

2000

Annual Report 1999-2000: Twenty-Five Years of Housing Californians

California Housing Finance Agency

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1999-2000 ANNUAL REPORT
TWENTY-FIVE YEARS
OF HOUSING CALIFORNIANS



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GOLDEN GATE UNIVERSITY

twenty-five years at a glance



The California Housing Finance Agency's

mission is to finance below market rate

loans to create **safe, decent,**

and affordable

rental housing and to assist

first-time homebuyers in

achieving the dream of

homeownership.





Marketing Information
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Additional information is provided in the
"Audited Financial Statements" and "Statistical Supplement"
to the California Housing Finance Agency's
1999-2000 Annual Report.



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



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Chairman & Executive Director's Message



Terri Parker and Clark Wallace

It was 1975, but it seems like only yesterday that the Governor and the California State Legislature had the wisdom and vision to enact legislation to create the California Housing Finance Agency (CHFA). Therefore, it is only fitting that a quarter of a century later we celebrate our accomplishments in the field of affordable housing with the theme for this year's annual report **"Twenty-Five Years of Housing Californians."**

Our state and country have changed quite a bit over the last quarter of a century. Twenty-five years ago, the now internationally known golf phenomenon, Tiger Woods, had just been born; California's population was 21.5 million; the average price of a gallon of gas was 57¢; and the average sales price for a home in California was \$54,500. Now, Tiger Woods, at 25 years old, has won 20 professional golf tournaments; the State's population has grown 58%, exceeding 34 million; gas prices average \$1.67 a gallon; and the most recent median sales price for a home in California is a whopping \$240,910, a 350% increase.

CHFA has also changed over the same 25 years, having issued over \$15 billion in bonds, financed affordable homeownership for almost 100,000 families, and created or preserved over 25,000 affordable multifamily rental units in California. In addition, the Agency has provided \$1.5 billion of mortgage insurance to over 14,000 higher risk borrowers.

More recently, over the last year there has been an explosion in the press and media about the affordable housing crisis in California. Hardly a day goes by that there isn't an article in a major newspaper, be it the Los Angeles Times, the San Francisco Chronicle or even the Washington Post, which paints a picture of the difficulty and burden of rents and home sale prices to the average Californian. Articles have been written about working individuals riding 24-hour bus lines in the Silicon Valley because they can't find affordable housing. School principals talk about the adverse impact to the education system from children cycling through different schools at alarming rates because their families cannot find affordable permanent housing. Employers are increasingly concerned with the impact that the lack of affordable housing has on their ability to recruit and retain their work force.

twenty-five years of housing californians

In addressing these challenges, CHFA's Board of Directors and dedicated staff have completed a record setting 1999-2000 fiscal year in meeting our goal to serve the housing needs of California.

In 1999, when Governor Gray Davis took office, he challenged the Agency to deliver \$1 billion in new below-market interest rate loans to first-time homebuyers. Through our Financing staff's creative strategies in raising the necessary capital and the hard work of our Marketing, Accounting and Single Family Programs staff, CHFA succeeded in meeting the Governor's \$1 billion challenge.

In addition, the 1999-2000 Business Plan goal for Multifamily staff was \$126 million. They not only met that target but, with the CHFA Board of Directors' approval of over \$167 million in final commitments for 14 projects with 2,268 units, delivered 133% of the goal.

In the changing dynamics of the marketplace, the California Housing Loan Insurance Fund (CaHLIF), CHFA's mortgage insurance program, met 61% of its 1999-2000 target. This is a significant accomplishment, given CaHLIF's planned shift of its product line away from CHFA loans to insuring the higher unmet affordable housing needs of the conventional lending market.

In addition to the Agency's lending activity, we were also involved in other efforts to help affordable housing in California. Given the heightened awareness of the impact of housing on our economy, transportation system, environment and the social fabric of California families, Governor Gray Davis signed into law an historic \$570 million affordable housing component in the 2000-2001 State Budget. CHFA's role in this initiative will be to administer a new \$50 million Downpayment Assistance Program for first-time homebuyers beginning in the fall of 2000.

Never has it been more

necessary in our great state for

CHFA to carry out its mission to

provide below-market loans to

create safe, decent and affordable

rental housing and to assist

first-time homebuyers in

achieving the dream of

homeownership.

members of the board

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State Treasurer
State of California



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Chairman of the Board
Wallace-Stevenson Real Estate

JULIE BORNSTEIN
Director, Department of
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Director, Department of Finance



***STEVEN A. NISSEN**
Acting Director, Governor's
Office of Planning and Research



***THERESA A. PARKER**
Executive Director
California Housing Finance Agency

*Non-voting

In the future, we commit to the citizens of our great state that we will look at every innovative way to utilize our emerging technologies and financial partnerships to ensure operational efficiencies and to maximize the amount of public benefit.

For the third year in a row, CHFA's creative new housing programs have received multiple recognitions at the national level for being on the cutting edge. The most recent recognition was from the National Council of State Housing Agencies at their annual conference in October 1999. CHFA received two (out of 13) of their *Annual Awards for Excellence* for its Affordable Housing Partnership Program in the *Homeownership: Empowering New Home Buyers* category, and for Managing The Private Activity Bond Resource in the *Management Innovation: Financial and Operations Management* category.

No state in the nation has ever contributed more resources in a single year to promote affordable housing for its citizens. To help achieve this unprecedented level of housing support, the Agency worked in partnership with the Business, Transportation and Housing Agency and the Department of Housing and Community Development to develop new and innovative programs for down payment assistance for homeownership and financing incentives for the creation of affordable rental housing. Being able to contribute in this historic effort in the same year we commemorate CHFA's 25th Anniversary sets the stage for greater housing opportunities as we start towards our 50-Year Anniversary milestone.

Throughout the year, the CHFA Board of Directors and staff held numerous discussions regarding the roles and responsibilities of the organization. Special presentations also provided the Board with continuing education on preservation of expiring Section 8 rental contracts and the market environment for the preservation of critical housing units.

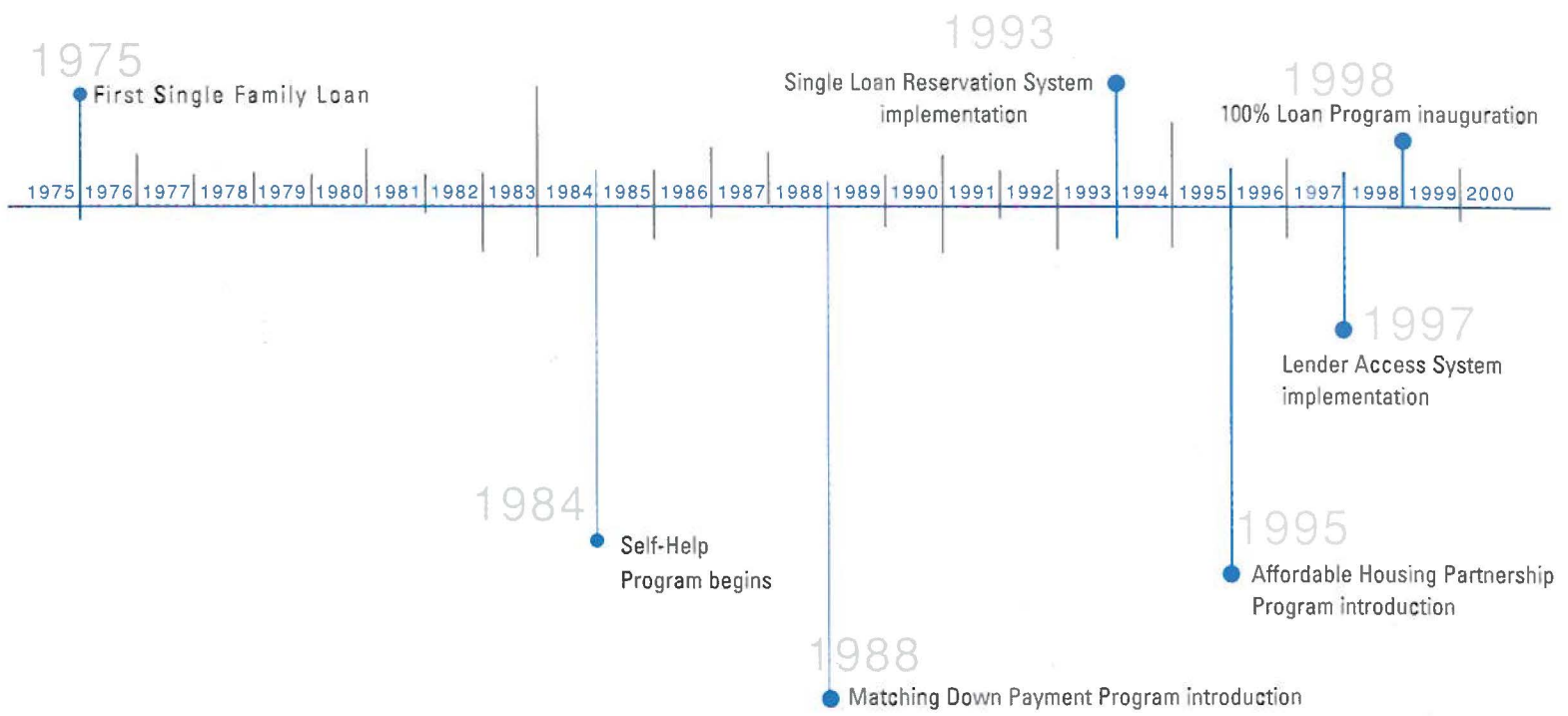
As we close our first **"Twenty-Five Years of Housing Californians,"** the Board of Directors and staff of the California Housing Finance Agency share a deep sense of pride with their contributions as the State's affordable housing bank. However, tomorrow is a new day and, as in prior years, we will continue to strive to serve our customer base of very low- to moderate-income families by promoting greater affordability and emphasizing the production of federally-assisted rental housing.



Clark E. Wallace
Chairman of the Board



Theresa A. Parker
Executive Director



Churchhill Downs, a single family new construction development in Sacramento



CHFA's oldest active single family home loan, made in 1977, is in Sacramento



single family programs

Partners in homeownership

CHFA ended the 1999-2000 fiscal year by achieving its highest loan production level in its 25-year history. In successfully responding to Governor Davis' challenge to provide \$1 billion in affordable home loans to first-time homebuying Californians, CHFA originated a total of \$1,001,037,425 in loans. Of the 8,395 loans originated, 5,346 (64%) were made to low-income borrowers.

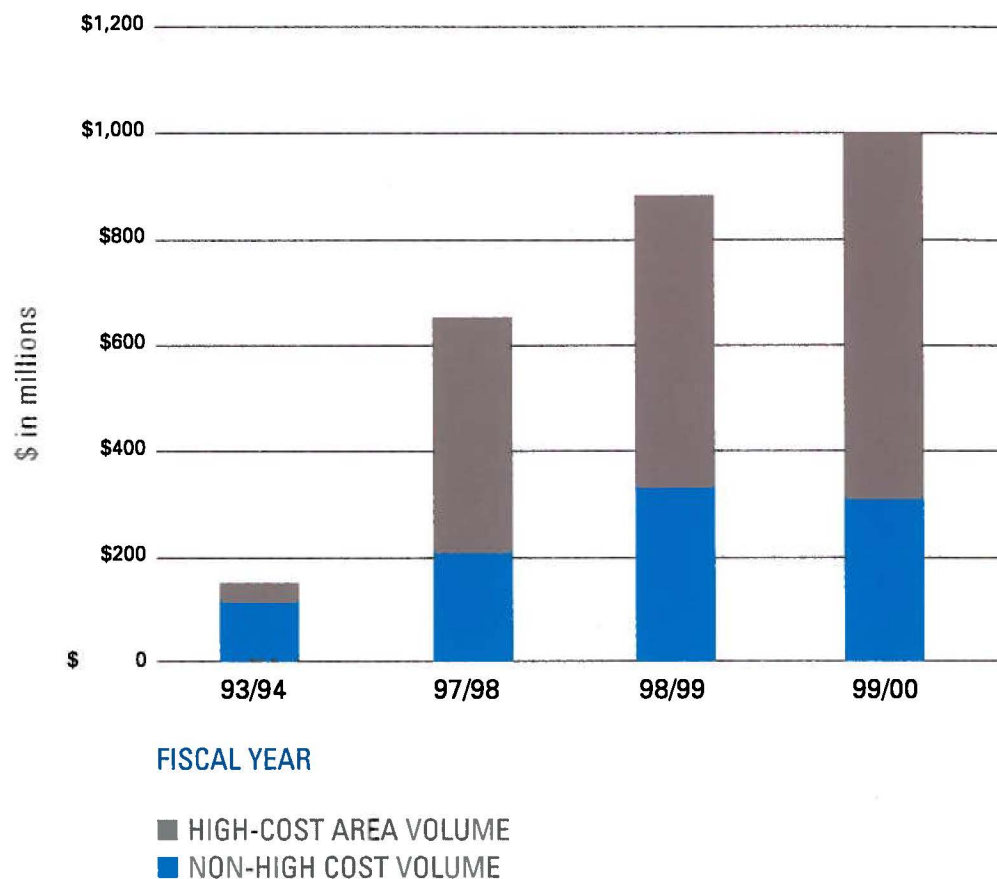
The year was also marked by several other very significant accomplishments:

- The Affordable Housing Partnership Program (AHPP), which leverages local affordable home loan products with CHFA's, partnered with the 100th local government housing agency in the Program.
- Single Family's 100% Loan Program contributed significantly to CHFA's outreach goals, resulting in 63% of the Agency's loans going to high-cost areas of the State.
- The Self-Help Builder Assistance Program (SHBAP) provided five percent mortgage loans valued at \$5.4 million to 68 low-income families. The families participated in the construction of the homes and used their "sweat equity" in lieu of a cash down payment.



partners in homeownership

INCREASE IN HIGH-COST AREA SINGLE FAMILY LOANS



25-YEAR RETROSPECTIVE

During the past 25 years, the Agency has provided \$8.9 billion in financing, helping almost 100,000 first-time homebuyers realize the American dream of homeownership.

Since 1984, CHFA has operated self-help housing loan programs and offered reduced-interest-rate first mortgages to low-income borrowers participating in building their homes. In 1991, the Agency also created the Self-Help Builder Assistance Program which added Development Loans of up to \$300,000 to the nonprofit self-help developers.

Self-Help Builders Assistance Program, Chico

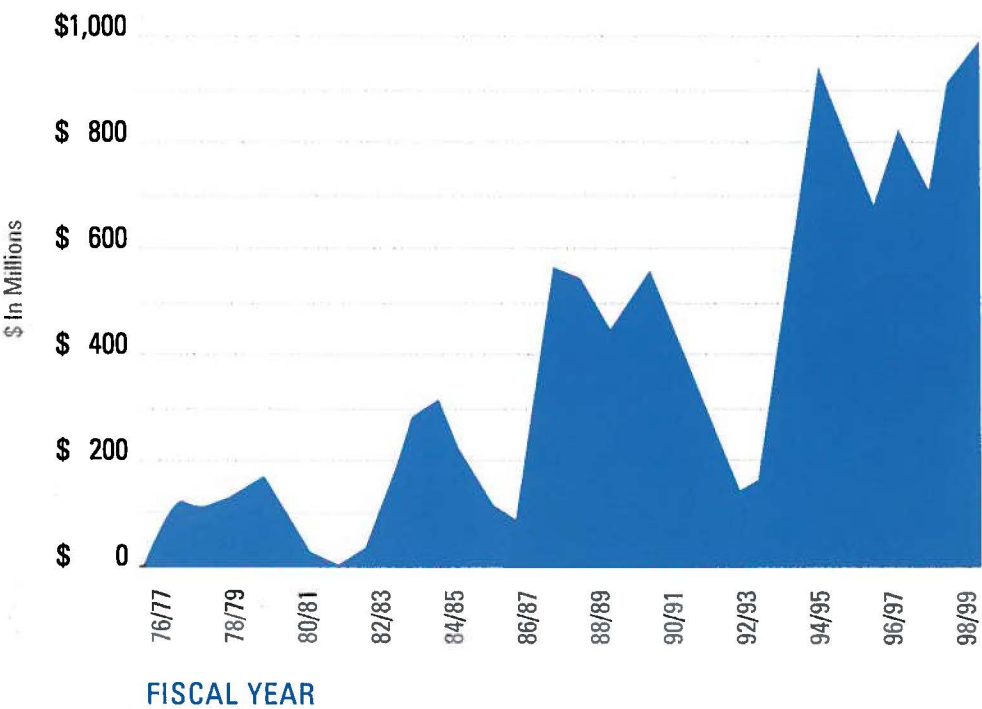


In 1988, CHFA introduced the Matching Down Payment Program (MDP), offering its first down payment assistance second mortgage program for low-income borrowers. This and other down payment assistance programs administered by CHFA over the years have assisted almost 9,600 Californians in obtaining their first home.

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On December 1, 1993, CHFA implemented the Single Loan Reservation System. For the first time, CHFA offered funds 365 days-a-year. Lenders "lock" the interest rate on any given day for a mortgage loan for a specific borrower and property.

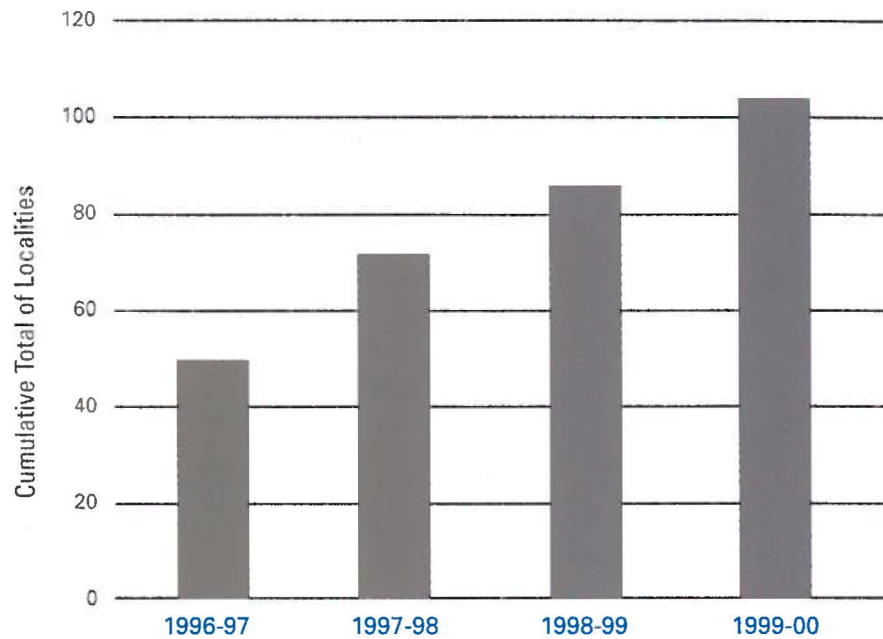
LOAN ORIGINATIONS



In mid-1994, the Agency adopted a High Cost Area Strategy in which borrowers buying in California's high cost coastal counties, where the least affordable housing is located, can receive a lower interest rate and down payment assistance.

In response to the Northridge earthquake, in 1994 CHFA implemented a very successful \$75 million Earthquake Victims Program which provided a 5.95% home purchase loan to renters who occupied units damaged by the earthquake. Early in 1995, the Agency introduced the

LOCALITY PARTICIPATION IN THE AFFORDABLE HOUSING PARTNERSHIP PROGRAM (AHPP)



FISCAL YEAR

■ Number of Localities that have provided financial assistance along with CHFA Loans

Single family new construction, San Bernardino County



Affordable Housing Partnership Program (AHPP), a partnership with local government housing agencies. CHFA provides a lower interest rate on the first loan when local governments provide financial assistance to the first-time homebuyer. In 1999, CHFA received an award for the AHPP from the National Council of State Housing Agencies.



*Single Family new construction,
City of Rubidoux*

During 1996-97, the Lender Access System (LAS) was implemented. CHFA was one of the first two housing finance agencies in the nation to operate such a system. By accessing CHFA's computer, lenders reserve loans and obtain program information. This innovative system received an award from the National Council of State Housing Agencies and is now part of the Agency's e-government initiatives.

In 1997, CHFA began providing Rural Housing Service (USDA) loan products.

In a special financing arrangement, CHFA contracted with the California Valleys Housing Finance Authority, a 15-city joint powers authority, and provided 225 loans for \$21.8 million during 1997-98.

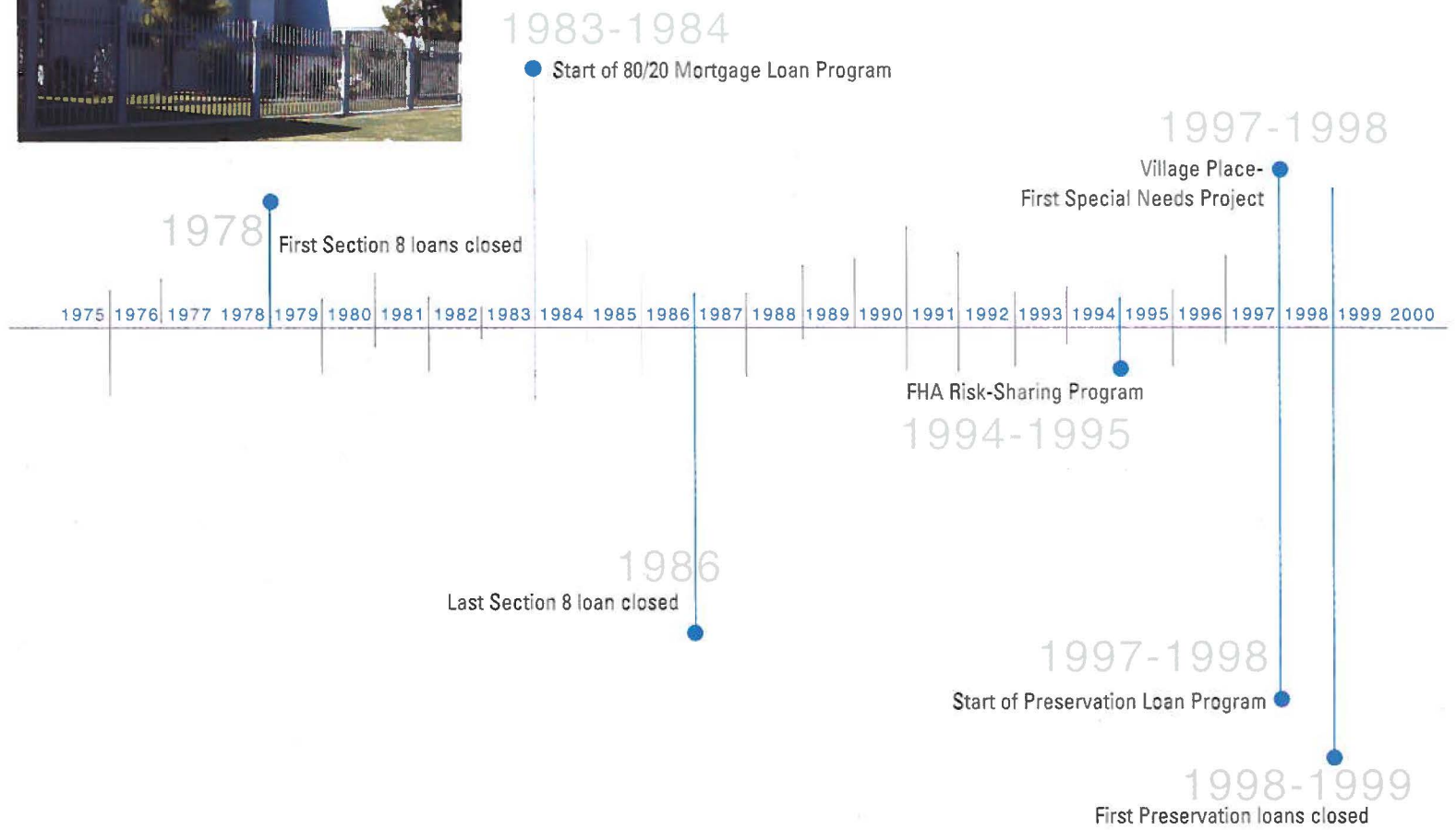
In 1998, the Agency initiated the 100% Loan Program using a 3% silent second loan for down payment assistance. The Program has assisted low-income homebuyers and has been important in meeting our high cost area lending goals.



Father and his three children at their Floral Gardens home, built using the Self-Help Builder Assistance Program



*Yosemite Manor,
oldest multifamily development in CHFA's loan portfolio*



Villa Savannah Apartments, a family development located in San Jose





rental housing programs

multifamily partners

Fiscal Year 1999-2000 proved to be the most successful production year in the history of Multifamily Programs with the funding of 28 loans totalling over \$138 million.

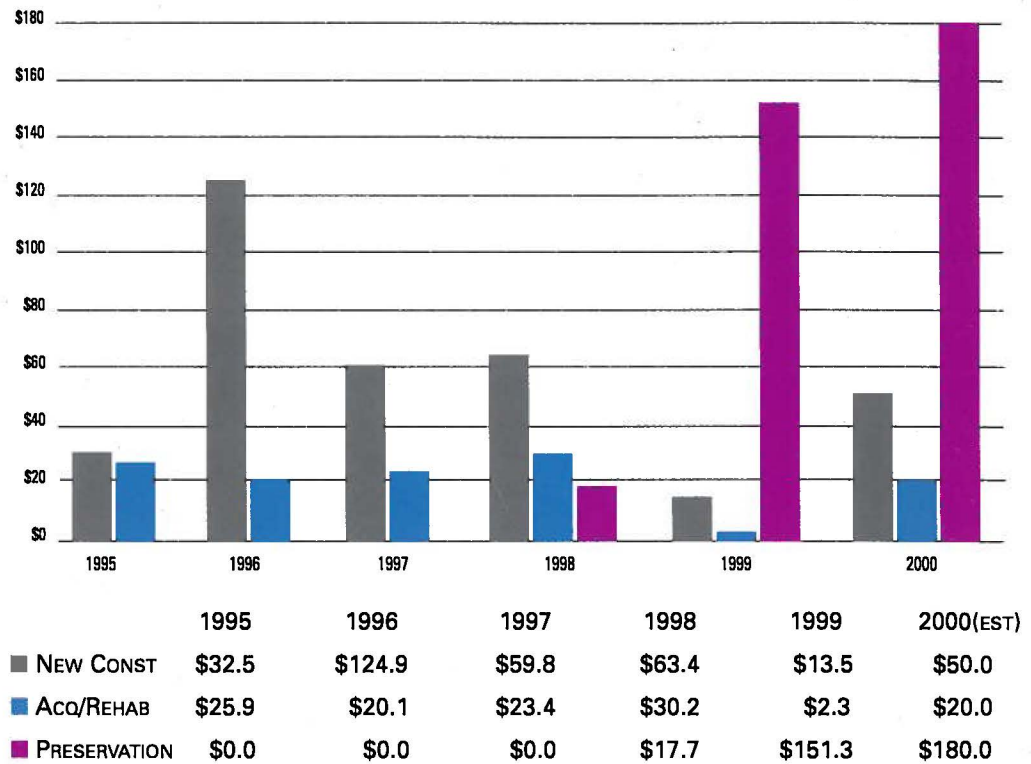
This was a year of "firsts" for the Agency with the following accomplishments:

- Provided financing for the most units ever in one year -- 2,305 units --- 1,217 newly constructed units, 416 rehabilitated units, 591 preserved units, and 81 special needs rental units.
- Provided loan commitments of over \$167,120,160 to fund 19 projects -- the most funds ever committed in a single year.
- Closed a \$30,000,000 loan for the new 306-unit Montevista Apartments family development in Milpitas.
- Committed funding for the largest single project in its history, both in terms of size and loan amount -- over \$73.6 million -- for the preservation of the 700-unit El Rancho Verde family complex in San Jose.
(This loan closed in July 2000.)

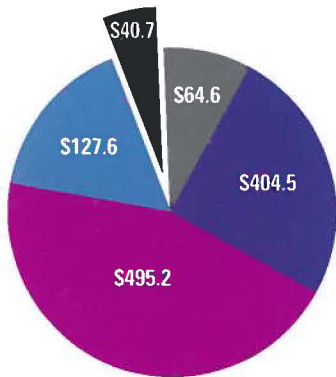


MULTIFAMILY PROJECT TYPES
FISCAL YEARS 1995 TO 2000 (\$ IN MILLIONS)

Stonegate Apartments, 120 units located in Santa Clara County



CHFA MULTIFAMILY
25 YEARS OF PRODUCTION
\$ IN MILLIONS



- Section 8
- New Construction
- Rehab/Special Needs
- Preservation
- Construction Loans

25-YEAR RETROSPECTIVE

Over the past 25 years the Agency has provided over a billion dollars in loans to assist in the production of over 25,000 multifamily rental units in California. During this time, Multifamily lending programs have transitioned full circle with the development of Section 8

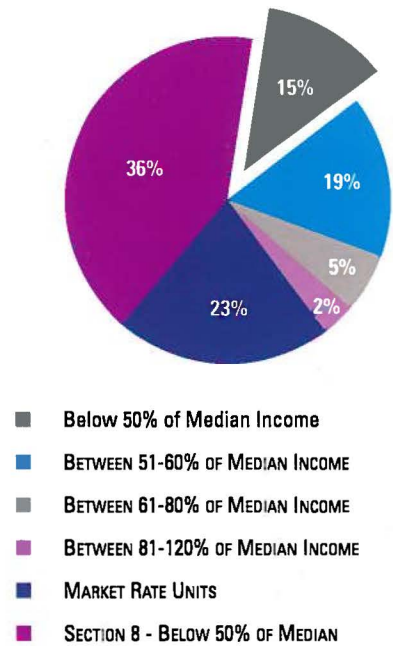
subsidized projects in the late 1970's, to new construction and rehabilitation in the 1980-1990's, and most recently the acquisition and preservation of Section 8 projects with expiring subsidies.

asset management

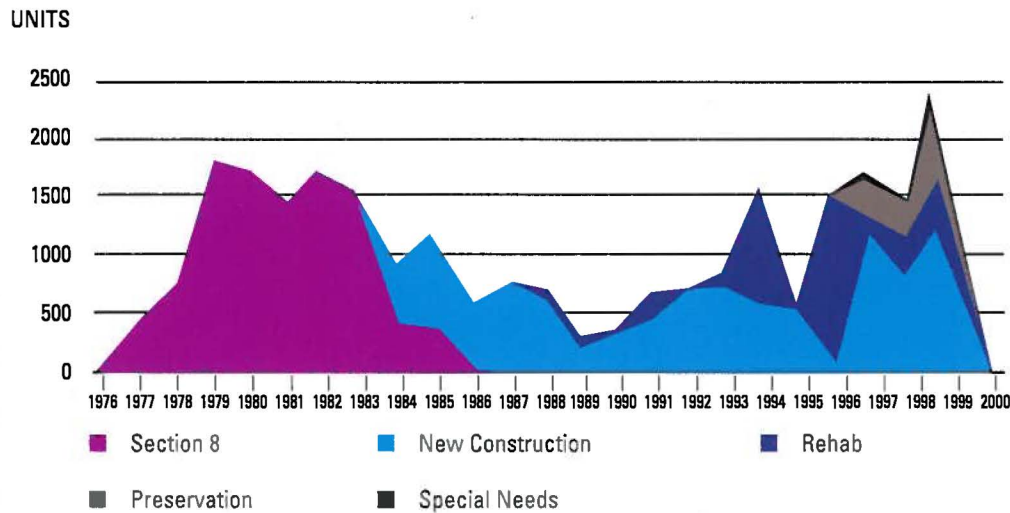
Many changes have occurred over the past 25 years, but one thing that has not changed is the Agency's mission to monitor our portfolio to ensure that each project is fiscally sound, physically safe, decent and sanitary, and available to California's low-to moderate-income tenants. The Agency's Asset Management Division accomplishes this mission by:

- Reviewing monthly and annual financial information.
- Performing annual physical inspections, including visiting each of the regulated units.
- Performing annual eligibility compliance audits for residents occupying Section 8 units and non-Section 8 low-income units, and overseeing the administration of HAP contracts on behalf of HUD.

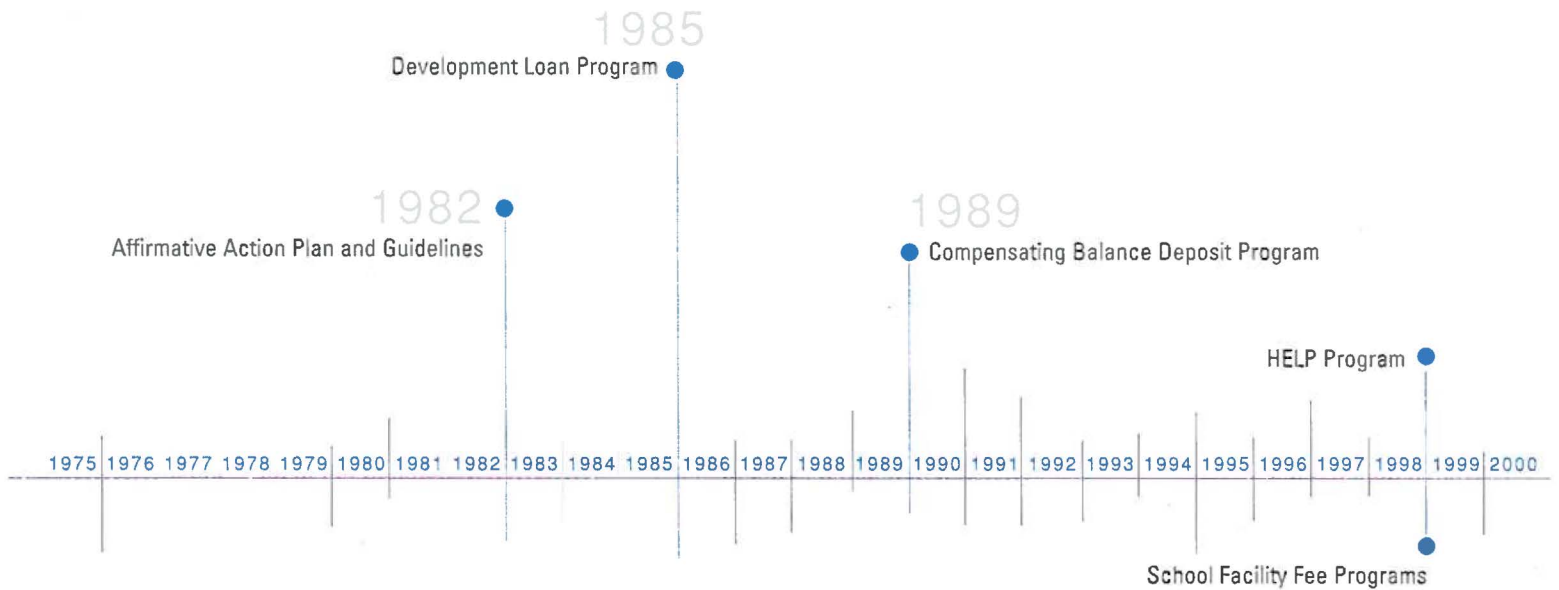
INCOME RESTRICTIONS OF UNITS IN CHFA FINANCED PROJECTS



UNITS BY PRODUCT TYPE



During this fiscal year, CHFA committed an additional \$20 million of HELP Program funds and executed loan agreements with 21 local government entities in Fiscal Year 1999-2000. Individual commitments ranged from \$300,000 to \$2 million. A total of 40 HELP commitments have been provided to local government entities during the two years since the Program was initiated.



Anita Bogan, 99 years old, in her recently built apartment, Desert Jade Villas, Phase II. Anita was a major force in the development of this senior housing complex in California City.





special housing programs

HELP, Small Business Development, Contract Administered Program --
School Facility Fee Programs

housing enabled by local partnerships (HELP Program)

The accolades have been pouring in for the HELP Program and CHFA is pleased with the reception it has received. A relatively recent addition to CHFA's affordable housing arsenal, this program utilizes a loan-to-lender approach to provide low-cost, minimally restrictive loans to local government agencies. The HELP Program challenges local agencies to identify their unmet housing needs and design housing programs that target their particular priorities. This approach allows the local agency to better match local housing policy and accountability with project performance. Increasingly, HELP is being used to facilitate affordable housing within more targeted comprehensive local programs for neighborhood revitalization and economic development.



HELP PROGRAM PARTICIPANTS

Cities:

Berkeley
Calxico
California City
Exeter
Livermore
Long Beach
Montebello
Oakland
Pacifica
San Buenaventura
Santa Ana

Counties:

Alameda

Community Development Commissions:

Pasadena
Santee

Housing Authorities:

Anaheim
County of Kern
County of Monterey
Oakland
San Luis Obispo

Redevelopment Agencies:

Baldwin Park
City and County of San Francisco
Colton
Fairfield
Fremont
Lindsay
Lompoc
Morgan Hill
Richmond
Sacramento
San Marcos
Santa Barbara
Tulare
West Sacramento

Examples of affordable local government housing programs that received HELP commitments this year include:

- The City of Pacifica received HELP funds to assist with the acquisition of a 100-unit senior apartment building, and thereby preserved the affordability of the rents that otherwise would have been increased to market rates.
- The City of Long Beach is utilizing their commitment for a revolving multifamily acquisition/rehabilitation loan program for specific revitalization areas targeted to households earning less than 80% of area median income.
- The Redevelopment Agency for the City of Colton will provide financing to facilitate the conversion of a specific mobile home park into a resident-owned community by offering loans to borrowers for lot acquisition, rehabilitation of existing homes, and down payment assistance.
- The Oakland Housing Authority will provide financing for the construction of single family units in conjunction with mortgage assistance for first-time homebuyers.
- The Housing Authority of the City of San Luis Obispo is offering financing for the acquisition and rehabilitation of group homes for homeless persons transitioning to self-sufficiency.



Housing Coordinator Eric Uranga and Mayor Cathie Brown, City of Livermore, with Robert and Holly Cisterman, with their daughter Jenna in front of their recently purchased home utilizing the City's Down Payment Assistance Program with HELP funding.



small business development

The Agency's Small Business Development Program (SBD) has two production tools: (1) the Development Loan, which provides funds to pay a portion of the usual and customary acquisition and/or development soft costs, and (2) the Compensating Balance Deposit, which addresses the difficulty of many small developers in obtaining construction financing.

This fiscal year, the Agency's Small Business Development programs experienced a renaissance of activity. With favorable market conditions, staff focused their efforts on identifying eligible projects and sponsors requiring the assistance.

CHFA developed five productive partnerships with small developers to provide much needed affordable single family housing in the counties of Fresno, Kern, Los Angeles and Sacramento. Nine transactions were committed this year-- five development loans and four compensating balance deposits. Together, the loans and deposits total \$1,422,364 and represent 108 units of affordable single family housing. The Agency expects to provide low interest, long-term mortgages for four of the five projects in the next fiscal year.

Equally significant is the pipeline of projects and sponsors identified throughout the year. Fourteen small developers, an all time high for SBD, are in various stages of processing projects representing an additional 430 affordable single family and multifamily units.



Developer Michelle Kozy at one of the newly constructed homes in the City of Wasco, Kern County



The Villaggio, Carson, Los Angeles County

25-YEAR RETROSPECTIVE

In looking back to 1982 when CHFA expanded its commitment to provide equal opportunity and small business outreach, it is clear that there were a number of events that helped shape the Program as it exists today. In 1982, the SBD multifamily affirmative action plan and guidelines were first developed and the pilot \$50,000 Predevelopment Multifamily Loan program began in 1983.

To continue its mission of providing equal opportunities to all qualified affordable housing developers, SBD increased the Predevelopment Loan product to \$75,000 in 1985 and expanded

the program to include all Agency programs. The program was further expanded in 1989 through the creation of the Compensating Balance Deposit Program for single family affordable housing developers.

Currently, the Predevelopment Loan is also offered to nonprofit multifamily developers, and the development loan has been increased to \$300,000.

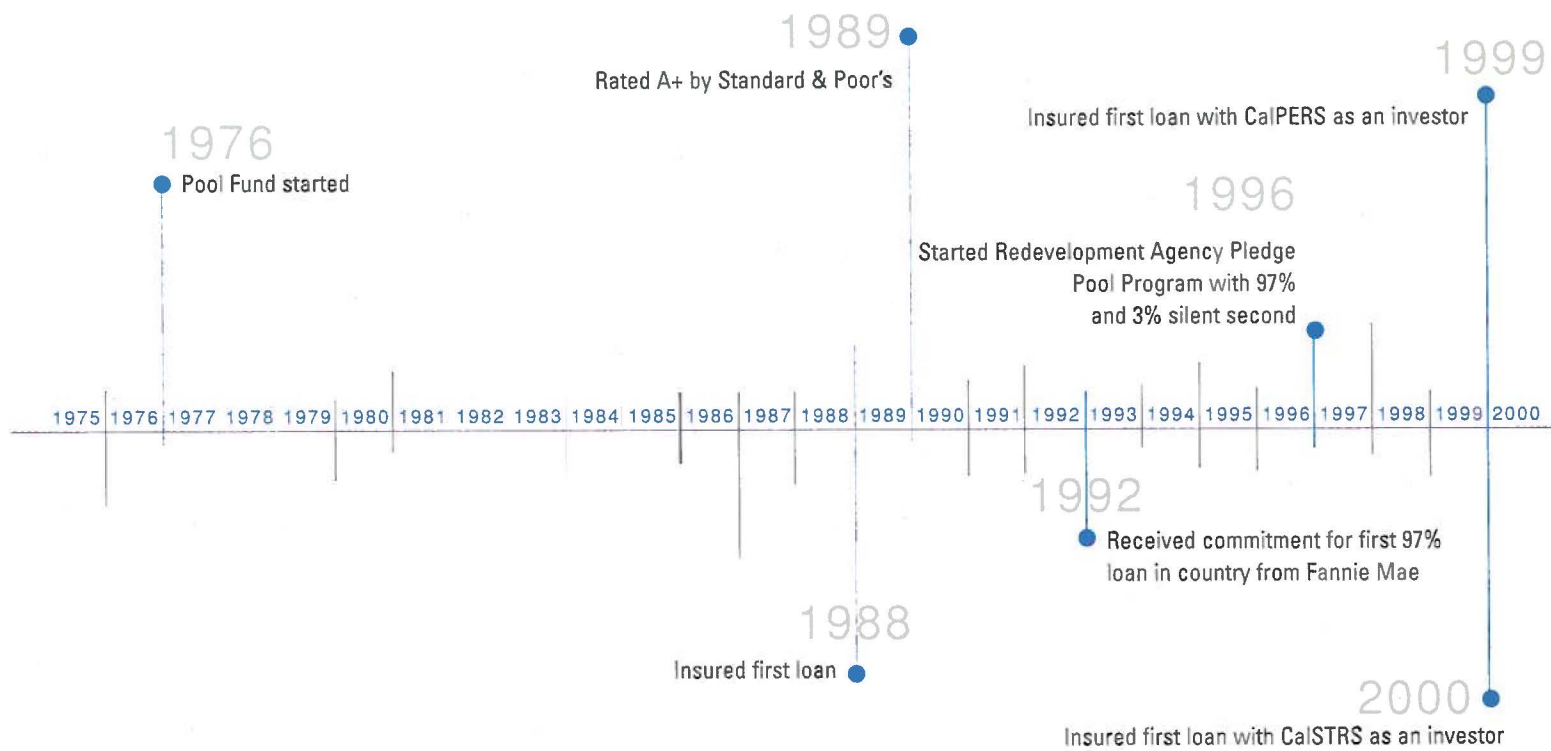
As a result of these and other initiatives, CHFA's Small Business Development Program has been involved in the development of 289 single family and multifamily housing projects; 3,204 units under construction or occupied, and participated in more than \$540,000,000 of Agency financed projects statewide.

contract administered program-- school facility fee programs

In November 1998, the California voters approved Proposition 1A, an omnibus school facility fee reform measure, which authorized \$108 million for three home loan down payment assistance programs and \$52 million for reimbursements for newly constructed rental housing. CHFA was designated to administer the programs which are funded from State General Funds resulting in no loss of revenue to the local school districts. The first full year of these programs has resulted in \$1,335,481 in down payment assistance to buyers of new homes and \$4.7 million in school fee reimbursements to rental housing developers. As the year concluded, statutory changes are being made to improve the down payment assistance programs and new marketing efforts are underway for both programs.



Contract Administered Programs
are something relatively new to
CHFA and are a testimony to the
faith and confidence that
the Governor, State Legislature
and others have in CHFA's ability
to effectively deliver new
homebuyer and rental housing
assistance. The first of these
new products are the School
Facility Fee Programs (and as
we go to press with this report,
the \$50 million California Housing
Downpayment Assistance
Program is about to be launched).





california housing loan insurance fund

mortgage insurance arm of chfa

The California Housing Loan Insurance Fund (CaHLIF) is the single family mortgage insurance arm of the California Housing Finance Agency. Its insurance is an important tool in helping low- and moderate-income borrowers own their first home.

Conventional mortgage loans are insured by CaHLIF and originated by California lenders and purchased by Fannie Mae, Freddie Mac, CalSTRS or CalPERS while meeting the lending restrictions of each investor. In addition, a smaller share of CaHLIF's insurance production are loans purchased by CHFA, which uses tax-exempt financing.



m o r t g a g e i n s u r a n c e a r m o f c h f a

The past twelve months have shown an increase in CaHLIF's mortgage insurance production for conventionally underwritten loans resulting in 1,225 loans insured totalling \$192 million for Fannie Mae and Freddie Mac, and 123 loans insured totalling \$19 million for CalSTRS.

This fiscal year saw a great deal of new CaHLIF activity from the addition of two new loan outlets. They were CalPERS and CalSTRS which used CaHLIF-insured programs offering 100% financing for their members. These programs also incorporated positive new underwriting standards, differing from Fannie Mae and Freddie Mac's standard products which normally rely heavily on credit scores. This is in contrast to CaHLIF which, alternatively, relies on more concentrated follow-through with borrowers who may miss payments.

Rising home prices in California permitted CaHLIF to build on its strength in underwriting mortgage loans by achieving a "non-loss" claims period for the first six months of 2000. This record helps demonstrate that low-equity, lower credit borrowers in urban areas can result in good lending and good loans for the borrower, the lender, the investor, as well as the insurer.

This increase represents a planned shift in CaHLIF's production in an effort to create more affordable homeownership opportunities for first-time homebuyers by creating partnerships with conventional lenders and outlets. In addition, it continues to be CHFA's primary private mortgage insurer, producing 357 loans totalling \$45 million.

Nearly all the loans had no borrower down payments, with most of the loans at 97% of the sales price and a 3% deferred-payment silent second loan furnished by CaHLIF.



Bradley, a manager, and Jessica Hanson, an elementary school teacher, are an example of a young couple starting out in their careers.

"We wanted to find a home in the San Bernardino area where we worked. We heard of this new program offered specifically to California State teachers through a teacher bulletin mailing. This program (the CalSTRS/CaHLIF zero-down home loan) allowed us to do just that.

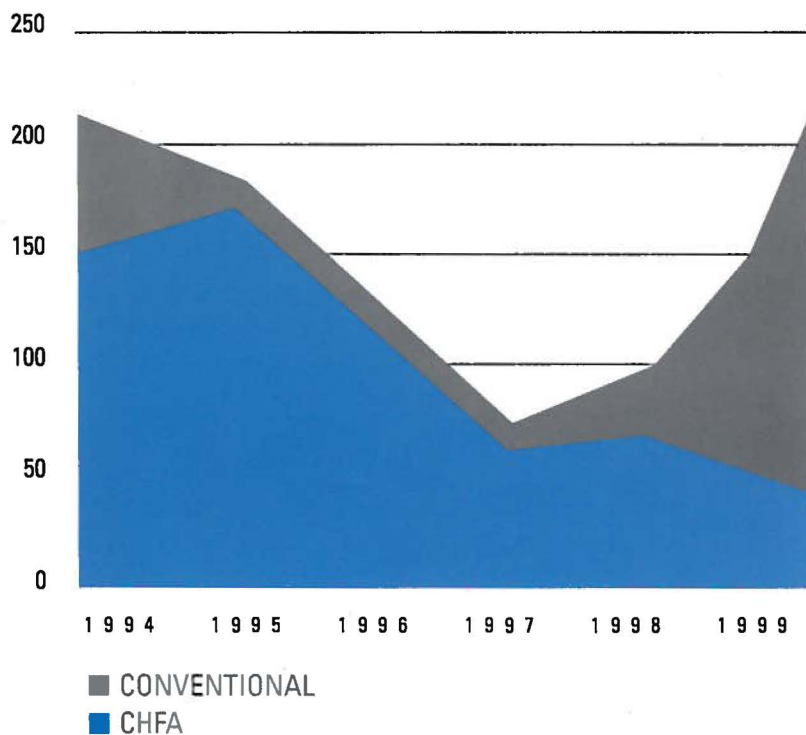
We are very excited," states Bradley.

25-YEAR RETROSPECTIVE

CaHLIF's predecessor fund was created at the same time as the Agency. However, for the first half of the Agency's life, the fund acted as an unrated reserve to cover mortgage losses. Then in February 1989, CaHLIF received an A+ rating from Standard & Poor's and in June of that year it provided its first primary mortgage insurance for a CHFA loan.

Shortly thereafter, in August 1992, CaHLIF reached another milestone by receiving a Fannie Mae commitment for the first 97% loan in the country. This was followed in 1996 by the creation of local agency partnerships through CaHLIF's Redevelopment Agency Pledge Pool. The pool backed "no down payment" loans which used a 97% first mortgage and a 3% deferred second mortgage.

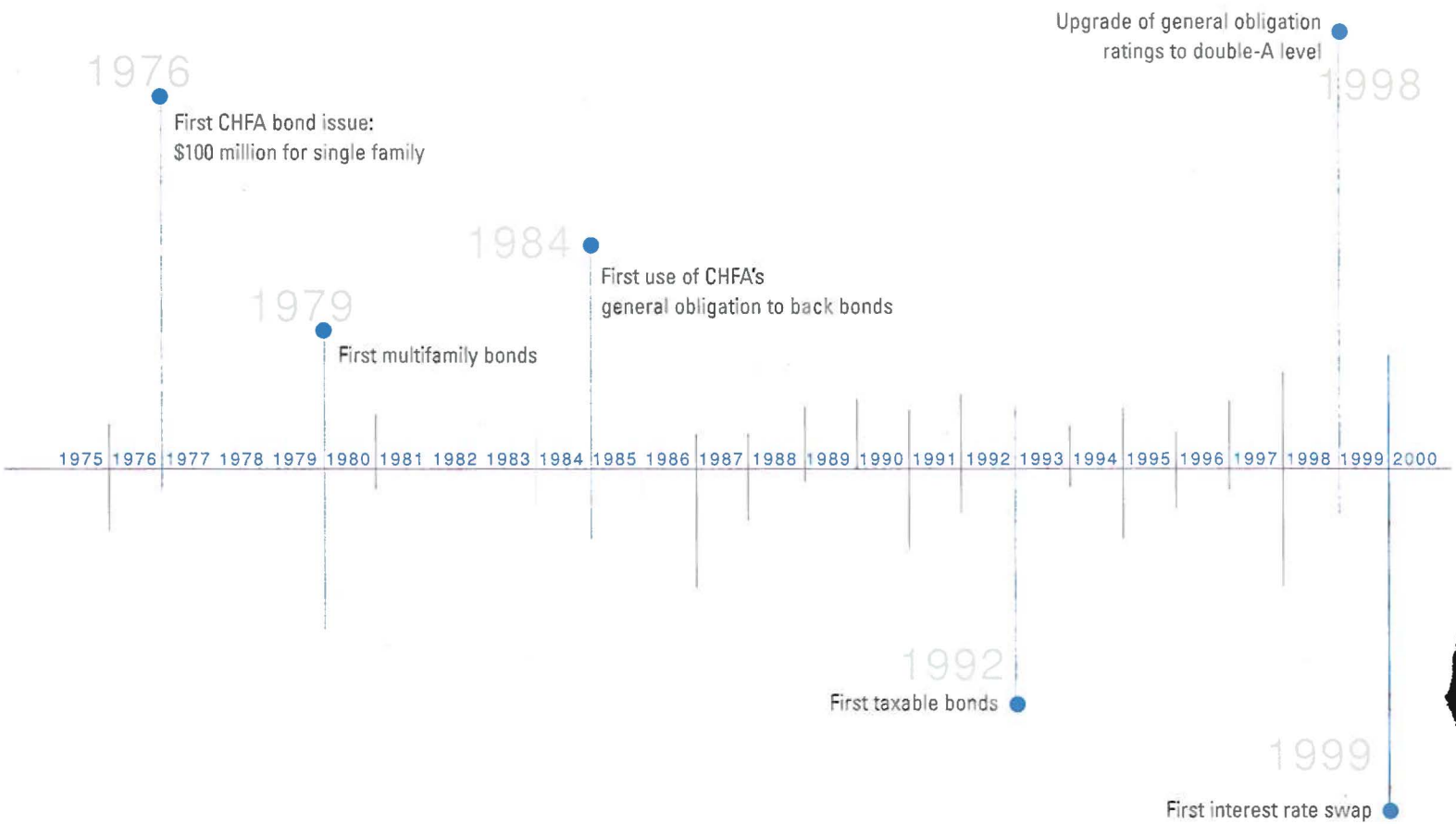
NEW MORTGAGE INSURANCE (\$ IN MILLIONS)



By the end of the 1999-2000 fiscal year, CaHLIF had insured a total of over 14,000 loans with a value of \$1.5 billion. These past successes represent CaHLIF's innovative commitment to provide Californians with affordable housing opportunities now and for the next 25 years.



Johnny and Vanessa Woods had wanted to buy a home almost as long as they have been married. "We could not come up with the down payment," says Johnny. "One of the loan officers talked to us about the Redevelopment Agency (RDA) 97&3 home loan program (using CaHLIF assistance) and we found out we could afford the down payment. We have been in our home for only two weeks now. This was 10 years coming. Thanks."





financing and fiscal services

fiscal arm of chfa

During the fiscal year, CHFA issued \$1.57 billion of notes and bonds, the largest amount for any fiscal year to date. Of this amount, \$152.6 million consisted of economic refunding bonds, \$330 million was issued in the form of notes, and \$1.09 billion was issued to provide proceeds for newly originated loans. A total of \$762 million, almost half the entire amount, was issued in variable rate form and of that amount, \$609 million was swapped to fixed rates.

While our debt was growing, CHFA assets grew as well. Asset growth for the fiscal year was \$777 million, an increase from \$7.0 to \$7.8 billion, a CHFA record for annual growth. In addition, during the fiscal year CHFA collected a record \$384 million of loan revenue from borrowers and paid out a record \$360 million of interest to bondholders.

In order to meet the \$1 billion loan origination goal for the Single Family Program, \$535 million of taxable bonds was issued jointly with tax-exempt bonds. As a result of this aggressive program of taxable issuance and recycling of prior tax-exempt authority, CHFA set a new fiscal year record for leveraging private activity bond allocation with a leveraging ratio of 4.4 to 1. In other words, for every \$1 million of new private activity bond allocation received, CHFA created \$4.4 million of funds for the origination of loans.



fiscal arm of chfa

CHFA'S LARGEST INVESTOR

Over the years, CHFA's most reliable and largest bond investor has been Franklin Templeton

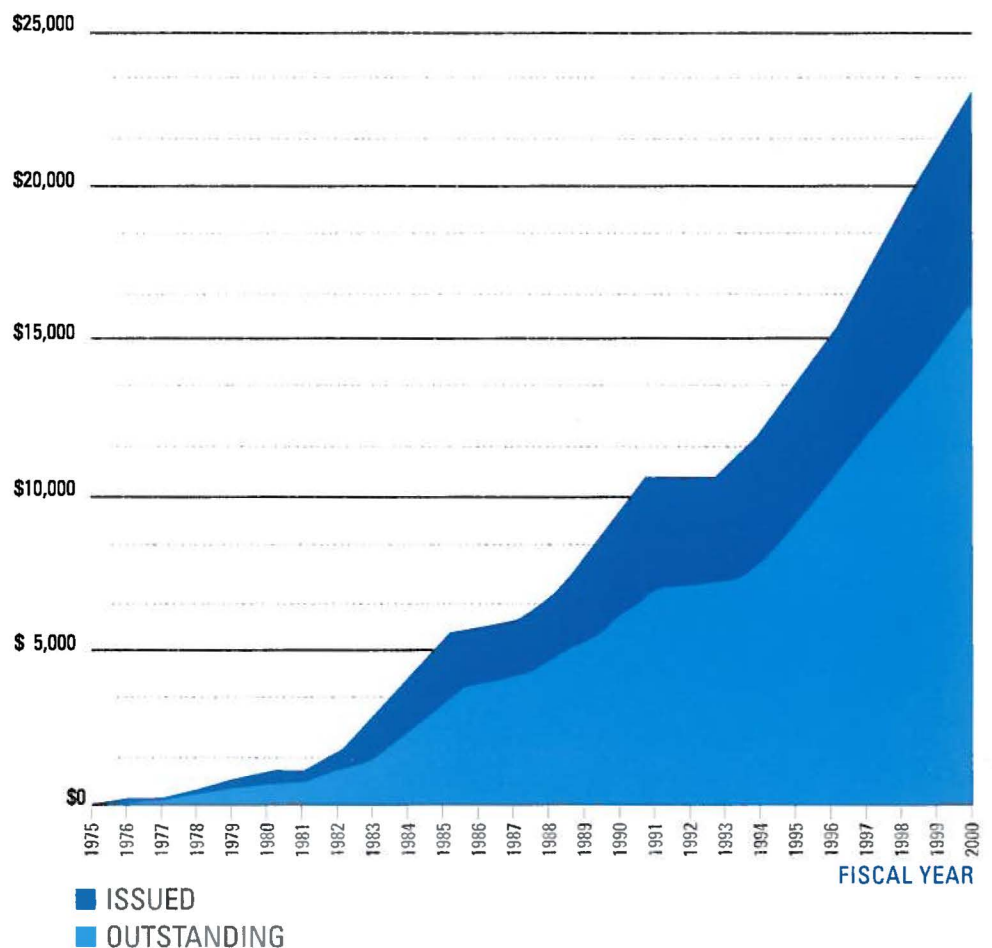
Investments of San Mateo, California. Franklin manages the nation's largest family of tax-free

municipal bond mutual funds, including \$16 billion of bonds of California issuers. Over our 25-year

history, Franklin Advisers has purchased an estimated \$1 billion of CHFA bonds, and holds

approximately \$440 million, 6.5% of all CHFA bonds outstanding today.

CHFA BONDS ISSUED AND OUTSTANDING
(\$ IN MILLIONS)



"I've always thought that CHFA bonds were a good investment for our bond portfolio"

**Bernard "Bernie" Schroer, Portfolio Manager,
Franklin Templeton Investments**

One Market
Steuart Tower, 15th Floor
San Francisco, CA 94105-1000
Tel 415 371 5004
Fax 415 371 5090

Steven G. Zimmermann
Managing Director
Public Finance Ratings

Standard & Poor's

A Division of The McGraw-Hill Companies



October 3, 2000

Ms. Theresa 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.

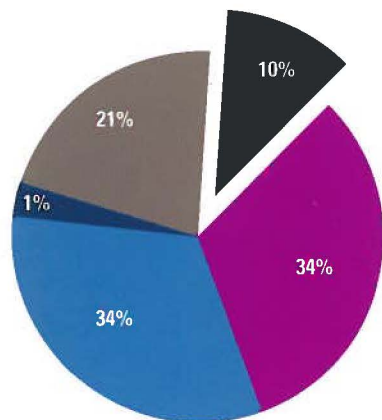
Standard & Poor's "Top-Tier" guidelines include: years issuing bonds; unrestricted fund balances; administrative capabilities; investment policy; internal controls/financial management; portfolio quality; and state support. The guidelines are more fully detailed in the attached description in Standard & Poor's 2000 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

CHFA TAX-EXEMPT AND TAXABLE BONDS (\$ IN MILLIONS)



- Tax Exempt Refunding Bonds / \$153
- Tax-Exempt Bonds for New loans / \$545
- Taxable Bonds for New Loans / \$535
- Taxable Notes / \$11
- Tax-Exempt Notes / \$330

The wholesale use of variable rate bonds, including the \$609 million of variable rate bonds swapped to fixed rates, greatly reduced CHFA's cost of funds. This reduced cost of funds enabled the Agency to increase the proportion of taxable debt that could feasibly be issued in connection with tax-exempt bonds without greatly increasing the cost of funds.

25-YEAR RETROSPECTIVE

As we look back over CHFA's 25-year history, the main theme from a financing perspective is a steady progression toward greater financial independence and flexibility. Today we are recognized by Wall Street as a credible financial institution, with its own hard-earned capital and double-A credit ratings. This recognition makes it possible for CHFA to access the kinds of sophisticated financial resources that can minimize interest costs. As a result, CHFA is ready for the growth and innovation that will be necessary to implement the latest Five-Year Business Plan, with its \$8.8 billion production goal.

CHFA STAFF

Theresa A. Parker, Executive Director Richard A. LaVergne, Chief Deputy Director
 Margaret Alvarez, Chief of Asset Management Kenneth R. Carlson, Director of Financing
 Bill Cranham, Director of Marketing David Beaver, General Counsel
 Bruce Gilbertson, Comptroller Dominick Maio, Chief Information Officer
 Diane Richardson, Director of State Legislation Jacklynn Riley, Director of Administration
 G. Richard Schermerhorn, Director of Programs John Schienle, Director of CaHLIF
 Linn Warren, Multifamily Program Chief Kenneth Williams, Single Family Program Chief

Carole Adams Donna Allison Marilyn Alvarado Diane Alvarez Bryce Andrews
 Deborah Arbry Carol Armour Michele Arnoux Paul Asturi Raul Baca Smyra Bailey
 Robert Bastien Shonte Billingsley Leo Black Michelle Blaettler Lorrie Blevins
 Josephine Bray Marilyn Brazell Jane Broadway Cora Brooks Georgia Brossard
 Jenne Brown Peter Buck Donna Cain Marisa Caldwell Gregory Carter Ronald Carter
 Sandra Casey-Herold Jeannie Chan Denise Clark Susan Cortvriendt Diana Covington
 Judy Crawford Robert Daniels Christine Davis Jon Demaree Deborah DeMello
 Richard Dewey Molly Ellis Pamela Ellis Ed Espinoza Rene Eubanks Lesli Faulk
 Sheila Felder Ezzard Fleming James Foley Byron Fong Judy Fong Christina Franco
 Evelia Franco Thomas Freeburger Oksana Glushchenko Amy Golonka Mary Gonzales
 Winfield Gredvig Sandra Guzman Loralyn Hamahashi Diane Hamel Darrell Hamilton
 Mary Harper Thomas Harrison Josie Hernandez Adelita Hensley Phyliss Hight
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 Frank Lee Ming Lee Phillip Lee William Lee Joseph Lenihan Modesta Leong
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 Arlene Matsuura Horace Maxwell Dennis Meidinger Hazel Miranda Deyanira Molina
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 Kelly Sacco Christine St. Clair Celeste Shelton Gerald Smart Douglas Smoot
 Stanley Sowers Delmer Slaughter Stephanie Stafford Lynda Stovall Jean Stribling
 Jay Sturges Cynthia Taber Brenda Taylor Dai Thai Julie Thornton Karen Tom
 Abebe Tsadik John Tumminelli Janeen Vick Pamela Vinson Therese Volk
 Gary Watkins Kathleen Weremtuk Laura Whittall-Scherfee Annette Windham
 Kevin Wong Reginald Wong Pauline Yu Robert Zeller