



**CRHMFA Homebuyers Fund
Board of Directors Meeting
March 20, 2013
11:45 a.m.
1215 K Street Suite 1650
Sacramento, CA 95814**

AGENDA

1. **Call to Order & Determination of Quorum**
*Chair, Supervisor Richard Forster, Amador County
Vice Chair, Supervisor Kim Dolbow Vann, Colusa County*
2. **Approval of Minutes – December 5, 2012 Board Meeting** **Page 1**
*Board Members absent from the meeting will be recorded as abstained unless
the Board Member indicates otherwise*
3. **Member County Concerns**
4. **Public Testimony**
Presentation only of any matters of concern to the general public
5. **Resolution 13-01 / Approval of Associate Members** **Page 5**
Greg Norton, Executive Director
6. **Appointment of 2013 Chair and Vice Chair and Appointment of
Authority Officers – Action** **Page 11**
Greg Norton
7. **Investment Policy Renewal 2013** **Page 13**
*Greg Norton
Patricia Megason, Deputy Director
Karl Dolk, Chief Financial Officer*
8. **Second Mortgage Program Resources – ACTION** **Page 21**
*Greg Norton
Craig Ferguson, Vice President*
9. **2013 CHF/NHF Management Agreement and Budget
Amendment** **Page 23**
*Greg Norton
Craig Ferguson*
10. **Energy Program Update**
Greg Norton

Craig Ferguson

11. Housing Programs Update

*Greg Norton
Craig Ferguson*

12. Adjournment

Meeting facilities are accessible to persons with disabilities. By request, alternative agenda document formats are available to persons with disabilities. To arrange an alternative agenda document format or to arrange aid or services to modify or accommodate persons with a disability to participate in a public meeting, please call Sarah Bolnik at (916) 447-4806 at least 48 hours before the meeting.

Agenda items will be taken as close as possible to the schedule indicated. Any member of the general public may comment on agenda items at the time of discussion. In order to facilitate public comment, please let staff know if you would like to speak on a specific agenda item.



**CRHMFA Homebuyers Fund
Board of Directors Meeting
December 5, 2012
11:45 a.m.
1215 K Street, Suite 1650
Sacramento CA 95814
916-447-4806**

MINUTES

Call to Order & Determination of Quorum

Supervisor Richard Forster, Amador County, called the meeting to order at 11:48 a.m. A quorum was determined at that time. Those present:

<u>Supervisor</u>	<u>County</u>
Richard Forster	Amador
Tom Tryon	Calaveras
Kim Dolbow Vann	Colusa
David Finigan	Del Norte
Ray Nutting	El Dorado
John Viegas	Glenn
Gary Wyatt	Imperial
Linda Arcularius	Inyo
David Rogers	Madera
Kevin Cann	Mariposa
John Pedrozo	Merced
Geri Byrne	Modoc
Duane "Hap" Hazard	Mono
Nate Beason	Nevada
Jim Holmes	Placer
Robert Meacher	Plumas
Les Baugh	Shasta
Lee Adams	Sierra
Michael Kobseff	Siskiyou
Larry Munger	Sutter
Bob Williams	Tehama
Wendy Otto	Trinity
Allen Ishida	Tulare
Richard Pland	Tuolumne
Roger Abe	Yuba

Absent

Tom Sweeney	Alpine
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Kim Yamaguchi	Butte
Anthony Farrington	Lake
Brian Dahle	Lassen
Diane Dillon	Napa
Anthony Botelho	San Benito
Jim Provenza	Yolo

Others in Attendance

Supervisor Duane Chamberlain, Yolo County
Supervisor-Elect John Fenley, Trinity County
Supervisor Evan Royce, Tuolumne County
Ed Horton, Placer County Water Agency
Wanda Ishida

Staff in Attendance

Greg Norton, Executive Director
Patricia Megason, Deputy Director
Karl Dolk, Chief Financial Officer
Mark Lowder, NHF Director of Housing Finance
Craig Ferguson, RCRC Vice President
Sarah Bolnik, RCRC Executive Assistant

Approval of Minutes – August 15, 2012 Board Meeting

Board Members absent from the meeting will be recorded as abstained unless the Board Member indicates otherwise

Supervisor Kim Dolbow Vann, Colusa County, motioned to approve the minutes of the August 15, 2012 CHF Board of Directors Meeting. Supervisor John Viegas, Glenn County, seconded the motion. Motion unanimously passed.

ABSTAINING: Supervisor John Pedrozo, Merced County; Supervisor Bob Williams, Tehama County.

Member County Concerns

None

Public Testimony

None

CHF 2013 Proposed Budget

Greg Norton, Executive Director, reviewed the 2013 CHF proposed Budget.

Staff recommends that the CHF Board of Directors approve the following staff recommendations:

- 1. Approve the attached proposed 2013 CHF Operating Budget.**

2. **Grant the CHF Executive Director the authority to make necessary business decisions and utilize up to \$500,000 per decision outside of the approved operating budget when necessary. Such decisions will be made with notification to the CHF Board Chair and Vice Chair and reported back to the CHF Board at the next available Board meeting.**
3. **Grant the CHF Executive Director the authority to proceed with necessary operating decisions due to changes in opportunities, the market, the economy or changing transactional requirements to provide necessary flexibility to effectively and timely implement programs. Such decisions to be made in consultation with the Vice President, CHF Chair and CHF Vice Chair with subsequent ratification by the Board of Directors as necessary.**
4. **Approve the contract service fee to RCRC in the amount of \$2,115,300.**

Supervisor Michael Kobseff, Siskiyou County, motioned to approve the staff recommendations as presented. Supervisor John Viegas, Glenn County, seconded the motion. Motion unanimously passed.

Energy Program Update

Greg Norton updated the CHF Board of Directors on the status of the CHF Energy Retrofit Program. Mr. Norton reviewed the progression of the program since it began in 2010. The program has assisted more than 1,050 families or individuals and is responsible for the creation and/or retention of 300+ jobs. With the next phase of the program beginning, staff's goal is to become a long-term statewide provider of residential energy efficient loans.

Housing Program Update

Craig Ferguson, Vice President, updated the CHF Board of Directors on all of the different housing programs

Adjournment

Supervisor Richard Forster, Amador County, adjourned the meeting of the CHF Board of Directors at 11:58 a.m.



To: CHF Board of Directors
From: Greg Norton
Executive Director
Date: March 12, 2013
Re: Resolution 13-01: Approval of Associate Members

Summary

As required per the CRHMFA Homebuyers Fund (CHF) JPA Agreement, Resolution 13-01 is to approve the acceptance of current associate members.

This resolution ratifies all current CHF associate members and restates the process by which new CHF associate members are accepted by the Authority. CHF staff is bringing this resolution to the CHF Board of Directors as part of the annual process regarding associate members of CHF.

The CHF Joint Exercise of Powers Agreement (dated as of January 28, 2004) allows associate members to be added to CHF "pursuant to action by the Board upon such terms and conditions, and with such rights, privileges and responsibilities, as may be established from time to time by the Board." Resolution 13-01 allows the CHF Board and staff to fulfill all board responsibilities of governance required in the Joint Exercise of Powers Agreement by documenting the process by which the Authority accepts associate members.

This resolution also authorizes the Executive Director to approve or deny associate members to join CHF under additional specific terms and conditions so long as these terms and conditions are not inconsistent with the terms and conditions of the documents that allow them to join CHF.

The current list of CHF members and associate members (attached) is provided for the Board's ratification. Currently CHF membership includes thirty-one regular member counties, twenty-two associate member counties and two associate member cities. During 2012, the following CHF membership change occurred:

- San Francisco County became an Associate Member of CHF.

CHF staff will provide updates at future CHF Board of Directors meetings on the status of membership and associate membership as appropriate.

Staff Recommendations

Staff recommends the CHF Board:

1. Approve Resolution 13-01; and
2. Ratify the current list of member counties and associate members per the attached list.

Attachments

- CHF Resolution 13-01
- CHF Member and Associate Member List

RESOLUTION NO. 13-01

A. RESOLUTION OF THE BOARD OF DIRECTORS OF CRHMFA HOMEBUYERS FUND REGARDING THE ACCEPTANCE OF ASSOCIATE MEMBERS AND APPROVING OTHER RELATED ACTIONS IN CONNECTION THEREWITH

WHEREAS, counties, cities and other specified entities are permitted to join, for the express purpose of the joint exercise of the powers of said counties, cities and entities, agencies created by a joint powers agreement entered into by pursuant to Article 1 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California; and

WHEREAS, Chapters 1-5 of Part 5 of Division 31 of the Health and Safety Code of the State of California (the "Act") authorize joint powers agencies established by cities and counties to incur indebtedness for the purpose of financing home mortgages authorized by the Act, and the Act provides a complete additional and alternative method for doing the things authorized thereby; and

WHEREAS, numerous rural counties in the State of California have agreed, and additional counties, cities and joint powers agencies may agree, pursuant to the provisions of the Government Code referenced above, to cooperate and participate in a home financing program and have entered into a Joint Exercise of Power Agreement, dated as of January 28, 2004, as amended (the "Agreement"), creating the CRHMFA Homebuyers Fund (the "Authority") and authorizing the Authority to exercise its powers pursuant to the Act for the purpose of financing home mortgages, as well as participate in other authorized programs; and

WHEREAS, the Agreement provides that Associate Members may be added to the Authority upon the affirmative approval of their respective governing boards and pursuant to action by the Authority's Board upon such terms and conditions, and with such rights, privileges, and responsibilities, as may be established from time to time by the Board; and

WHEREAS, the Authority desires to ratify all current associate members and to clarify the terms by which new associate members may be added.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors the Authority:

Section 1. Recitals. All of the above recitals are true and correct, and the Authority so finds and determines.

Section 2. Acceptance and Ratification of Associate Members. The Authority hereby ratifies the appointment of all of its current associate members, as shown on Exhibit A, which is attached hereto and incorporated herein by this reference.

Section 3. New Associate Members. The Authority authorizes the Executive Director to approve or deny any entity that desires to become an associate member, provided that any condition agreed upon with respect to proposed new associate members is not inconsistent with any other term and condition specified in the Agreement. At the first available Authority Board Meeting and at least annually after an associate member's governing board has taken action to become an associate member, the Executive Director shall notify the Authority of the new associate member.

Section 4. Effective Date. This Resolution shall take effect immediately upon its adoption.

PASSED APPROVED AND ADOPTED by the Board of the CRHMFA Homebuyers Fund, the 20th day of March 2013.

CRHMFA HOMEBUYERS FUND

Designated Officer

I certify that the foregoing resolution is a true and accurate copy of Resolution 13-01 approved by the governing board of the CRHMFA Homebuyers Fund on March 20, 2013 in Sacramento, California.

Date: _____

Assistant Secretary



2013 CHF MEMBERS

Alpine County
Amador County
Butte County
Calaveras County
Colusa County
Del Norte County
El Dorado County
Glenn County
Imperial County
Inyo County
Lake County

Lassen County
Madera County
Mariposa County
Merced County
Modoc County
Mono County
Napa County
Nevada County
Placer County
Plumas County
San Benito County

Shasta County
Sierra County
Siskiyou County
Sutter County
Tehama County
Trinity County
Tuolumne County
Yolo County
Yuba County

2013 CHF ASSOCIATE MEMBERS

Alameda County
Contra Costa County
Fresno County
Humboldt County
Kern County
Kings County
Mendocino County
Monterey County

Riverside County
Sacramento County
San Bernardino County
San Diego County
San Francisco County
San Joaquin County
San Luis Obispo County
San Mateo County

Santa Cruz County
Solano County
Sonoma County
Stanislaus County
Tulare County
Ventura County

ASSOCIATE MEMBERS CITIES

Palmdale (Los Angeles County)

San Jose (Santa Clara County)



To: CHF Board of Directors
From: Greg Norton, Executive Director
Date: March 12, 2013
Re: Appointment of 2013 Chair and Vice Chair and Appointment of Authority Officers

Summary

Annually, the Officers of CRHMFA Homebuyers Fund (CHF) are to be elected. The JPA Agreement (Section 9. a.) states that the Board shall elect a Chair and Vice Chair from among the delegates. Traditionally, the RCRC Chair nominates or recommends the individuals to serve as the CHF Chair and Vice Chair. Following the nomination the Board then approves the nomination by electing those individuals to the Chair and Vice Chair positions.

The JPA Agreement (Section 9. b.) further states that the President/CEO of RCRC shall serve *ex officio* as the Executive Director, Secretary, Treasurer, and Auditor of the Authority. Further, the Executive Director may appoint such other officers as may be required for the orderly conduct of the Authority's business and affairs who shall serve at the pleasure of the Executive Director. As Executive Director, I appoint the following additional officers for 2013:

Deputy Director/Assistant Secretary
Vice President/Assistant Secretary
Controller/Assistant Secretary

Patricia Megason
T. Craig Ferguson
Karl W. Dolk

Staff Recommendations:

Staff recommends that the CHF Board:

1. Elect Supervisor Richard Forster, Amador County, the 2013 CHF Chair and Supervisor Kim Dolbow Vann, Colusa County, the Vice Chair per the nomination of the RCRC Chair; and
2. Confirm the appointment of the additional 2013 officers by the CHF Executive Director as noted above.



To: CRHMFA Homebuyers Fund Board of Directors
From: Greg Norton, Executive Director
Patricia Megason, Deputy Director
Karl Dolk, Chief Financial Officer
Date: March 12, 2013
Re: Investment Policy Renewal 2013 - **ACTION**

Summary

The Investment Policy was last revised and approved in April, 2012. The Investment Committee consisting of the CHF Executive Director, Deputy Director and Chief Financial Officer has reviewed and is submitting the policy for annual review as required.

Following a thorough review in late 2010, including review and input from the organizations' Investment Consultant, the Investment Committee does not have any suggested revisions for 2013 other than applicable dates. The attached Investment Policy was presented to the RCRC Executive Committee at their meeting of February 20, 2013. The Executive Committee approved the policy and directed staff to present the policy to the Board for adoption.

The Investment Committee is responsible for overseeing the investment activity of CHF and is to present the Investment Policy to the Board for annual review and approval.

Staff Recommendation

Staff recommends that the CHF Board of Directors review and adopt the attached 2013 Investment Policy.

Attachment

- 2013 CHF Investment Policy

CRHMFA HOMEBUYERS FUND

Subject: INVESTMENT POLICY	Class: ACCOUNTING	Number: A - 03
	<input type="checkbox"/> Complete Revision <input checked="" type="checkbox"/> Partial Revision <input type="checkbox"/> New	Supersedes: Policy dated 4/19/12 Approved:

INTRODUCTION

The investment policies and practices of CRHMFA Homebuyers Fund (CHF) are based upon state law and provide guidelines for the prudent investment of CHF's reserve funds as well as temporarily idle cash. The primary goals of these policies are:

1. To safeguard the principal funds.
2. To provide sufficient liquidity to meet normal operating expenditures and expenditures beyond the ordinary budgeted expenses.
3. To generate investment income commensurate with the parameters of prudent risk management and consistent with the above policies.

Investments shall be made with judgment and care – under circumstances then prevailing – in the same manner that prudent investors, using discretion and intelligence, would exercise in the management of their own affairs when doing so for investment and not for speculation, and considering the probable safety of their capital as well as the probable income to be derived. The Investment Committee will use the “prudent investor” standard in managing CHF's portfolio.

Investment Committee members acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and actions are taken to control adverse developments. Any deviations, once identified, should be documented and reviewed to determine whether replacing the security would be in the best interest of the organization.

OBJECTIVES

CHF's investment policy shall be managed in a manner that emphasizes the preservation of capital. The long-term goal is to seek competitive returns while minimizing exposure to credit and market risk. The investment portfolio shall remain sufficiently liquid to meet anticipated cash requirements. CHF's objective is to diversify its investment by investing funds among a variety of securities offering independent returns and financial institutions. This can be accomplished through diversity of instruments to include those with active secondary markets, maturities that match expected cash needs, and the Local Agency Investment Fund (LAIF) and CalTrust which includes diverse investment portfolios and immediate withdrawal provisions. The investment objective shall be to achieve a rate of return that is commensurate with safety and liquidity requirements of the organization. Management of the Investment portfolio will be directed by the objectives of Preservation of Capital – understanding that losses may occur on individual securities; Risk Aversion - understanding that risk is present in all types of investment; and Adherence to Investment Discipline, adhering to this policy.

The portfolio's target total return should meet or exceed all of the following over a full market cycle (at least 5 years):

- California's Local Agency Investment Fund (LAIF) rate for the same period.
- The 90 day Treasury Bill rate for the same period.

CRHMFA HOMEBUYERS FUND

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DELEGATION OF AUTHORITY

Authority to manage CHF's investment program is derived from California Government Code Sections 53601 and 53607 and by annual actions of CHF's Board of Directors (Board). The Board has delegated management responsibility for the investment program to the Investment Committee consisting of CHF's Executive Director, Deputy Director Chief Financial Officer (CFO). The Investment Committee shall be responsible for all investment transactions undertaken.

RESPONSIBILITY OF THE INVESTMENT CONSULTANT(S)

In the event the Investment Committee determines to utilize an Investment Consultant, the Investment Consultant's role will be that of a non-discretionary advisor to the Investment Committee. Investment advice concerning the investment management of assets will be offered by the Investment Consultant, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this statement.

LIQUIDITY

To minimize the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment, the Investment Committee will monitor expected net cash flow requirements.

To maintain the ability to deal with unplanned cash requirements that might arise, the Investment Committee will determine the portion of assets that shall be maintained in cash or cash equivalents, including money market funds or short-term U.S. Treasury bills.

MARKETABILITY OF ASSETS

The Investment Committee requires that all assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently, with minimal impact on market price.

AUTHORIZED AND SUITABLE INVESTMENTS

CHF is empowered to invest in LAIF, CalTRUST and, as provided in Government Code (GC) Section 53601 and 53601.1 to invest in the following types of securities:

- Debt issued by CHF or other public agencies
- Money market instruments within the limitations provided in GC Section 53601.1
- Debt and/or securities of affiliated companies when that debt or security meets the requirements of any of the securities listed in GC Section 53601.1

CRHMFA HOMEBUYERS FUND

Subject: INVESTMENT POLICY	Class: ACCOUNTING	Number: A - 03
	<input type="checkbox"/> Complete Revision <input checked="" type="checkbox"/> Partial Revision <input type="checkbox"/> New	Supercedes: Policy dated 4/19/12 Approved:

Allowable Assets

1. Cash Equivalents

- Treasury Bills
- Money Market Funds
- Banker's Acceptances
- Repurchase Agreements
- Certificates of Deposit

2. Fixed Income Securities

- U.S. Government and Agency Securities
- Corporate Notes and Bonds
- Mortgage Backed Bonds/Securities

3. Mutual Funds

- Mutual Funds which invest in securities as allowed in this statement.

ASSET ALLOCATION

Sections 53601 and 53601.1 of the California Government Code provide legal authorization for investment of funds of local agencies. All investments of CHF shall conform to the restrictions of those laws and shall be consistent with prudent and conservative investment standards.

1. The Investment Committee will determine the Aggregate Fund Asset Allocation (allocation) giving consideration to resources, operating needs and economic conditions. The Investment Committee will monitor the allocation and take steps to balance the allocation as appropriate.
2. Should an investment percentage-of-portfolio limitation be exceeded due to an incident such as fluctuation in portfolio size, the affected securities may be held to maturity to avoid losses. When no loss is indicated, the Investment Committee shall consider rebalancing the portfolio, basing the decision, in part, on the expected length of time the portfolio will be unbalanced.
3. In order to achieve a prudent level of portfolio diversification, the securities of any one company or government agency or particular industry should not be excessive as determined by the Investment Committee. The total allocation to treasury bonds and notes may represent up to 100% of the aggregate bond position

CRHMFA HOMEBUYERS FUND

Subject: INVESTMENT POLICY	Class: ACCOUNTING	Number: A – 03
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ETHICS AND CONFLICTS OF INTEREST

Members of the Investment Committee shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions. Investment Committee members shall disclose annually any material financial interests in financial institutions that conduct business with CHF and they shall further disclose any large personal financial/investment positions that could be related to the performance of CHF. The annual disclosure on California Fair Political Practices Commission Form 700 will suffice to meet this requirement.

AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The CFO will maintain a list of financial institutions authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness who are authorized to provide investment services in the State of California. These may include primary dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule). No public deposit shall be made except in a qualified public depository as established by State of California laws.

All financial institutions and broker/dealers who desire to be approved for providing investment services must provide the Investment Committee with the following:

- Audited financial statements
- Proof of National Association of Security Dealers certification
- Trading resolution
- Proof of State of California registration
- Certification of having read CHF's investment policy and depository contracts

An annual review of the financial condition and registrations of approved security broker/dealers will be conducted by the Chief Financial Officer.

INVESTMENT PERFORMANCE REVIEW AND EVALUATION

The Investment Committee shall ensure that performance reports are compiled at least quarterly. The market value of the portfolio shall be calculated and an investment report shall be prepared at least quarterly for presentation to the RCRC Executive Committee. The report shall include the following:

- Listing of individual investments held at the end of the reporting period, showing institution, selling institution, date of maturity, amount of deposit, and current market value
- Realized and unrealized gains or losses resulting from appreciation or depreciation
- Return on investment expressed as an annual percentage rate
- Average weighted yield to maturity of portfolio as compared to applicable benchmarks
- Statement of current allocation of investments

CRHMFA HOMEBUYERS FUND

Subject: INVESTMENT POLICY	Class: ACCOUNTING	Number: A - 03
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The Investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The Investment Committee intends to evaluate the portfolio(s) over at least a three year period.

INVESTMENT POLICY REVIEW

The investment policy shall be reviewed and approved annually by the Board of Directors in accordance with Government Code Section 53646. By adoption of this investment policy, the Board of Directors delegates investment authority to the Investment Committee (consisting of the Executive Director, Deputy Director and Chief Financial Officer) in accordance with Government Code Section 53607. Such investment authority shall include authority to invest or to reinvest funds of CHF and to sell or exchange securities so purchased. All investments require the approval of at least two members of the Investment Committee.



To: CHF Board of Directors

From: Greg Norton, Executive Director
Craig Ferguson, Vice President

Date: March 12, 2013

Re: **Second Mortgage Program Resources - ACTION**

Summary

On June 9, 2009, the CHF Board approved and directed the Executive Director to utilize up to \$5 million of existing resources to fund second mortgages in California as part of the ACCESS Program. The CHF ACCESS Program provides second mortgages to be used to assist low-moderate income homebuyers with purchasing a home.

The pricing structure and controls were designed to generate resources sufficient to provide a reasonable return and to protect the public funds utilized, while meeting CHF's mission and public purpose. A portion of program funds generated have been utilized to fund additional second mortgage assets. The entire portfolio of second mortgages currently totals approximately \$12 million. Staff recommends the CHF Board ratify the funding of the additional \$7 million of second mortgage assets held in CHF's portfolio.

The original commitment of \$5 million in CHF resources has been nearly exhausted. In total to date, the program has assisted more than 2,250 families with the purchase of a home. As the program has experienced very favorable results, staff recommends the commitment of an additional \$10 million in CHF resources to fund additional second mortgages. Such commitment will help CHF continue its mission to assist homebuyers purchase a home.

As has been shared in the past, the second mortgages are subject to risk of loss, although to date the default rate from 2009 through February 2013 has been only 1.7% and current loans delinquent more than 90 days are 1.1%. The second mortgages currently include an interest rate of 8.25% providing an on-going source of resources.

The program was initiated during a very difficult housing market and economy. As such the pricing structure was designed to reflect the market risks. Since the portfolio has performed better than expected and the market is improving, the pricing has been reduced to make the program even more affordable to homebuyers while still providing reasonable security to the CHF public funds utilized.

Staff discussed the program with the RCRC Executive Committee on February 20, 2013. The Executive Committee directed the CHF Executive Director to make the following recommendations to the CHF Board of Directors.

Staff Recommendations

Staff recommends that the CHF Board:

1. Ratify the funding of up to \$7 million of additional second mortgage loans in the CHF portfolio as part of the ACCESS Program to date.
2. Commit additional resources of up to \$10 million to fund additional second mortgage loans; and
3. Direct staff to implement necessary changes and policies during the course of the program/s, as market and risk assessment warrants to best meet the needs of the program/s and CHF.

Attachment(s)

None



To: CHF Board of Directors

From: Greg Norton, Executive Director
Craig Ferguson, Vice President
Karl Dolk, Chief Financial Officer

Date: March 12, 2013

Re: **2013 CHF/NHF Management Agreement and Budget Amendment**

Summary

The Administration and Services Agreement (Agreement) dated as of January 1, 2011, between CHF and NHF is automatically renewed for successive additional terms of twelve (12) months unless either party gives notice in writing of termination. As fees for NHF's performance of services, NHF is compensated an agreed upon amount based on each program administered.

An amendment is proposed to the fees effective January 1, 2013. For the Platinum Program, NHF will no longer charge \$350 per loan funded. Alternatively, NHF will net 0.60% from the price of the sale of the mortgage backed securities, which is consistent with fees earned by other firms servicing similar programs across the country. In fact, 0.75% is charged by banking firms.

For the CHF Mortgage Credit Certificate (MCC) Program, CHF shall receive \$100 of the \$350 per MCC that is paid by the participating lenders in the CHF MCC Program. This is consistent to the fee structure in the Orange County, California MCC Program administered by NHF.

- The new proposed fee structure was not reflected in the proposed 2013 CHF or NHF budgets. Staff discussed these changes with the RCRC Executive Committee on February 20, 2013. The Executive Committee directed the CHF Executive Director to recommend the CHF Board approve the revised administrative fees and the applicable revisions to the 2013 budget. Based on estimated 2013 program activity, staff has since determined that the CHF budget would have the following changes: an increase in Platinum administrative fees from \$630,000 to \$2,052,000, a net increase of \$1,422,000.
- An increase in MCC program revenue from \$17,500 to \$50,000, a net increase of \$32,500.

Staff Recommendation

Staff recommends that the CHF Board of Directors approve the following recommendations; Direct staff to:

1. Amend the NHF/CHF administration/management fee for the Platinum Program from \$350 per loan to 0.60% of the price of the sale of Platinum Program mortgage backed securities, effective January 1, 2013;
2. Increase the MCC fee remitted to CHF to \$100 per MCC in place of the current fee, effective January 1, 2013;
3. Increase the 2013 budget for administration/management fee to NHF by \$1,422,000; and
4. Increase the 2013 budget revenues for the MCC program by \$32,500.