Popular Annual Financial Report 2023/24

of the California Housing Finance Fund for the fiscal years ended June 30, 2024 and June 30, 2023

Purposeful Lending

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

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, 2023/24

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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.

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, 2024.

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.

Single Family Lending production in Fiscal Year 2023-24 fell somewhat, due to the prior year's one-time spike from the first round of the California Dream For All Shared Appreciation Loan Program. Overall, CalHFA helped 6,307 low- and moderate-income families achieve the dream of homeownership with more than $2.57 billion in first mortgage loans. Additionally, the Agency used more than $2 billion in lending and bond issuance to create and preserve more than 3,900 affordable rental units for California families.

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.

We finance loans in collaboration with public and private partners, and in accordance with Affirmatively Furthering Fair Housing principles. We are committed to equity and fairness in all our practices, and we think this report reflects those priorities.

Tiena Johnson Hall

Tiena Johnson Hall, Executive Director

About CalHFA

For almost 50 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.

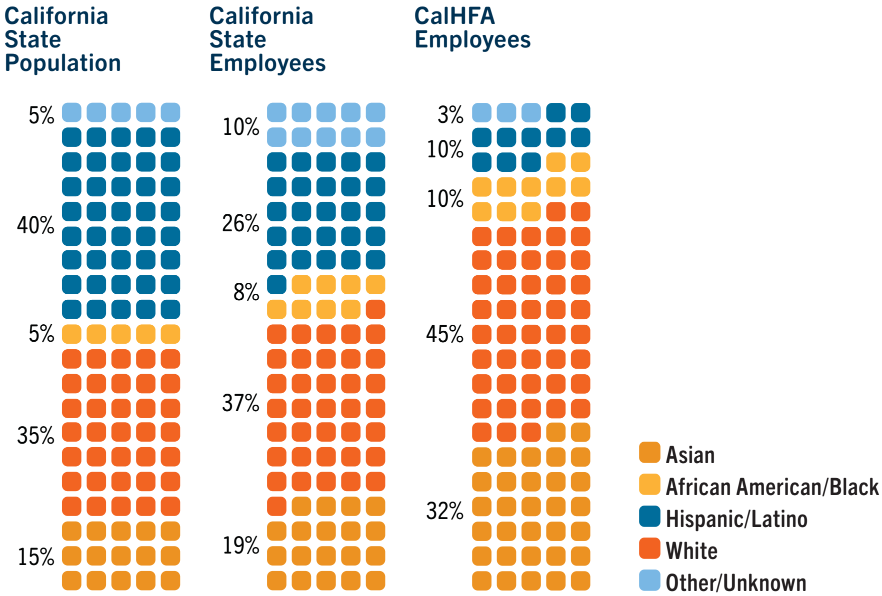
California chartered CalHFA as the state's affordable housing lender in 1975 and it continues to serve that purpose. The Agency's Multifamily Division finances affordable rental housing through partnerships with jurisdictions, developers and more, while its Single Family Lending Division provides first 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 226,000 Californians purchase their first home with a mortgage they can afford, and helped build or preserve more than 82,000 affordable homes and apartments for veterans, seniors, those with special needs and families in danger of experiencing homelessness.

CalHFA's Commitment to Diversity & Inclusion

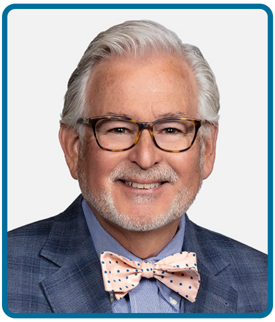
We believe that it is important that our Agency reflect, in some measure, the incredible diversity of the people of California.

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 195 employees as of June 30, 2024. About 60% of staff identifies as female, a 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 is room for improvement in attracting and hiring those of Latino heritage. 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


Preston Prince
Executive Director, Santa Clara County Housing Authority

Stephen Russell
Executive Director, San Diego Housing Federation


Tyrone Roderick Williams
Chief Executive Officer, Fresno Housing Authority

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


Tomiquia Moss*
Secretary, Business, Consumer Services & Housing Agency

Lindsey Sin*
Secretary, California Department of Veterans Affairs


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

Noerena Limón
Principal, Mariposa Strategies


Dalila Sotelo
Senior Development Executive, The Integral Group

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


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

Fiona Ma*
California State Treasurer


Joe Stephenshaw*
Director, California Department of Finance

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

CalHFA Senior Staff as of June 30, 2024


Tiena Johnson Hall
Executive Director

Chris Schultz
Chief Deputy Director


Oksana Glushchenko
Comptroller

Ashish Kumar
Chief Information Officer


Kathy Phillips
Director of Marketing & Communications

Mehgie Tabar
Director of Legislation

Kate Ferguson
Director of of Multifamily Programs

Rebecca Franklin
Director of Enterprise Risk Management & Compliance

Jennifer LeBoeuf
Director of Administration

Ellen E. Martin
Director of Homeownership

Erwin J. Tam
Director of Financing

Claire Tauriainen
General Counsel

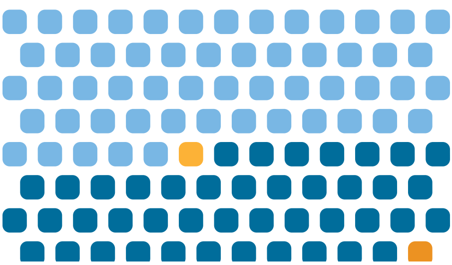
Single Family Highlights

6,037 Homebuyers Helped

$157 million in Down Payment & Closing Cost Assistance

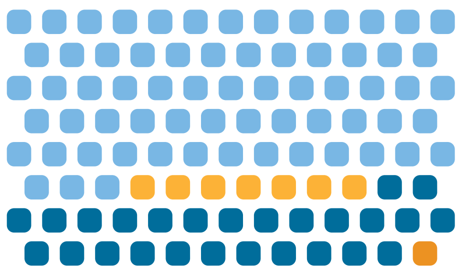
$2.57 billion in First Mortgage Lending

Loan Type



FHA: 55% Conv: 43% VA: 1% USDA: 1%

Household Size



1-2: 66% 3-4: 26% 5-6: 7% >7: 1%

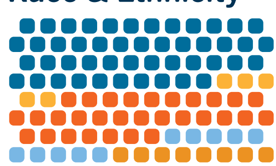
Sales Price

<$150K	1%
$150,001 – 200K	1%
$200 – 250K	4%
$250 – 300K	8%
$300 – 350K	13%
>$350K	73%

Combined Borrower Income

$25,001 – 40K	1%
$40,001 – 55K	2%
$55,001 – 70K	6%
$70,001 – 85K	12%
$85,001 – 100K	15%
$100K+	64%

Race & Ethnicity



Asian	8%
African American/Black	5%
Hispanic/Latino	47%
White	30%
Other/Unknown	10%

Multifamily Highlights

3,904
Affordable Rental Units*

* Represents all units in developments financed by all CalHFA programs

$2 billion
in Lending & Bond Issuance

Mixed-Income Program (MIP)

$114 million
Mixed-Income Program

Local Partnerships

Conduit Issuance

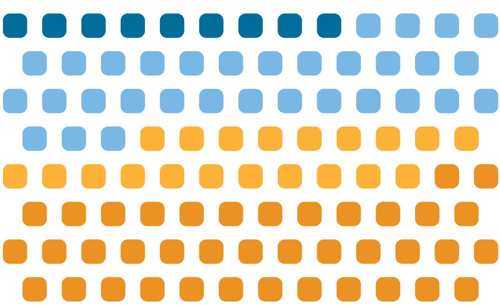
$1.3 billion
Conduit

Bond Recycling

$152 million
Recycled Bonds

Preservation

$409 million
First Lien



Area Median Income AMI
Data specific to MIP projects only

9% 80 AMI

20% 70 AMI

32% 60 AMI

39% 50≥ AMI

Financial Statements

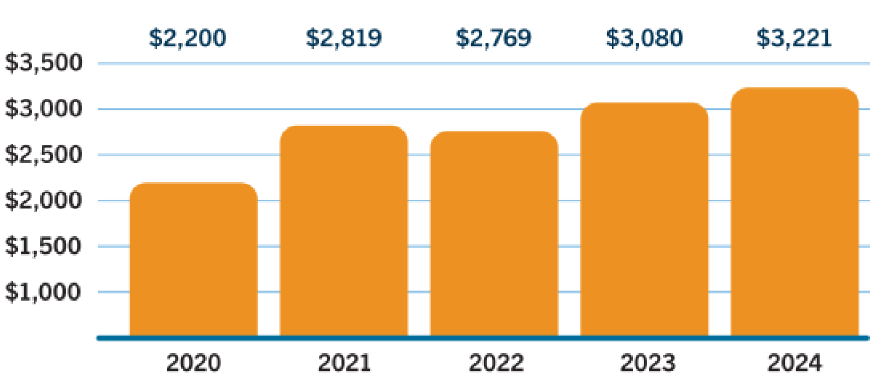
Statement of Net Position

The Statement of Net Position is a snapshot of the fiscal condition of the Fund as of a certain point in time; increases or decreases in the Fund's net position over time 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. Trust agreements with bondholders, the Agency's enabling legislation or net investment in capital assets restrict 99.9% of the Fund's net position.

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.

Total Net Position Dollars in millions



Condensed Statements of Net Position Dollars in millions

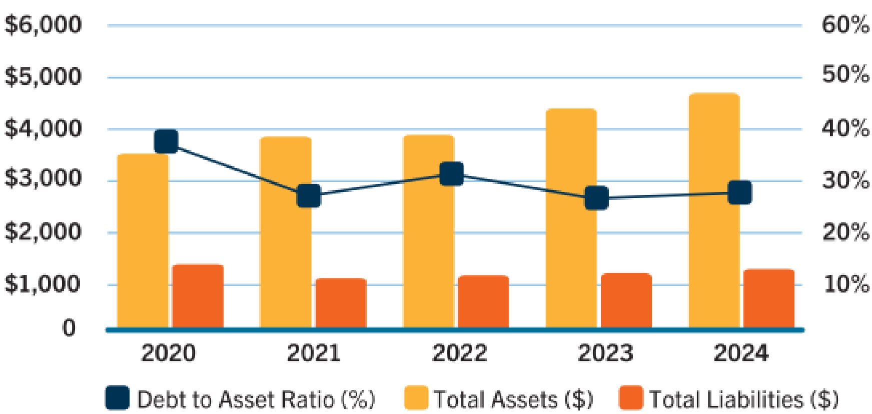
Totals	2020	2021	2022	2023	2024
Assets & Deferred Outflows of Resources	$ 3,653	$ 3,969	$ 3,988	$ 4,300	$ 4,581
Liabilities & Deferred Inflows of Resources	$ 1,453	$ 1,150	$ 1,219	$ 1,220	$ 1,360
Net Position	**$ 2,200**	**$ 2,819**	**$ 2,769**	**$ 3,080**	**$ 3,221**

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 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, 2024, the total net position of the Fund increased to $3.22 billion after an increase of $141.1 million from the prior fiscal year ending June 30, 2023.

Of the $3.22 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, 2024, the Agency's total assets increased by $280.8 million from the prior fiscal year to a total of $4.56 billion. The increase in total assets is primarily due to a $120.2 million increase in cash and cash equivalents, a $101.5 million increase in investments in securities, a $56.8 million increase in program loans receivable, a $27.2 million increase in cash collateral held by counterparties, a $21.3 million increase in derivative swap assets (fair value swaps), and an $8.9 million increase in interest receivables. This increase is partially offset by a $37.2 million decrease in Investment in the State's Surplus Money Investment Fund (SMIF) and commercial paper, an $11.1 million decrease in amounts due from other government entities, a $3.3 million decrease in defeasible liens receivable, a $2.3 million decrease in capital assets, and a $1 million decrease in Real Estate Owned mortgages.

Of the Fund's assets, 94% was in cash and investments and program loans receivable. Total cash and investments were $2.14 billion as of June 30, 2024, an increase of $184.4 million from the prior fiscal year.

Approximately $1.55 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 decreased by $37.2 million due transfers of funds to US Bank for the purchase of mortgage-backed securities and other investment purposes. Capital assets comprise 0.6% of the total net position. As of June 30, 2024, net capital assets were $20.9

million, decreasing $2.3 million. Total liabilities as of June 30, 2024 were $1.29 billion, an increase of $121.4 million from the prior fiscal year.

Of the Fund’s liabilities, 9.6% are in the form of bond indebtedness compared to 3.5% in the prior fiscal year. The Fund’s net bonds payable as of June 30, 2024 increased by $83.9 million from the prior year due to the issuance of $84.9 million in new bonds and a balance of $0.7 million in unamortized forward interest rate hedging gains from termination at bond issuance treated as a bond premium. The increase was partially offset by $1.6 million in scheduled maturities and $0.1 million in bond redemptions.

As of June 30, 2024, net notes payable decreased by $3.2 million to $286.9 million, which represents 22.2% of the fund’s liabilities compared to 24.7% in the prior fiscal year. As of June 30, 2024, short term loans payable increased $53.2 million to $204.6 million.

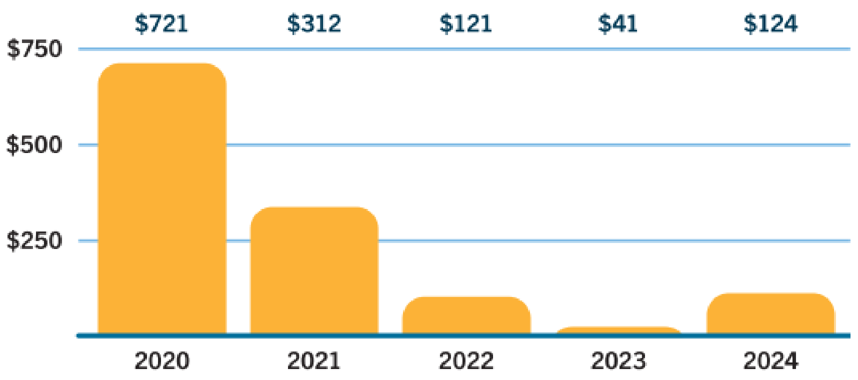
As of June 30, 2024, the total of other liabilities decreased by approximately $11.6 million. This was primarily due to a $22.8 million reduction in unearned revenues, as grants revenues were recognized upon meeting applicable criteria, along with a $1.2 million reduction in pension liability. These declines were partially offset by a $3.7 million increase in deposit accounts for impound withholding, a $1.3 million rise in bond interest payable, and $7.5 million increase in OPEB liability.

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



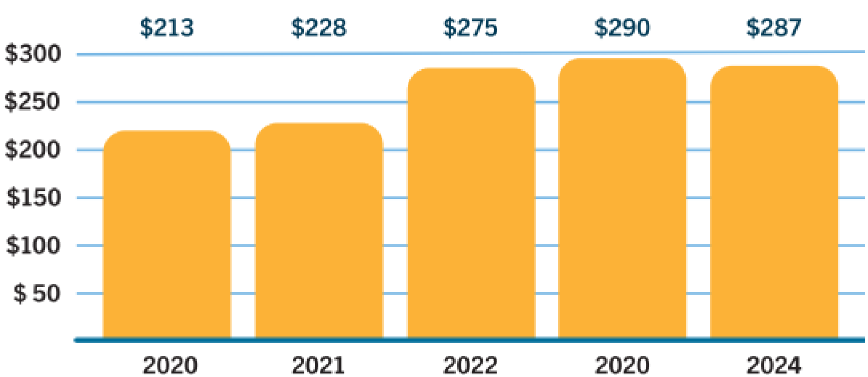
Bonds Payable

As of June 30, 2024, the Fund's net bonds payable increased by $83.2 million from the prior fiscal year to $124.1 million due to a tax-exampt new bond issuance. 100% of bonds outstanding are tax-exempt.

Notes Payable

As of June 30, 2024, notes payable decreased by $3.2 million due to $286.9 million from principal repayments to loans 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 and salaries and general expenses. Net interest income is an important measure of performance for the Fund.

As of June 30, 2024, the total operating revenues of the Fund were $235.2 million compared to $220.2 million from the prior fiscal year, an increase of $15 million. The increase is primarily due to:

- Investment interest income increased by $34.5 million in FY 2023-24 due to a $14.2 million increase from mortgage-backed securities ("MBS") and a $20.3 million increase from the Surplus Money Investment Fund ("SMIF"), both attributed to higher fiscal year-end interest rates compared to the previous fiscal year. Additionally, there was a $2 million increase in interest income from program loans and loan agreements, resulting from the purchase of new loans.
- Realized and unrealized gains on the sale of securities decreased by $3.1 million primarily due to an $8.3 million decrease in realized gains from securitization related to the TBA Market Rate Program. The decrease was partially offset by a $5.2 million increase in the change in fair value of investments for FY 2023-24.
- Other loan fees and revenues decreased by $18.4 million, primarily due to a $17 million reduction in administrative fees revenue resulting from a decline in contract administration program loan purchases. Additionally, acquisition fee revenues decreased

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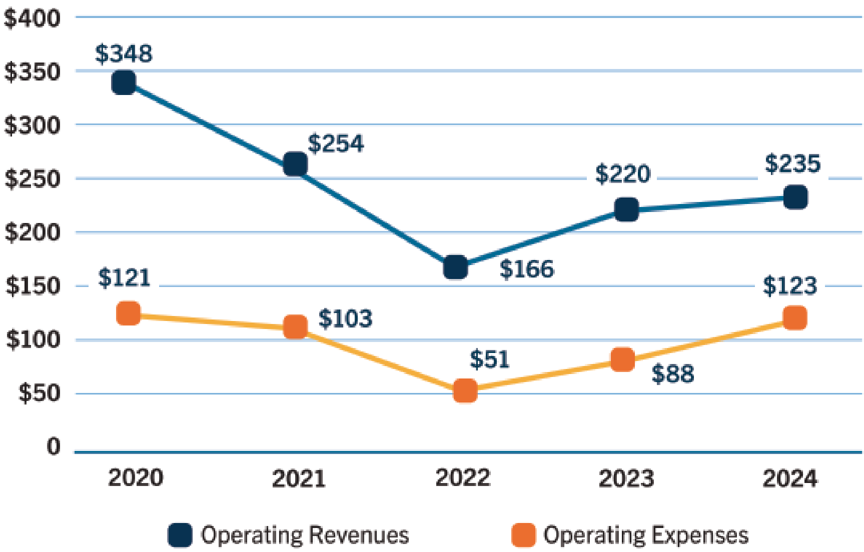
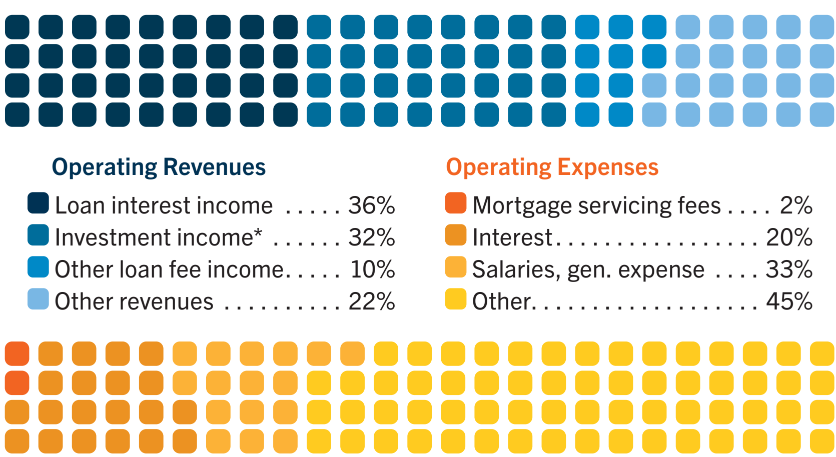
Operating Revenues & Expenses Dollars in millions



Total Operating Revenues & Expenses



*includes investment interest, realized gain

Revenues & Expenses continued

by $5.7 million compared to the prior year, mainly due to a lower volume of the securitization in the Single Family TBA Market Rate Program. The decrease was partially offset by a $0.6 million increase in commitment fees, a $0.5 million increase in application fees, and a $3.1 million increase in investment swap revenue, as no revenue was recognized in FY 2023-24 compared to a $3.1 million loss in the previous fiscal year due to the termination of ineffective swaps.

As of June 30, 2024, the total operating expenses of the Fund were $122.8 million compared to $88.2 million for the prior fiscal year, an increase of $34.6 million. The increase is primarily due to the following:

- Interest expenses increased by $6.8 million, primarily due to a $2.3 million rise in bond interest expenses resulting from $84.9 million in new bond issuances. Additionally, loan interest expenses increased by $4.1 million due to increased financing activity with the Federal Home Loan Bank ("FHLB") of San Francisco and the Braeburn Credit Facility, along with a $0.5 million rise in notes interest expenses.
- Salaries and general expenses increased by $27.9 million, mainly due to a $2 million increase in salaries and benefits expenses, a $1.6 million increase in pension expense, a $20.5 million increase in OPEB expense, and a $3.9 million increase in general expenses.

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, 2024, net non-operating revenues and expenses were $1.9 million. This decrease of $25 million from FY 2022-23 includes a $21.8 million reduction in revenue from investment swap fair value, resulting from the termination of all ineffective fixed payer and basis swaps in FY 2022-23. Specifically, there was a gain of $38.2 million in fair value investment swap revenue and a loss of $16.4 million from the termination of swaps; no further revenue from these items will be recognized moving forward. Additionally, there was a $2.4 million decrease in prepayment penalty revenue and a $1 million decrease in breakage fee revenue.

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
Affordable Housing Revenue Bonds	AA Stable	Aa2 Stable

During FY 2023-24, CalHFA's issuer credit rating from Standard & Poor's (S&P) was "AA" with a stable outlook and "Aa2" from Moody's. The Agency's new FY 2023-24 Affordable Housing Revenue Bonds issuance received a rating from S&P of "AA" with a stable outlook and "Aa2" with a stable outlook from Moody's.

Economic Condition & Outlook

During the fiscal year ending June 30, 2024, Single Family revenues generated from participation in the TBA Market Rate Program accounted for approximately 24.3% of the Agency's total operating revenue.

The volume of Single Family first mortgages purchases through the TBA Market Rate Program reached over $2.57 billion. The Agency also provided $156.3 million in subordinate lending for down payment assistance and closing costs.

Current Single family delinquency rate as of June 30, 2024 is approximately 5.90% and 90+ days delinquency rate is approximately 1.91%. Due to continued high inflation, the Federal Reserve increased the Fed Fund rate from 5.25% at the start of the fiscal year to 5.50% by June 30, 2024 . The high interest rates have resulted in prepayments of single-family portfolio being under 75% of SIFMA for the year. The continued high interest rate has also resulted in the continued low origination of the Agency's single family ZIP loan program.

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, 2024, the Agency had $930.1 million in outstanding commitments to fund first lien monthly paying 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. As of June 30, 2024, 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 $2.5 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 major 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.

Cal HFA 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

The California Housing Finance Agency does not discriminate on any prohibited basis in employment or in admission and access to its programs or activities. Not printed at the taxpayers' expense.

... 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

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

calhfa.ca.gov