

2001

Annual Report 2000-2001: Adelante: Moving Forward in Housing Californians

California Housing Finance Agency

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Adelante *go forward*

*Moving forward
in housing Californians*

NON-CIRCULATING

KFC
22
.H790
R4
2000-01





The California Housing

Finance Agency's

mission is to finance

below market rate

loans to create safe,

decent, and affordable

rental housing and to

**KFC22. H790 R4
California Housing Finance
Agency
Annual report - California
Housing Finance Agency**

assist first-time homebuyers

in achieving the dream

of homeownership.



Marketing Information
24-Hour Toll Free (800) 789-CHFA
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Additional Information is provided in the "Audited Financial Statements" and "Statistical Supplement" to the California Housing Finance Agency's 2000-2001 Annual Report

Patuloy na Sumulong

Продолжайте движение вперед

Adelante

go forward

向前邁進

Patuloy na Sumulong

앞으로 전진

Adelante

Продолжайте движение вперед

向前邁進

TIẾN LÊN



Chairman & Executive Director's Message

- a message to the housing community and our bondholders

Homeownership Programs

- lending for first-time homebuyers
- mortgage insurance for homeownership

STATE DEPOSITORY
LOAN FUND

JAN 13 2002

GOLDEN STATE DEPOSITORY

Rental Housing Programs

- multifamily loan programs
- multifamily asset management



Special Housing Programs

- HELP, Small Business Development,
- Contract Administration Programs -

School Facility Fee Programs, California Homebuyers Downpayment Assistance Program (CHDAP)

Financing and Fiscal Services

- financial management of CHFA

CHFA Support Services

- administrative
- legal
- legislative



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Gray Davis, Governor
Business, Transportation and Housing Agency
California Housing Finance Agency

chairman & executive Director's message

a message to the housing *community* and our bondholders



Theresa Parker and Clark Wallace

Adelante Patuloy na Sumulong Продолжайте движение вперед

No matter the language, the meaning is the same – ‘*move forward*.’ Not only is this the theme for our annual report, but also for CHFA, and California in general. It must become a way of life.

California is an economic engine with two-thirds of the nation's new jobs having been created in the State in recent times. That economic success for the nation has now created a critical demand for housing its workers. As our state moves forward into the 21st century, we face some daunting housing challenges as evidenced by the following statistics.

- In the past four years, the San Francisco area added 139,000 jobs, but built only 20,000 new housing units—an unhealthy ratio of seven new jobs for every one new home built.
- To afford a median-price home, a kindergarten teacher making the average teaching wage in Los Angeles would need to earn an additional \$78,096 per year.
- According to a joint venture Silicon Valley network study, the average rent in Silicon Valley increased 26% in 2000, while the median income increased by only 2%.

These challenges needn't be feared, but rather looked upon as a chance to grow.

Twenty-six years ago, when CHFA was formed, the make-up of our customers was very different, as was the make-up of California's population. Our changing customer base reflects the changing face of California. Today, California's demographics reflect a minority majority. CHFA's primary customers mirror this with minority borrowers representing over two-thirds of our lending recipients.

We can recognize, embrace, and celebrate our state's diversity by finding new opportunities. Opportunities to enrich our lives and businesses, to explore new ideas, and to create new solutions. What follows are a few examples of CHFA's contributions to *move the state forward* in the area of affordable housing.

Despite skyrocketing housing costs in much of the State, CHFA's homeownership programs helped 8,216 Californians achieve the dream of owning their own home in Fiscal Year (FY) 2000-01. This achievement allowed us, for the second year in a row, to meet Governor Davis' challenge of making \$1 billion dollars in loans to first-time homebuyers. This effort was also greatly aided by the Governor's California Housing Downpayment Assistance Program (CHDAP) which provided \$26.1 million in assistance for \$871.8 million in CHFA and conventional mortgages.

The Agency's Home Loan Mortgage Insurance Program, the California Housing Loan Insurance Fund (CaHLIF), forged ahead like never before in creating new homeownership opportunities for hard to qualify borrowers. Not only did CaHLIF have a record-breaking year with \$450 million in new insurance, but 88% of its business was for non-CHFA borrowers, thereby reaching into new marketplaces and creating new housing opportunities. CaHLIF has demonstrated the benefits of innovation and partnerships through its new collaborations with other housing financial stakeholders, local housing authorities, redevelopment agencies, pension funds and Fannie Mae and Freddie Mac.

The National Council of State Housing Agencies (NCSHA) singled out CHFA with its Award for Program Excellence as the strongest voice in Washington on the need for federal changes to increase Low Income Housing Tax Credits and Private Activity Bonds the volume caps for affordable housing.

The dream of homeownership is truly an American dream. But, for some of those families who can't buy homes, the motivation is to find safe, decent, and affordable rental housing. Our multifamily programs helped in this quest by exceeding FY 2000-01 planned goals by 30%, with \$269.1 million in loan commitments. The borrowers receiving this funding will ultimately build or rehabilitate 31 projects, including 3,146 units, with each unit representing a California family. This year was also notable for the funding of CHFA's largest loan, \$73 million for the preservation of the El Rancho Verde Project in San Jose.

"앞으로 전진"

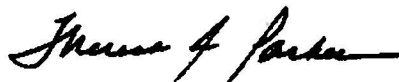
CHFA was a leader in promoting new housing production through its Loan to Lender Program. This program, developed in conjunction with the State's Department of Housing and Community Development and private sector banks, will provide financing for six projects containing 482 units for both families and seniors.

New ideas. New opportunities. New solutions are a dynamic process. As you'll see in this report, the Agency continues to move forward with new programs and products to assist a wide range of Californians, such as teachers, those living in high cost areas, hard to qualify homebuyers, and those dreaming of owning their first home. It's a process committed to by the Board of Directors and made a reality through the hard work and dedication of the staff of the California Housing Finance Agency.

We know our mission. We know our path. And to that we say Adelante.



Clark E. Wallace
Chairman of the Board



Theresa A. Parker
Executive Director

New ideas.

New opportunities.

New solutions are a dynamic

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members of the Board

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Office of Planning and Research



Theresa A. Parker*
Executive Director
California Housing Finance Agency



Phil Angelides
State Treasurer
State of California

* Non-voting

homeOwnership programs



meeting the housing needs of a *forward moving* population

Lending for First-time Homebuyers

California launched into the 21st century with a population of more than 34.8 million and the fifth largest economy in the world. To help meet the needs of this burgeoning and diverse population, CHFA originated \$1,001,538,421 in first mortgage loans during FY 2000-01. Six key strategies were used:

Below Market Rate Mortgages

CHFA's Homeownership Programs assist first-time homebuyers in attaining the dream of homeownership. We advanced this program in FY 2000-01 by providing very competitive 30-year fixed interest rates and up to 100% financing for the acquisition of low-to-moderate income buyers' first homes. Close monitoring of national financial markets enabled us to consistently offer interest rates below the market rates to borrowers.

Partnering

CHFA's **Affordable Housing Partnership Program (AHPP)** advanced alliances with 135 local government housing agencies and non-profit lenders. **AHPP** offered 100% financing at a preferred interest rate 25 basis points below our normal rates. In this program, CHFA provided the primary first mortgage. Localities provided \$14.6 million in downpayment or closing cost assistance in the form of a subordinated loan, which supported the origination of \$75.5 million in CHFA first mortgages for 895 homebuyers.

Downpayment Assistance

CHFA continued to offer the **California Housing Assistance Program (CHAP)**, as well as administer the Governor's **California Homebuyers' Downpayment Assistance Program (CHDAP)**. These provide deferred payment junior mortgage loans at a 3% simple interest rate for downpayment assistance. Both programs were key in supplying up to 100% financing which, in many cases, also included closing costs. **CHDAP** is described further in the Special Housing Programs section of this report.

Self-Help Assistance

CHFA's **Self-Help Builder Assistance Program (SHBAP)** originated \$4.8 million in 30 year mortgage loans at a 5% interest rate to 63 families who participated in the construction of their first home by contributing their "sweat equity" in lieu of a cash downpayment.

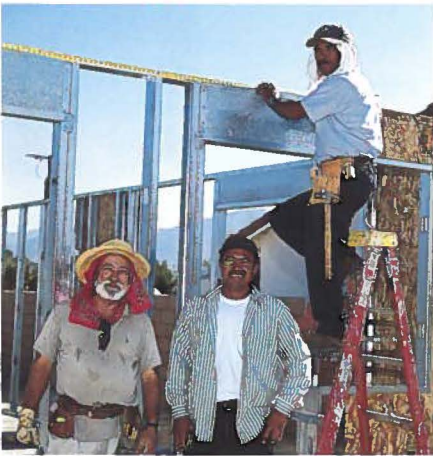
Energy Conservation

In support of Governor Davis' efforts, CHFA powered through the emerging energy crisis by streamlining our FHA insured **Energy Efficient Mortgage (EEM)**. This program allows borrowers to include up to \$8,000 in energy efficient improvements in their CHFA first mortgage.





New construction home in Cathedral City built with the assistance of its low-income owner using SHBAP.



Using the Self-Help Builder's Assistance Program, families like these in Indio work as a team to assist in building their own homes. Participation in the construction results in "sweat equity," which offsets the downpayment.

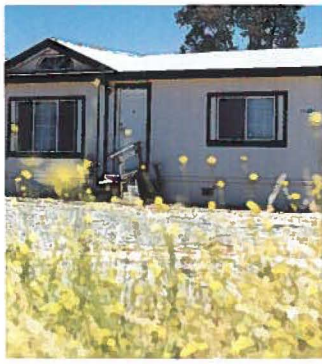
Special Programs

Addressing the needs of home buyers in economically distressed areas, CHFA continued to offer downpayment assistance to low income borrowers purchasing newly constructed homes through the **School Facility Fee Down Payment Assistance Program**. This program is described further in the Special Housing Programs section of this report.

Achievements in 2000-2001

- CHFA helped 8,216 Californians realize first-time homeownership using first mortgage loans totaling \$1,001,538,421.
- **CHAP** assisted 3,735 Californians with downpayment needs to aid in attaining first-time homeownership. The program provided \$14 million in downpayment assistance for \$461.1 million in CHFA first mortgages.
- **SHBAP** made it possible for 63 families to own their first home.
- Through the **AHPP**, CHFA partnered with 135 local agencies and non-profit entities which resulted in \$75,509,359 in CHFA first mortgage loans.
- Low income borrowers* represented 53% of all CHFA loans funded.
- Minority borrowers represented 69% of all CHFA loans funded.
- 58% of CHFA's loans were in high cost areas.

(* 80% or more below median income.)



Resale homes using CHFA financing

Moving Forward in 2001-2002

- CHFA will be implementing the **Extra Credit Teacher Home Purchase Assistance Program**. This program will provide up to 100% home loan financing to credentialed teachers and principals as an incentive to attract and retain education professionals in low performing schools. It utilizes a CHFA first mortgage loan plus a special \$7,500 low-interest downpayment assistance second loan.
- CHFA also will be introducing the **Extreme High Cost Area Home Purchase Assistance Program (HiCAP)**. This program will be available in San Francisco, San Mateo and Santa Clara counties. It will provide 100% financing utilizing a CHFA first mortgage loan, plus special \$25,000 downpayment assistance that can also be used with other State and local assistance programs.

Mortgage Insurance for Homeownership

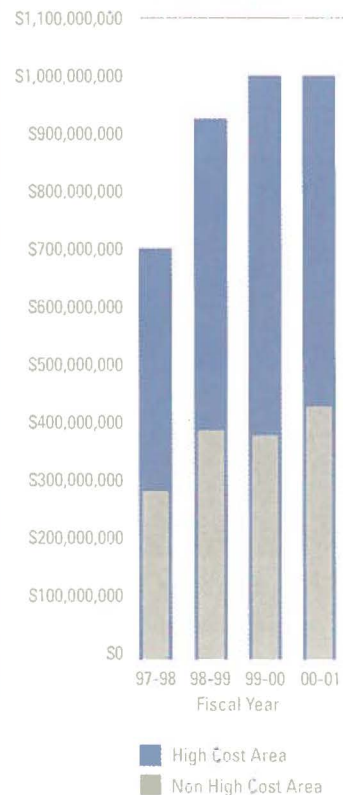
CHFA helps future homeowners move past current mortgage insurance challenges with the **California Housing Loan Insurance Fund (CaHLIF)**. The program encourages lenders to make loans to hard-to-qualify borrowers, or borrowers who may have less money saved for downpayment and closing costs. **CaHLIF** also assists lenders by approving loans for borrowers with past problems making prompt payments. The lenders are more likely to make riskier loans as **CaHLIF** covers any shortfalls caused by the borrower's failure to make loan payments. Most loans are made in urban high-cost cities to minorities with average incomes.

CaHLIF partnered with several local governments this year to offer an innovative new homeownership plan. The first of its kind, it provides a first loan covering 97% of the purchase price plus a 3% second loan for the downpayment which features deferred payments and the balance due upon sale or refinance. This program is moving forward in Oakland, San Jose, County of Los Angeles and Santa Rosa.

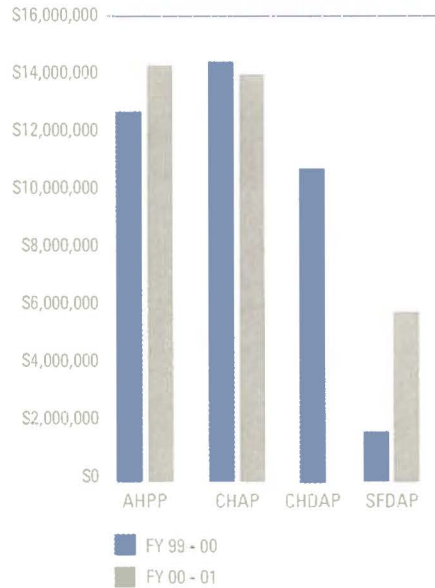
CaHLIF also partnered with Freddie Mac's Gold 100 Program to offer borrowers with better credit scores a 100% loan.

And **CaHLIF** is working to provide special programs for California's all-important educators. We've created a partnership with the California State Teachers' Retirement System (STRS), which offers school district employees a 95% loan, plus a 5% loan for a downpayment with deferred payments, and the balance due upon sale or refinance.

CHFA Loan Production



CHFA Down Payment Assistance Programs



CaHLIF also continued its program assisting first-time homebuyers with lower incomes. This helping hand comes in the form of a 97% loan with 3% assistance for downpayment or closing costs from redevelopment agencies and cities.

Achievements in 2000-2001

- **CaHLIF** insured a record 2,700 mortgages for \$450 million.
- A total of \$600 million in loan applications were approved, totaling 3,100 loans.
- At year-end **CaHLIF** had a total insurance portfolio of 8,467 active loans for \$1.2 billion.
- During the year, **CaHLIF** approved and processed 734 second loans totaling \$3.7 million.
- In addition, **CaHLIF**, as part of its partnership with STRS, approved mortgage insurance for 1,050 first loans for teachers and a like number of related second loans for a total of \$8.1 million.

Moving Forward in 2001-2002

- **CHFA** plans to help some of those hit hardest with soaring real estate costs. Currently, average income families in the extended Bay Area are unable to afford housing near their workplace. In response, **CaHLIF** will offer an 80% loan combined with a 17% loan that has deferred payments with the balance due upon sale or refinancing. Borrowers may qualify for approximately 85% of a normal payment and with less income needed to buy their home. The program will be used for teachers in conjunction with STRS and for new residents in the San Jose area in cooperation with the Santa Clara Housing Trust.



rental housing finance programs



providing affordable housing for a diverse population

Multifamily Loan Programs

CHFA's **Multifamily Loan Finance Programs** provide permanent financing for the acquisition, rehabilitation, and preservation of existing rental housing, as well as the new construction of rental housing. CHFA-financed affordable rental projects are targeted to very low, low and moderate income families and individuals. Affordable rents are achieved through a variety of loan products and below-market interest rates and terms including:

New Construction

CHFA finances the new construction of rental projects through several loan programs. All projects must provide affordable rents for a minimum of 20% of the units being developed, and income limited to 50% of area median income. In FY 2000-01, new construction program commitments totaled \$107 million to help build 967 rental units as follows:

Under the **Loan-to-Lender Program**, CHFA offers below-market interest rates for construction financing disbursed through conventional construction lenders for the development of affordable rental housing. In FY 2000-01, the program issued commitments for six new construction projects with loans totaling over \$70.7 million.

The **New Construction Finance Program** offers tax-exempt and taxable permanent financing. This program provided commitments of \$36.3 million for the development of six new projects.

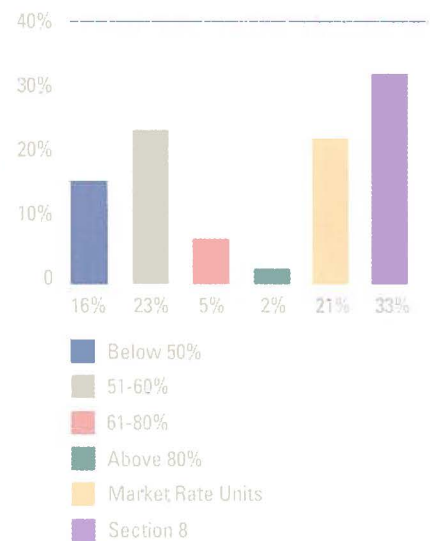
Preservation & Acquisition/Rehabilitation

We provide a broad range of financing tools designed to facilitate the acquisition, rehabilitation and preservation of federally assisted at-risk affordable housing. In FY 2000-01, we made commitments totaling \$129.8 million for the acquisition and renovation of 1,973 units as follows:

The **Preservation Finance Program** committed approximately \$110.5 million in tax-exempt and taxable financing for the preservation of 11 at-risk rental housing developments.

The **Acquisition/Rehabilitation Program** provided taxable and tax-exempt financing totaling \$19.3 million to renovate five rental housing developments.

CHFA Income Restricted Program





Owl's Landing, Livermore

Special Needs

CHFA offers interest rate reduction financing for the development of rental housing to serve low income, at-risk tenants in need of supportive services. During the past fiscal year, the Agency committed \$32.3 million for the development of three special needs projects producing 206 units.

■ Funding examples for FY 2000-01:

One of those projects was the Ambassador Hotel. It received CHFA financing commitments to assist with the acquisition and renovation of 134 units for very low income individuals diagnosed with long-term mental illness, substance abuse problems, or HIV/AIDS. Additional rental subsidies will be provided by the San Francisco Shelter Plus Care SRO Program.

Achievements in 2000-2001

- CHFA provided permanent financing of \$250.8 million for the development of 28 rental projects with 3,338 units. This resulted in a 64% increase in volume production over FY 1999-00.
- CHFA made loan commitments of \$269.1 million for development of 31 projects and 3,146 units, increasing commitments by 62% over FY 1999-00.
- The Agency sold \$269 million in taxable bonds to purchase a Fannie Mae HUD 236 loan portfolio containing projects at risk of losing their affordability. It consists of 278 projects with 23,300 units. CHFA will be working with project owners to extend affordable rents where feasible.
- The Preservation Finance Program closed financing on the largest single rental project in CHFA history, both in terms of size and loan amount. Over \$73.6 million in loans funded the preservation of the 700-unit El Rancho Verde family apartment complex in San Jose.





Rancho Carillo Family, Carlsbad

*We will focus on methods
to preserve and create
affordable projects through
a variety of loan programs*

Moving Forward in 2001-2002

With the expiration of Federal Section 8 subsidies and tax credits, thousands of tenants across the state are at risk of losing their housing or paying significantly greater amounts of their limited budget for rent. To address this situation, and California's pressing housing needs in general, the Multifamily Program's FY 2001-02 goal is to issue loan commitments totaling \$250 million. We will focus on methods to preserve and create affordable projects through a variety of loan programs including:

New Construction

The Agency continues to commit to financing new construction of affordable rental housing in California.

Assisted Living

CHFA will provide financing for Assisted Living development proposals utilizing tax-exempt financing in conjunction with available State and local programs.

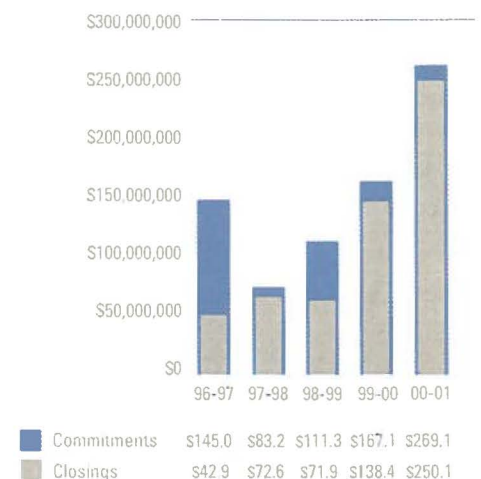
Preservation

We will continue to offer our acquisition and permanent financing programs to assist with the preservation of expiring Section 8 projects. CHFA will also provide taxable and 501(c)(3) bond financing to preserve expiring tax credit projects, single sponsor portfolios, or for the refinancing of HUD 202 elderly projects. Proposals for the refinancing and modernization of those HUD 236 portfolio projects most at risk of losing their affordability will also be considered.

Special Needs

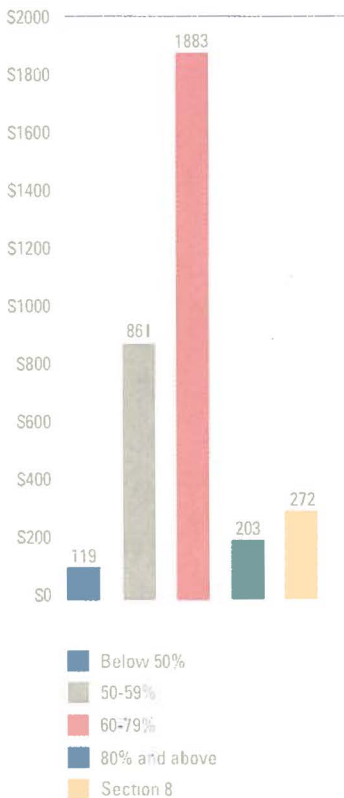
The **Loan-to-Lender** program will continue to offer below market interest rate construction financing for the development of new construction or special needs housing.

Multifamily Program Activity





Affordability Levels for Units Financed



Moderate Income & Urban Infill

Tax-exempt or taxable loans will be offered for development proposals targeting moderate income households in redevelopment areas.

Multifamily Asset Management

The mission of CHFA's Asset Management Division is to preserve our affordable rental portfolio. Protection is key in this mission. First, we protect our loans through financial monitoring, workouts, and physical inspections. Our mortgage funds are also protected through monitoring of occupancy and financial compliance on HUD's behalf. And finally, CHFA's rights, owner/agents' rights, and tenants' rights are protected through interpretation of the Regulatory Agreement, the HUD Manual 4350.3, other HUD directives, and State laws

Achievements in 2000-2001

- During FY 2000-01, we added to CHFA's portfolio 3,338 units representing 28 projects. Since inception, the portfolio has grown to a total of 28,262 units representing 356 projects.

Moving Forward in 2001-2002

- The Division will continue to support CHFA departments, sponsors and property management companies. We will accomplish this by lending asset management experience that is helpful, professional, prompt, and timely in an effort to maximize benefits for the tenants of CHFA-funded developments.



special housing programs



assisting diverse populations with special needs

Housing Enabled by Local Partnerships (HELP)

Our **HELP** Program provides 3% interest rate loans to cities, counties, housing authorities, and redevelopment agencies for locally determined affordable housing priorities. The loans have repayment terms of up to ten years. They are committed to localities each year in two competitive \$10 million funding cycles, with a total of \$60 million in loan commitments to date. These funds are a tremendously useful source of financing for the construction, rehabilitation and preservation of affordable home ownership and rental housing that might not otherwise be created without CHFA funding.

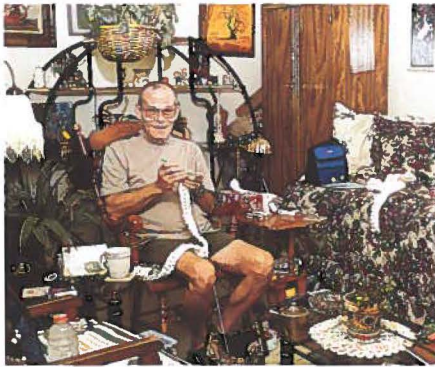
Achievements in 2000-2001

- We committed \$20 million in two funding cycles to 25 local government agencies. These loans will benefit approximately 3,800 units over a ten-year term. During the first three years of the HELP Program, a total of 61 loans adding up to \$60 million in loan commitments have been made to 50 separate local government entities. This will assist in the creation of more than 6,000 units of affordable housing over a ten year period.
- Funding examples for FY 2000-01:
 - The **HELP** program provided \$1.7 million to the Green Gardens development in Kern County. This project includes development of long term affordable housing for people recovering from alcohol/drug addiction and those with physical/mental disabilities. It's estimated that 80% of the units will go to people earning less than 50% of the average median income.
 - CHFA provided \$1.3 million in funds for a two-part project by the Housing Authority of the City of San Luis Obispo. This project will include 36 special needs elderly units located adjacent to a private hospital and major medical center.

Moving Forward in 2001-2002

- The **HELP** Program plans to again commit \$20 million to localities in FY 2001-02 in two funding rounds. Applications will be ranked relative to those submitted in each round and in accordance with criteria in the funding announcements.





Val Roy (above) is a resident of Green Gardens, a complex located in Bakersfield.

Small Business Development

The Agency's Small Business Development Program strives to support small businesses involved in the creation of affordable housing. The Program uses two production tools in this effort. The first is the **Development Loan**, which provides funds to pay a portion of the usual and customary acquisition and/or development soft costs. The second is the **Compensating Balance Deposit**, which assists the small developer who has difficulty in obtaining construction financing.



Green Gardens, Bakersfield

The County of Kern used HELP funds to assist in acquisition of the 104-unit Green Gardens project, which targets people recovering from various dependencies or those with mental or physical disabilities. Residents of the complex are provided with Section 8 rental subsidies through HUD Shelter Plus Care Program grants, and receive onsite supportive services through the Kern County Mental Health Department and other local agencies.

Contract Administration Programs

School Facility Fee Assistance Programs (SFFAP)

Since January 1999, CHFA has contracted with the Department of General Services to administer the **School Facility Fee Down Payment Assistance Program** and the **School Facility Fee Rental Assistance Program**. The State General Fund provides the resources for these programs. The programs provide downpayment assistance to buyers of newly constructed homes and rental financing assistance for developers of rental units. These funds do not impact local school districts. Rather, the amount of developer fees paid as school facility fees is used to calculate the amount of downpayment assistance that a homebuyer, or a developer of affordable rental housing, might receive from the Agency.

SFFAP has helped in the development of affordable housing through four unique assistance programs. These programs focus on downpayment assistance for economically distressed areas, affordable sales price limits, and low and moderate income first-time homebuyers, as well as reimbursements for affordable rental housing. The **SFFAP** programs are funded through December 31, 2001.



Mr. and Mrs. Nunez are first-time homebuyers in Sacramento. They purchased their newly constructed home using down payment assistance from the School Facilities Fees Program combined with a CHFA first mortgage.



Achievements in 2000-2001

- **SFFAP** provided 2,019 homebuyers with downpayment assistance in the amount of \$5,768,622. Since its 1999 inception, 2,563 families have received downpayment assistance in the amount of \$7,052,904.
- Developers received \$3,476,882 in FY 2000-01, and \$8.5 million overall, creating 141 units of affordable rental housing for families with very, very low incomes.



California Homebuyers Downpayment Assistance Program (CHDAP)

CHFA contracted with the California Department of Housing and Community Development in October 2000 to administer the \$50 million **CHDAP** program, funded through the State General Fund. Subsequent legislation reduced the amount available to \$32 million.

The program was developed to provide downpayment assistance to first-time homebuyers with low and moderate income levels in the amount of 3% of the purchase price. We offered this unique and successful program to first-time homebuyers who were not necessarily using CHFA first loan financing. Additionally, **CHDAP** could be combined with other downpayment assistance programs, including CHFA's **CHAP** loan. This gave homebuyers additional leverage in financing a home.

Achievements in 2000-2001

- The program leveraged \$871.8 million in CHFA and conventionally financed first home mortgages during its first eight and a half months.
- CHDAP provided 6,447 families with \$26.1 million in downpayment assistance in FY 2000-01.



“Продолжайте
движение вперед”

financing and fiscal services



financial management of chfa

The Financing Division's primary mission is to provide borrowed capital to finance CHFA programs. The Division is also charged with managing CHFA's outstanding debt obligations and non-mortgage investments, and making recommendations concerning general financial matters. In carrying out these responsibilities, we act to comply with bond indenture covenants, federal tax law restrictions, State statutes, and credit rating agency requirements.

The Fiscal Services Division supports CHFA activities through the receipt and disbursement of financial resources, the safeguarding of assets, and the servicing of loans. We also record and report on financial matters in accordance with professional standards to meet all federal, state and indenture requirements. In FY 2000-01, Fiscal Services administered an increasing portfolio of \$6.7 billion of loans receivable and \$7.7 billion of bonds payable in 190 series under 13 separate indentures.

Achievements in 2000-2001

- During the fiscal year, CHFA issued \$2.07 billion of notes and bonds, the largest amount for any fiscal year to date. Of this amount, \$162 million consisted of economic refunding bonds, \$307 million was issued in the form of notes, and \$1.3 billion was issued to provide proceeds for newly originated loans. A total of \$1.3 billion was issued in variable rate form. Of that amount, \$1.1 billion was swapped to fixed rates.
- While our debt was growing, CHFA assets grew as well. The Agency set a record for annual growth in FY 2000-01. Asset growth for the year was \$1.2 billion, an increase from \$7.8 to \$9.0 billion. In addition, we collected a record \$451 million of loan revenue from borrowers and paid out a record \$1.4 billion of principal and interest to bondholders.

go forward



Using the Self-Help Builder's

Assistance Program the

Marquez family

contributed "sweat equity"

to help build their home

in lieu of a

cash downpayment.



The Marquez family of Chico.

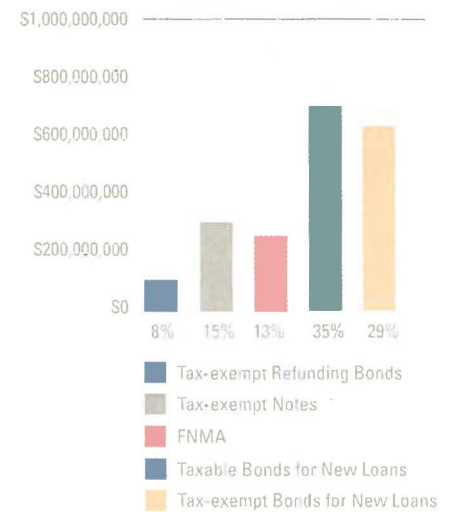
Achievements in 2000-2001, continued

- \$729 million of taxable bonds were issued jointly with tax-exempt bonds to meet the \$1 billion loan origination goal for the Homeownership Program. As a result of an aggressive program of taxable issuance and recycling of prior tax-exempt authority, CHFA continued to leverage private activity bond allocation with a leveraging ratio of over 4.54 to 1. In other words, for every \$1 million of new private activity bond allocation received, we created over \$4.54 million of funds for the origination of loans.
- The wholesale use of variable rate bonds, including the \$1.1 billion of variable rate bonds swapped to fixed rates, greatly reduced CHFA's cost of funds. The management of reasonable risk enabled CHFA to increase the proportion of taxable debt that could feasibly be issued in connection with tax-exempt bonds without greatly increasing CHFA's cost of funds.





CHFA Tax-exempt and Taxable Bonds



Achievements in 2000-2001, continued

- We entered into a partnership with the Federal Home Loan Bank of San Francisco, which purchased \$565 million of CHFA homeownership bonds. An ongoing investor relationship with the San Francisco FHLB will be a key factor in the continuation of our successful interest rate swap strategy because the indexed floaters we are selling to the FHLB do not have a put feature that requires liquidity.
- We issued \$269 million of taxable “pass-through” bonds to purchase Fannie Mae’s entire California portfolio of HUD Section 236 loans. This financing expands CHFA’s opportunities to pre serve affordability after HUD’s debt service subsidies expire.
- CHFA entered into an agreement with Fannie Mae to provide standby liquidity for up to \$250 million of variable rate multifamily bonds.
- The delinquency rate of CHFA’s single-family in-house loan servicing portfolio was 5.89% at June 30th. We established an all-time low rate of 4.40% as of March 31, 2001.
- At year-end, the loan servicing portfolio was 4,240 first mortgages and 13,149 second mortgages, totaling \$374.1 million.

Moving Forward in 2001-2002

- At the end of the five-year planning period, it is estimated that the Agency will have approximately \$12 billion of bonds outstanding. As many as half of these bonds may be variable rate and most of them will likely be swapped to a fixed rate. Continued use of variable rate financing strategies will enable CHFA to continue to maximize the financing of home loans and to provide very low interest rates to its homebuyers and multifamily borrowers.

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Standard & Poor's

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September 19, 2001

Ms. Teresa Parker
Executive Director
California Housing Finance Agency
1121 L Street, 7th Floor
Sacramento, CA 95814

Dear Ms Parker:

Standard & Poor's is pleased to confirm that the California Housing Finance Agency continues to be designated a "Top-Tier" State Housing Finance Agency. Initially designated as a "Top-Tier" Agency in 1986, the Agency has continued to mature using sound financial judgment and maintaining a stable management staff.

Standard & Poor's "Top-Tier" guidelines include: years issuing bonds; unrestricted fund balances; administrative capabilities; investment policy; internal controls/financial management; portfolio quality; and state support. The guidelines are more fully detailed in the attached description in Standard & Poor's 2001 Public Finance Criteria.

If you have any questions concerning the "Top-Tier" designation, please feel free to contact the Housing Group. Once again, it was a pleasure working with your staff and congratulations on your agency's performance.

Sincerely,

Steven G. Zimmermann
Managing Director
Public Finance Ratings

chfa support services



Our support services are integral to the future growth and progress of CHFA. Without their assistance, we could not meet our goals.

Administrative Division

The Administrative Division moved CHFA forward this year with the successful upgrade of its office automation software system and corresponding training of all staff.

Accommodating Agency growth, Administration also oversaw the expansion of the Sacramento office and refurbishment of its headquarters location.

Office of General Counsel

The General Counsel manages the legal affairs of CHFA. Staff attorneys advise and support each of the programs and operations of the Agency, including creation of lending documentation, review and interpretation of federal and state legislation, preparation of contracts, working with outside bond counsel to support the Agency's finance operations, and management of litigation. Our attorneys also work with lender's counsel in closing loans originated under CHFA programs.



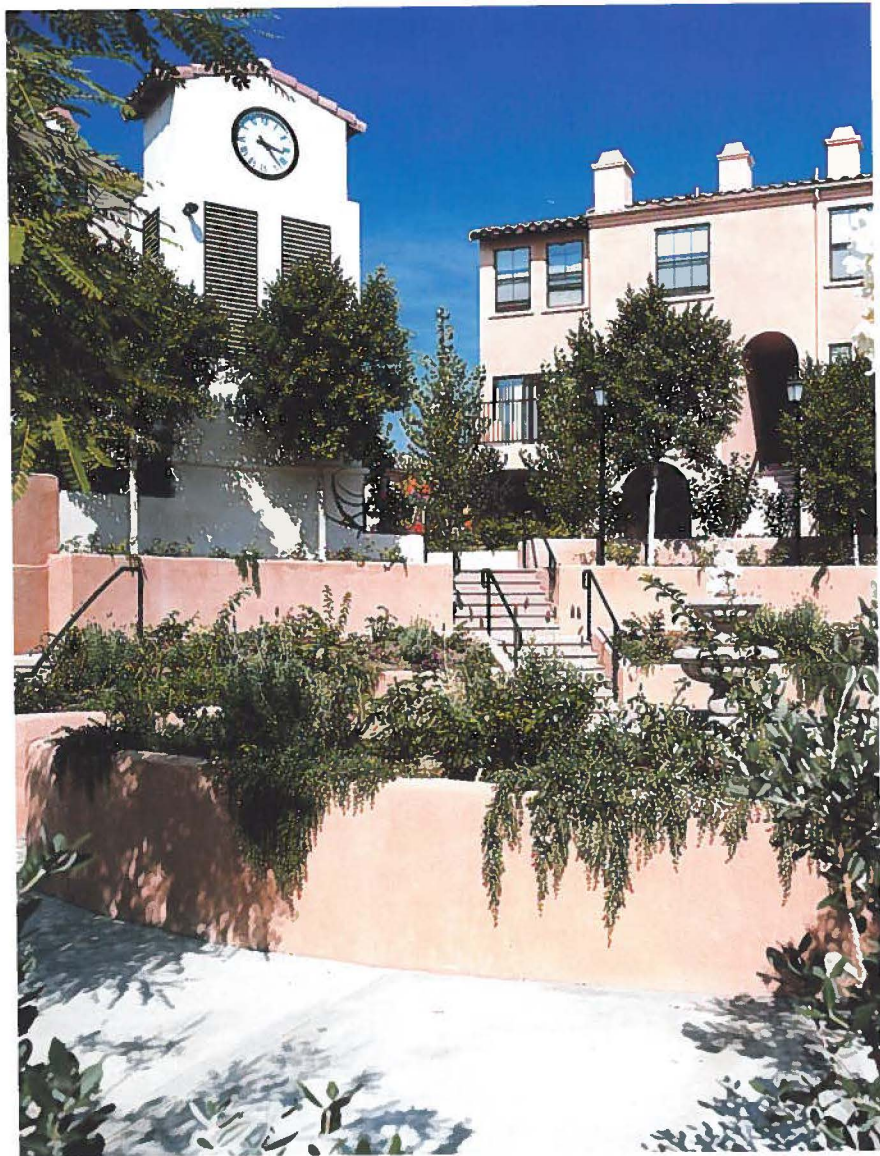
Legislative Division

CHFA's Legislative Division focused its attention at the Federal level on successfully obtaining from Congress an increase in the volume caps for Private Activity Bonds and Low Income Housing Tax Credits. The increase in the bond cap, signed by the President in December 2000, is expected to result in approximately 7,500 additional units of affordable rental housing being made available annually and 4,000 additional families becoming first-time homebuyers.

At the state level, as we go to print, the Legislative Division successfully obtained from the State Legislature and Governor a \$2.2 billion increase in the amount of bond debt CHFA can have outstanding. Moving forward, the Agency plans to work with Congress and the President to repeal the "Ten Year Rule." That rule requires states to use homeowner mortgage principal payments to retire the bonds that financed the mortgages after those bonds have been outstanding for ten years. It prevents states from using these homeowner payments to make new mortgages to additional qualified purchasers,

Adelante





The Villaggio, Carson



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Patuloy na Sumulong

Adelante

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SMALL BUSINESS DEVELOPMENT

Deyanira Molina
Sheila Felder

*"In remembrance of Annette Windham and Susan Houlihan,
long-time dedicated CHFA employees"*

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california housing finance agency



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