increased by $31.6 million compared to prior year primarily due to increase in Homebuyer Assistance Program loan portfolio.
- Salaries and general expenses decreased by $9.3 million mainly due to an increase in salaries, benefits expenses, and pension expenses of $4.5 million, but which were offset by a decrease in OPEB and general expenses of $13.5 million.
- Administrative fee expense increased by $4.7 million due to increased activity in the Contract Administration Programs.
- Loan interest expenses increased by $7.3 million due to increased financing activity with Federal Home Loan Bank of San Francisco.
- Service release fee expenses increased by $8.1 million due to increase in volume of securitization in the Single Family TBA Market Rate Program.



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, 2023, net non-operating revenues and expenses were $26.9 million. This amount beyond revenue/expense pass-through transactions from HUD and grant programs was comprised of an increase to investment swap revenue of $38.2 million offset by $16.4 swap termination loss. Other non-operating revenue of $5.1 million was comprised of collected fees and penalties.

Credit Ratings

The Agency has two credit ratings which impact its financial results.

Rating	Outlook	
	S&Ps	Moody's
CalHFA's Issuer Credit Rating	AA Stable	Aa2 Stable
Home Mortgage Revenue Bonds	AA Stable	Aa3 Stable

During FY 2022-23, CalHFA's issuer credit rating from Standard & Poor's (S&P's) was upgraded to "AA" with a stable outlook. The rating from Moody's was upgraded to "Aa2" with a stable outlook. During the same period all Home Mortgage Revenue Bonds were fully redeemed and no rating remains.

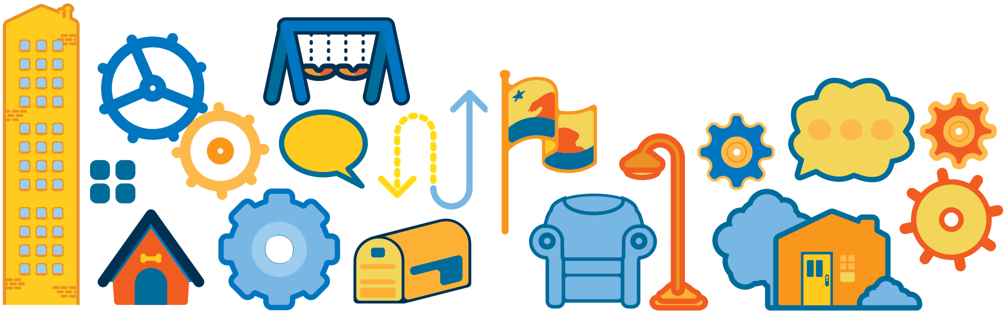
Economic Condition & Outlook

During the fiscal year ending June 30, 2023, Single Family revenues generated from participation in the TBA Market Rate Program accounted for approximately 32.8% of the Agency's total operating revenue.

The volume of Single Family first mortgages purchases through the TBA Market Rate Program reached over $2.8 billion. The Agency also provided $304.9 million in subordinate lending for down payment assistance and closing costs.

The Single Family delinquency rate decreased to 5.7% by the end of the 2022-23 fiscal year from 7.0% the previous fiscal year. Due to rising inflation, the Federal Reserve increased the Fed Fund rate from 1.75% at the start of the fiscal year to 5.25% by June 30, 2023. The increase in interest rate and resultant drop in overall in home sales was mitigated by the *Dream For All* program, which was responsible for more than 2,000 CalHFA loans. This continued increase in interest rates may lead to a possible decline in agency revenue for the 2023-24 fiscal year.

CalHFA's Multifamily program revenues are mainly composed of interest received from its 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, such that will not materially impact its immediate financial condition. As of June 30, 2023, CalHFA had $763 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 approved an annual new debt lending limit for the Fund. 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 $2 billion in private activity volume cap for Multifamily bond issuance. The Fund is authorized to have up to $1 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 mortgage-backed securities (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.

CalHFA The California Housing Finance Agency

Are you a homebuyer looking for ...

MyHome Assistance Program

... some help with the down payment or closing costs on your first-time purchase?

Limited Option 203(k)

... money to make repairs to your new home? Roll these repairs into your mortgage payment.

EQUAL HOUSING OPPORTUNITY

... a fixed rate mortgage with closing cost assistance combined into one perfect package?

CalPLUS with ZIP

... then these loan programs are for you.

Talk with a CalHFA Approved lender for more details.

calhfa.ca.gov

CalHFA

California Housing Finance Agency
500 Capitol Mall, Suite 1400, Sacramento CA 95814