

MINUTES

May 28, 2008
(Agenda Item 2)

California Debt Limit Allocation Committee
Jesse Unruh Building
915 Capitol Mall, Room 587
Sacramento, CA 95814

OPEN SESSION

Call to Order and Roll Call (Agenda Item 1)

Bettina Redway, Chairperson, called the California Debt Limit Allocation Committee (Committee) meeting to order at 1:34 p.m.

Members Present: Bettina Redway for Bill Lockyer, State Treasurer
David O'Toole for John Chiang, State Controller

Advisory Members Present: Steve Spears, representing Theresa Parker,
California Housing Finance Agency

Elliott Mandell, representing Lynn Jacobs,
Department of Housing and Community Development (HCD)

Quorum: The Chairperson declared a quorum

Approval of the Minutes of the April 16, 2008 Meeting (Agenda Item 2) (Action Item)

Anne Sheehan moved approval of the minutes from the April 16, 2008 meeting. Upon a second, the minutes passed 2-0 with the following vote: Anne Sheehan; Aye; David O'Toole Aye; Bettina Redway: Aye.

Executive Director's Report (Agenda Item 3) (Informational Item)

Joanie Jones Kelly reported the following:

Joanie Jones Kelly stated that CDLAC received following applications:

- One Exempt Facility project from CSCDA as Issuer is requesting \$65,350,000. The Single Family Housing Mortgage Credit Certificate (MCC) Program is requesting a total Fair Share allocation of \$7,041,867. In the Qualified Residential Rental Pool, the Rural Pool is requesting a total allocation of \$21,395,000, the Mixed Income Pool is requesting a total allocation of \$55,000,000, and the General Pool is requesting an allocation of \$412,592,173.

- On the May agenda for all CDLAC programs the total allocation recommended for approval \$506,379,040, (does not include Mixed Income project)

California Housing Finance Agency REO Single-Family Housing Program Status (Agenda Item 4)
(Informational Item) Staff—Joanie Jones Kelly

At the March 26, 2008 CDLAC Allocation meeting the California Housing Finance Agency was awarded an allocation of \$200 million for the purpose of administering a Foreclosure REO (Real Estate Owned taken back by lender) for the First-time homebuyer Program. Included in the May meeting binder is an updated staff report that lists the possible target areas that may be considered for the CalHFA REO Program. The target areas are; the Counties of: Merced, Riverside, San Joaquin, and Stanislaus and the Zip Code Areas of; 92336 (San Bernardino County); 94565 (Contra Costa County); 93550 (Los Angeles County) and 93535 (Los Angeles County). A representative from CalHFA will present an REO Program update at this meeting, (CalHFA - Deputy Director Steve Spears)

Deputy Director Steve Spears updated the Committee on the REO program as follows:

This is a Pilot Program. There is an interagency task force which includes the Commissioner of the Department of Corporations, Preston DuFauchard; the Commissioner of the Department of Real Estate, Jeff Davi; the Director of the Department of Housing and Community Development, Lynn Jacobs; Theresa Parker and other CalHFA members at agency level.

CalHFA received \$200 million in tax-exempt private activity bond allocation from CDLAC for the program. We believe that in using the average loan amount we can purchase somewhere between 800 and 1,000 loans. The number of foreclosed properties in California number in the thousands and we believe that there will be a demand for this program, however, as a pilot program we are targeting the four hardest hit Counties and approximately fourteen zip code areas. The four hardest hit Counties are San Joaquin, Stanislaus, Merced and Riverside. The zip code areas are in the cities of Palmdale, Lancaster, Rancho Cucamonga, Pittsburg, two cities in the Los Angeles area, and about six cities in Oakland, one in the Pittsburg area, and also in Contra Costa County. The Counties and the zip code areas were selected based on criteria statistics from the Federal Reserve Bank of New York showing where sub-prime real estate loans were made in relationship to housing units and population in those areas.

As for the financial structure, we are currently negotiating with two different institutions for a liquidity provider for variable rate debt. CalHFA is anticipating issuing verible rate debt so that we can offer a very low interest rate. Preston DuFauchard chaired a series of meetings with the two financial institutions. Theresa Parker, Executive Director for CalHFA, also met with these institutions. She asked a number of questions regarding the mechanics of making the program work. CalHFA would like the approved institutions to provide a list of properties in the different areas. These properties would remain on the list for a set period of time and reviewed periodically for value. These institutions would still be able to market these properties to other individuals not just to first-time homebuyers. We are now asking these institutions to let us know if they are interested in participating in this program, what properties they have, and what discount would they be willing to offer.

We believe that we will be able to have the program operational and taking reservations for loans by July 1, 2008.

Anne Sheehan

What does taking reservations for loans mean?

Steve Spears

CalHFA purchases loans so when a lending institution starts the process and they know that they want to do a CalHFA loan they get into our reservation system, they ask for us to hold a spot, they complete the process, they send the file back to CalHFA and get a final review from CalHFA to purchase the loan. There could be cancellations in that process, but that's the process that we go through and eventually when the loan is completely ready to go and the file is closed the loan is closed and funded by the lending institution we purchase the loan and then we close out that reservation on the amount. We don't have to sell bonds and have that money sitting there waiting for reservations to start so we could sell the bonds after the July 1, 2008 start date. We have warehouse lines of credit that we can use also.

Anne Sheehan

Will CalHFA have some sense of progress on how quickly these are moving by the September CDLAC meeting?

Steve

Yes, absolutely. He said that he would have more information as soon as he knew exactly who the participants were going to be. We want to make sure that we have participants from financial institutions that have an adequate number of properties available in each of the different target areas.

Anne Sheehan

Do you have an estimate of what would be enough.

Steve

Exactly enough for the \$200 million. We want everybody to be happy. It's very difficult to tell until we know exactly which institutions are there and what institutions will be participating in the properties available.

Bettina Redway

Do any of the Board Members have questions?

David O'Toole

I have a question regarding the mechanics. You stated that this program is for first-time homebuyers only. Are there exceptions if you had a foreclosure a long time ago, your circumstances have changed, or if you owned a home a long time ago? Is it a hard and fast rule?

Steve

It is driven by Federal Tax Law and tax-exempt bonds are going to be used for the program. It will be a low-interest-rate loan and is restricted to first-time homebuyers but if you've been a non-owner for at least three years you qualify as a first-time homebuyer.

Bettina Redway

Does a person qualify if they had a foreclosure ten years ago?

Steve

Yes.

Anne Sheehan

Does CalHFA feel that the financial institutions are receptive to putting up these properties to participate in this program? I have to assume that it's in their best interest to get them off the books and get them back to an active asset.

Steve

There has been a lot of interest. The question is the extent of the discount and that's a function of where we are in the marketing. If an institution believes that we are at the bottom, then they are not going to be as willing to give as great a discount as if they believe we are still on the way down. We have received different opinions about where we are in that cycle.

Anne Sheehan

Would they also be eligible for CRA credits if they did this?

Steve

It's possible but a lot of these are loan servicers who have these properties in trust for investors and they don't qualify for that unfortunately.

Anne Sheehan

Would the banks and financial institutions qualify under community reinvestments and possibly get credit?

Steve

If they qualify. Again I'm not a CRA expert but that's a possibility.

Anne Sheehan

On the discount rules, and I know that you haven't worked that out yet, but I'm assuming that it would be just one rule across the board, you are not going to treat different banks and different participants differently or is that being considered?

Steve

That may be a function. If there is only one institution that has properties, and they are heavily involved in these areas, then we may be able to talk to them about something that is special treatment for these properties. That has been talked about but nothing is final yet.

Anne Sheehan

Ok.

Bettina Redway

Are there any more questions from the Board?. Are there any questions from staff? Any questions from the audience? There were no more questions.

Thank you very much and I look forward to hearing more.

Steve stated that he would have more information at the September CDLAC meeting.

Consideration of Appeals and Applications for an Allocation of the State Ceiling on Qualified Private Activity Bonds for Exempt Facility Projects and Awards of Allocation (Agenda Item 5)
(Action Item) Staff—Brady Hill

a. Consideration of Appeals

There were no appeals.

b. Consideration of Applications

Brady Hill stated that the Committee received one First Tier (small business) Exempt Facility project

under regulatory mandate from CSCDA for Microgy, Inc. The Project Sponsor will not acquire land for the project; the facilities will be located directly on the sites of the Project Sponsor’s dairy partners. The Project Sponsor has entered into a long-term lease agreement with the dairy partners for plots of land adequate to accommodate the construction and operation of the project components. The project will be located in the City of Riverdale in Fresno County and the City of Hanford in Kings County. In addition, according to the application, the project will directly or indirectly serve the Hanford area, the Kings County area, the Riverdale area, the Fresno County area and communities served by PG&E gas and/or electric service. The total amount of tax-exempt bond allocation requested is \$65,350,000.

Staff recommends approval of \$65,350,000 in tax-exempt bond allocation for Microgy, Inc.

<u>ISSUER</u>	<u>PROJECT</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT RECOMMENDED</u>
California Statewide Communities Development Authority (08-134)	Microgy, Inc.	\$65,350,000	\$30,350,000 (\$35,000,000 carryforward)

Anne Sheehan moved approval of staff’s recommendation. Upon a second, the item passed 3-0 with the following vote: Anne Sheehan: Aye; David O’Toole: Aye; Bettina Redway: Aye.

Consideration of Appeals and Applications for an Allocation of the State Ceiling on Qualified Private Activity Bonds for Single Family Housing Programs and Awards of Allocation (Agenda Item 6) (Action Item) Staff—Sarah Lester

a. Consideration of appeals

There are no appeals for this item.

b. Consideration of applications

The Committee received two applications requesting Mortgage Credit Certificate (MCC) authority from the following local agencies: the County of Solano requested their Fair Share allocation of \$2,172,994, and the County of San Mateo requested their Fair Share allocation of \$4,868,873, for a total MCC allocation of \$7,041,867 for both counties.

Staff recommends an award of allocation sufficient to fund the Single Family Fair Share Allocation for both MCC projects for a total of \$7,041,867.

<u>ISSUER</u>	<u>PROJECT</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT RECOMMENDED</u>
County of Solano (08-100)	MCC Program	\$4,000,000	\$2,172,994
County of San Mateo (08-104)	MCC Program	\$5,000,000	\$4,868,873

Anne Sheehan moved approval of staff’s recommendation. Upon a second, the motion passed 3-0 with the following vote: Anne Sheehan: Aye; David O’Toole: Aye; Bettina Redway: Aye.

Approve the Transfer of 2007 ABAG Carryforward Allocation to ABAG Projects Approved at the March 26, 2008 Allocation Meeting (Agenda Item 7) (Action Item) Staff—Misti Armstrong

On December 5, 2007, the Committee awarded \$97,500,000 in private activity bond allocation to the ABAG Finance Authority for Non-profit Corporations (“ABAG”) for the Montague Residence Apartments project (the “Project”) on a carryforward basis. On March 18, 2008, ABAG requested an extension of the expiration date to May 23, 2008 for the issuance of the bonds and staff granted the extension. On May 9, 2008, the Committee received a subsequent request from the Issuer to further extend the expiration date to the end of 2008; however, staff denied the request due to the limited amount of allocation currently available in the Committee’s 2008 Qualified Residential Rental Program pool. Staff informed ABAG that unless the bonds are issued on or before May 23, 2008, the allocation will revert to the Committee and negative points as well as the forfeiture of the performance deposit will be assessed against the Project Sponsor.

To ensure the full utilization of the unused ABAG 2007 carryforward allocation, staff is recommending that the Committee approve the transfer of a portion of the allocation in the amount of \$23,567,517 to the three ABAG projects that were previously awarded current year allocation on March 26, 2008. Bonds have not been issued for these projects as of yet and if approved, staff will revise the current project resolutions to reflect the change in allocation thus preserving the current year allocation for other qualifying QRRP projects in 2008.

Staff recommends approval of the Transfer of \$23,567,517 in 2007 ABAG Carryforward Allocation to ABAG Projects Approved at the March 26, 2008 Allocation Meeting.

Anne Sheehan moved approval of staff’s recommendation. Upon a second, the item passed 3-0 with the following vote: Anne Sheehan: Aye; David O’Toole: Aye; Bettina Redway: Aye.

Consideration of Appeals and Applications for an Allocation of the State Ceiling on Qualified Private Activity Bonds for Qualified Residential Rental Projects and Awards of Allocation (Agenda Item 8) (Action Item) Staff—Joanie Jones Kelly

a. Consideration of appeals

There are no appeals for this item.

b. Consideration of applications

Joanie Jones Kelly stated that the Rural Pool received five applications for a total of \$21,395,000.

Staff recommends approval of \$21,395,000 in bond allocation to fund all projects in the Rural Pool.

<u>ISSUER</u>	<u>PROJECT</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT RECOMMENDED</u>
<u>Rural Projects</u>			
Mendocino County Community Development (08-031)	Clara Court Apartments	\$4,750,000	\$250,000 (\$4,500,000 carryforward)

California Municipal Finance Authority (08-120)	Calexico Village Apartments	\$1,706,327	\$1,706,327
California Municipal Finance Authority (08-122)	Heber Village II Apartments	\$1,137,551	\$1,137,551
California Municipal Finance Authority (08-123)	Niland Apartments	\$1,801,122	\$1,801,122
California Statewide Communities Development Authority (08-125)	Lamont Family Apartments	\$12,000,000	\$11,493,226 (\$506,774 carryforward)

David O'Toole moved approval of staff's recommendation. Upon a second, the motion passed 3-0 with the following vote: David O'Toole: Aye; Anne Sheehan: Aye; Bettina Redway: Aye.

Mixed Income Project

Joanie Jones Kelly stated that the Committee received one application in the Mixed Income Pool for \$55,000,000 for Eagle Victorville 492, LLC Apartments.

Staff recommends that the Eagle Victorville 492, LLC Apartments not receive allocation approval at this (May) meeting but be deferred to the September 24, 2008 CDLAC Allocation meeting, based on the increased demand for allocation. The Qualified Residential Rental Pool (QRRP) was declared competitive at the April 16, 2008 CDLAC meeting.

Staff is recommending the deferral of the Mixed Income Project to insure that allocation is provided first to those projects that provide the greatest public benefits, and Mixed Income projects usually provide 20% affordability compared to 50% or more affordability for projects in the General Pool. The final CDLAC allocation meeting is September 24, 2008 at that meeting all remaining allocation from each CDLAC Program Pool will be allocated, it is anticipated that the availability of allocation for Mixed Income projects will be greater in September. Due to the large dollar amount of allocation required for Mixed Income projects it is not unusual for CDLAC to defer those projects to the final allocation round.

The major point of clarification is that Mixed Income projects have not been eliminated from the allocation process. Mixed Income projects will be evaluated for award of allocation at the September meeting. However, CDLAC procedures require that those projects which receive the greatest number of public benefit points receive allocation priority.

<u>ISSUER</u>	<u>PROJECT</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT RECOMMENDED</u>
California Statewide Communities Development Authority (08-132)	Eagle Victorville 492 LLC Apartments	\$55,000,000	\$0

The above Mixed Income Project was deferred to CDLAC’s September 24, 2008 allocation meeting. There was no vote.

General Pool Projects

The General Pool received thirty-one applications requesting \$431,292,173 in allocation. The Committee received two applications for the Angelus Plaza Apartments in the City of Los Angeles 08-102 for \$65,654,677 and 08-103 for \$30,098,719 for a total of \$95,753,396.00. The Angelus Plaza Apartments exceeds the \$30 million per project cap imposed by Section 17, IV of the CDLAC Procedures.

The Project Sponsor has requested an exception to the \$30 million cap per project imposed by Section 17,IV of the CDLAC Procedures on the basis that (a) it would not be possible to meet the 50% TCAC test if the project was bifurcated, (b) likely erosion of favorable committed interest rates and tax–credit pricing, (c) the loss of loan approval if project were bifurcated, (d) large public benefits to the community as the seller of the project (Retirement Housing Foundation) will utilize the sales proceeds to directly re-invest into additional affordable units throughout Los Angeles and California (approximately \$58,000,000) per their agreement with CRA/LA. In addition the project has received letters of support from Los Angeles Mayor Antonio R. Villaraigosa and Los Angeles Councilwoman Jan Perry, both of whom attest that in addition to the reasons stated above, the project provides much needed subsidized housing and essential social services to seniors in Los Angeles as evident by the nearly 2,000 individuals [confirmed by independent market study] who are on the waiting list for the project.

Staff recommends that the Committee waive the maximum allocation amount for Applications #08-102 and #08-103 for a total of \$95,753,386.00 for the Angelus Plaza Apartments project based on the fact it is not economically feasible to phase this project and due to the public benefits that will be provided to the City of Los Angeles.

The following two projects were presented to the Committee.

<u>ISSUER</u>	<u>PROJECT</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT RECOMMENDED</u>
CRA of the City of Los Angeles (08-102)	Angelus Plaza Apartments	\$65,654,667	\$65,654,667
CRA of the City of Los Angeles (08-103)	Angelus Plaza North Apartments	\$30,098,719	\$30,098,719

Anne Sheehan moved approval of staff’s recommendation to waive the \$30 million cap and to approve the allocation amounts as requested. Upon a second, the item passed 3-0 with the following vote: Anne Sheehan: Aye; David O’Toole: Aye; Bettina Redway: Aye.

Staff recommends the award of allocation sufficient to fund the remaining projects in the General Pool.

Housing Authority of The County of Los Angeles (08-053)	Arrow Plaza Apartments	\$6,400,000	\$6,400,000
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California Statewide Communities Development Authority (08-057)	Desert Oaks Apartments	\$1,755,000	\$1,755,000
California Statewide Communities Development Authority (08-062)	Hudson Park I & II Apartments	\$3,845,000	\$3,845,000
California Statewide Communities Development Authority (08-065)	Turnagain Arms Apartments	\$7,500,000	\$7,500,000
Housing Authority of the City of Sacramento (08-099)	Broadway Senior Center Apartments	\$6,569,000	\$6,569,000
City of Los Angeles (08-101)	Bonnie Brae Village Apartments	\$16,500,000	\$16,500,000
Housing Authority of the City of Sacramento (08-106)	Copperstone Village I Family Apartments	\$10,500,000	\$10,500,000
City and County of San Francisco (08-107)	Zygmunt Arendt House Apartments	\$10,500,000	\$10,500,000
California Municipal Finance Authority (08-108)	Cherrylee Gardens Apartments	\$9,200,000	\$9,200,000
California Municipal Finance Authority (08-109)	Drake Manor Apartments	\$7,500,000	\$7,500,000
Housing Authority of the City of San Buenaventura (08-111)	Soho Apartments	\$3,100,000	\$3,100,000
California Municipal Finance Authority (08-112)	Beachwind Court Apartments	\$2,165,220	\$2,165,220

Housing Authority of the County of Los Angeles (08-114)	Leffingwell Manor Apartments	\$8,855,000	\$8,855,000
Housing Authority of the County of Los Angeles (08-115)	Casa Lucerna Apartments	\$5,999,000	\$5,999,000
City and County of San Francisco (08-117)	Geary Boulevard Senior Living and Health Center Apartments	\$30,000,000	\$30,000,000
Loma Linda Redevelopment Agency (08-119)	Poplar Street Apartments	\$9,000,000	\$9,000,000
California Municipal Finance Authority (08-121)	Rancho Workforce Apartments	\$24,000,000	\$24,000,000
California Municipal Finance Authority (08-124)	Inglewood Meadows Apartments	\$2,020,000	\$2,020,000
California Statewide Communities Development Authority (08-126)	Woodside Apartments	Withdrawn	Withdrawn
California Statewide Communities Development Authority (08-127)	Sunset Street Apartments	\$9,200,000	\$9,200,000
California Statewide Communities Development Authority (08-128)	Pacific Court Apartments	\$9,347,567	\$9,347,567
California Housing Finance Agency (08-131)	Fourth Street Apartments	\$30,000,000	\$30,000,000
Housing Authority of the County of Santa Clara (08-133)	Rincon Gardens Apartments	\$24,963,000	\$24,963,000

California Statewide Communities Development Authority (08-135)	Alpine Apartments	\$8,100,000	\$8,100,000
California Statewide Communities Development Authority (08-137)	Bear Valley Ranch Apartments	\$30,000,000	\$30,000,000
California Statewide Communities Development Authority (08-138)	St. Marks Apartments	\$24,000,000	\$24,000,000
County of Riverside Housing Authority (08-139)	Mission Village Senior Apartments	\$11,200,000	\$11,200,000
California Housing Finance Agency (08-142)	Mission Gardens Apartments	\$4,620,000	\$4,620,000

Anne Sheehan moved approval of staff's recommendation on the remaining General Pool applications. Upon a second, the motion passed 3-0 with the following votes: Anne Sheehan: Aye; David O'Toole: Aye; Bettina Redway: Aye.

Public Comment (Agenda Item 9) (Action Item)

There was no public comment.

Adjournment (Agenda Item 10)

The meeting adjourned at 2:00 pm.

TRANSCRIPTION
CDLAC MEETING
MAY 28, 2008

Steve Spears, Chief Deputy Director, CalHFA

We've been asked to give an update on the REO Program that we are working on with other members of the administration. There is an interagency task force made up of Preston DuFauchard, who is the Commissioner of Department of Corporations, Jeff Davi, Real Estate Commissioner, Lynn Jacobs, Director of Housing and Community Development and other members at agency level. Here is the status. There are three different things that we are working on....the program design itself which details are still being worked out....a financing structure that will allow us to offer a really low interest rate....and then negotiations with specific financial institutions, loan servicers and banks that have these properties in their possession. On program design this is going to be designed as a pilot program...the CDLAC has allocated 200 million dollars to this program that we believe using the average loan we believe is somewhere between 800 and 1,000 loans. The number of properties in California is in the thousands so we believe the demand will be there for this but as a pilot program we have limited the area to some of the hardest hit areas in California. Four counties and about 14 different zip codes. The counties are San Joaquin, Stanislaus, Merced and Riverside. The zip code areas are around the state of Palmdale, Lancaster, Rancho Cucamonga area, two in LA and about 6 in Oakland and there is another one that's in the Pittsburg area and Contra Costa County. These were selected based on criteria statistics that we received from the Federal Reserve Bank of New York about where sub prime real estate loans had been made in the relationship to those statistics to housing units in those areas and population in those areas. We feel that it is a very well targeted for just this pilot program and one of the key elements is we've asked these institutions to provide these properties to first time homebuyers which if they are going to participate in the CalHFA program they must be first-time homebuyers and that they offer the properties at a discount off of their appraised value and we are still working out the details of that but that's what they are being asked to do. As far as the financial structure we are anticipating issuing verible rate debt so that we can offer a very low interest rate but that requires the liquidity provider and in these days and times it's not exactly an easy thing to do so we are negotiating with two different institutions for a liquidity provider for veritable rate debt and the final point is dealing with the financial institutions we've had a series of meetings that have been chaired by Preston _____, Commissioner of Department

of Corporations, and also Teri Parker, our Executive Director, met with the institutions and had lots of questions about the mechanics of exactly how this is going to work. They would like to have a list of approved properties that are in these areas that will be on a list for a set period of time and reviewed periodically for value and they would like to be able to still market those properties to other individuals not just first time homebuyers so we are in discussions now at the point where we are asking them to come back and say “are you interested” “what properties do you have” and “what discount would you be willing to offer those properties at” so that’s where we are. We believe that we will be able to have the program up and running taking reservations for loans by July 1.

_____BR or AS...When you say taking reservations for loans what do you mean by that?

Steve

Of course we don’t initiate loans we purchase loans so when a lending institution starts the process and they know that they want to do a CalHFA loan they get into our reservation system, they ask for us to hold a spot, they complete that process, they send the file back and get a final review to purchase the loan and then at that point so there could be cancellations in that process but that’s the process that we go through and eventually when the loan is completely ready to go and the file is closed the loan is closed and funded by the lending institution then we purchase the loan and then we close out that reservation on the amount. We don’t have to sell bonds and have that money sitting there waiting for reservations to start so we could sell bonds after the July 1 start date down the road. We’ve got warehouse lines of credit that we can use so we could I’m not sure how long after that that we could sell bonds but it could be after the July 1 date.

AS

So by the Sept CDLAC meeting we should actually have some sense of progress on how quickly these are moving?

Steve

Yes, absolutely. I wish I had more information about how many properties exactly there are but we don’t know exactly who the participants are going to be yet and what we are trying to do is make sure that we have participants from the financial institutions that have adequate number of properties available in each of the different target areas.

AS

Do you have any estimate of what you think you’d like if you had your drouthers.

Steve

Exactly enough for the \$200 million. We want everybody to be happy. It’s very difficult to tell until we know exactly which institutions are there and what institutions will be participating in the properties available.

BR

Do board members have questions?

David

I have a question about the mechanics. You said that it’s the first time homebuyers only is there no exceptions if you had foreclosed a long time ago, your circumstances changed, or you owned a home a long time ago....is it a hard and fast rule.....

Steve

It’s driven by Federal Tax Law it’s Tax-exempt bonds that are going to be used for this so again at a low interest rate loan and whenever you do that this is restricted to first time homebuyers but if you’ve been a

non owner for at least 3 years then you qualify again as a first time homebuyer.

BR

So you could have foreclosed 10 years ago

Steve
Right.

AS

Do we feel that the financial institutions are receptive to putting up these properties to participate in this program? I have to assume that it's in their interest to get them off the books and get them back to an active asset.

Steve

Right. There has been a lot of interest. The question is the extent of the discount and that's a function of where we are in the marketing, if you believe we are at the bottom then they are not going to be as willing to give as great a discount....if they are still on the way down and we've received different opinions about where we are in that cycle.

AS?

And then they would also be eligible for CRA credits if they did this?

Steve

That's possible if you qualify because a lot of these are loan servicers who have these properties in trust for investors and they don't qualify for that unfortunately.

AS?

If the banks and financial institutions who would qualify under community reinvestments could possibly get credit

Steve

If they qualify, and here again I'm not a CRA expert but that's a possibility.

AS/BR?

On the discount rules, and I know that you haven't worked that out yet but I'm assuming that it would be just one rule across the board... you are not going to treat different banks and different participants differently or is that being considered?

Steve

It may be a function of if in one of these areas if there is only one institution that has properties and they were heavily involved in that area that we may be able to talk to them about something that is special treatment for that area and those properties...that's been talked about but nothing final yet.

AS/BR
Ok

BR

Are there any more questions from the board? Any questions from the staff? Questions from the audience? Thank you very much and I look forward to hearing more.

Steve

I will have more information at the September meeting.