

December 20, 2023

Melinda Grant, Undersecretary
California Business, Consumer Services and Housing Agency
500 Capitol Mall, Suite 1850
Sacramento, CA 95814

Dear Undersecretary Melinda Grant,

In accordance with the State Leadership Accountability Act (Leadership Accountability), the California Housing Finance Agency submits this report on the review of our internal control and monitoring systems for the biennial period ending December 31, 2023.

Should you have any questions please contact Rebecca Franklin, Director of Enterprise Risk Management and Compliance, at (916) 326-8651, rfranklin@calhfa.ca.gov.

GOVERNANCE

Mission and Strategic Plan

Mission

Investing in diverse communities with financing programs that help more Californians have a place to call home.

Vision

All Californians living in homes they can afford.

CalHFA was established in 1975 with the purpose of working with the private sector to provide more affordable housing for California. CalHFA provides access to mortgages for low- and moderate-income homebuyers and financing to developers of affordable rental units. The Agency sets loan interest rates and fees at levels which are in line with market competition.

CalHFA presents the Strategic Plan to the CalHFA Board of Directors annually. The adopted Strategic Plan for the fiscal years 2023-26 outlined four new strategic goals (shown below) and the three-year supporting objectives. A set of newly developed three-year measures determines each goal's success.

Lending Impact

Focus lending activities on broadening access to affordable housing opportunities for California's diverse population.

- Maintain and expand culturally competent outreach to Californians ensuring broad access across racial, ethnic, gender, geographic, and affordability demographics.
- Expand Single Family program opportunities.
- Build the Multifamily portfolio through preservation of existing projects and expansion of

new lending and subsidy opportunities.

Financial Sustainability

Leverage opportunities and create innovative products that ensure CalHFA's financial sustainability and continued ability to serve the affordable housing market.

- Evaluate and establish new revenue generating business lines with targeted rates of return.
- Grow the Agency's balance sheet, preserve liquidity, and fund operating and financial risk reserves.
- Achieve and maintain CalHFA Issuer Ratings of "Aa2" rating from Moody's Investors Service and "AA" rating from S&P Global Ratings.

Trusted Advisor

Affirm CalHFA as a trusted housing finance advisor that understands the needs of California's diverse communities.

- Increase our understanding of community needs and systemic biases within our housing finance ecosystems and have findings inform program implementation.
- Increase activities and partnerships to strengthen trust with external partners and general public.

Operational Excellence

Invest in continuous improvement and cultivate an inclusive and highly qualified workforce.

- Embed diversity, equity, accessibility, and inclusion practices.
- Attract highly qualified talent.
- Retain highly qualified talent.
- Innovate and streamline business processes to increase operational efficiency and service delivery.

Control Environment

CalHFA has established and continues to ensure adherence to its core values, ethics, codes of conduct and demonstration of integrity. The Agency strives to build a trusting, respectful, and positive workplace culture by promoting transparent communication and reporting ethical concerns.

CalHFA is founded on these core values:

- **Accountable** - We are each responsible for actions, decisions, and quality of work.
- **Impact** - We are committed to achieving equitable outcomes and opportunities.
- **Integrity** - We behave with honest and ethical purpose in all decisions we make, and the work we do.
- **Respect** - We treat all people with dignity and accept them for who they are.
- **Teamwork** - We value the collective and individual contributions of our team and collaboration with our partners.

CalHFA continues to establish, maintain, monitor, and document organizational controls that adhere to State and Federal rules and regulations as well as its own core values and ethical standards. The Agency prevents fraud in a variety of ways by increasing overall information security, and operating standards which increase productivity and efficiency to achieve the mission, vision, and strategic goals.

Board Oversight

CalHFA is governed by a Board of Directors consisting of 13 voting members and three non-voting members, including a chairperson selected by the Governor. Of the 13 voting members, seven are appointed by the Governor, four are ex-officio and two are appointed by the California State Legislature. The term of the appointed members of the Board is six years. The CalHFA Board of Directors oversees an Executive Director, who is an appointee of the Governor and directs the staff and operational decisions of the Agency. The CalHFA Board of Directors meets at least every other month and provides general oversight on all compliance and information security controls, risk assessment and mitigation. Additionally, the Board of Directors monitors the performance of the Executive Director in the execution of the Strategic Plan. Board members are also responsible for the following: approval of multifamily project loans which exceed the Executive Director's delegated approval authority; review and approval of the Annual Comprehensive Financial Report; authorization of annual financing authority; and approval of the Strategic Plan and Operating Budget.

Additionally, the Board of Directors has established an ongoing Audit Committee to assist in fulfilling its oversight responsibilities in the areas of financial reporting and accounting integrity. The Audit Committee meets at least twice per year to conduct meetings with an independent auditor, management and staff that serve as a resource to ensure the Audit Committee has a clear understanding of the Agency's financial reporting responsibilities and any significant issues related to financial reporting and accounting policies.

Oversight

The Executive Director of CalHFA is responsible for the operations of the Agency, including the establishment of the mission and vision of the organization, maintaining a positive image and reputation, protection and appropriate use of assets held by CalHFA, and management support.

CalHFA's Division Directors are responsible for establishing and monitoring the internal controls in their respective areas. Internal controls include protecting assets, ensuring that records are accurate, promoting operational efficiency to achieve the organizational mission and goals, and ensuring compliance with policies, rules, regulations, and laws. The Division Directors and staff develop detailed policies, procedures, and practices pertaining to their individual operations; create a structure of segregating essential duties and responsibilities among the team to enhance efficiency while reducing error, misuse, or fraud; establish and communicate the management philosophy and operating style; assign authority; and ensure an ongoing process to monitor activities and report deficiencies.

CalHFA contracts with an independent audit firm, currently CliftonLarsonAllen LLP, to assist in preparing the annual audit report. The annual audit process ensures that the Agency's internal

controls, processes, guidelines, and policies are adequate, effective, and compliant with governmental requirements and industry standards. This type of audit also provides reporting mechanisms that can help prevent errors in financial statements. The firm also provides the Board of Directors with periodic training sessions on any new or recurring risks that may significantly impact the risk profile of the Agency.

Operations

CalHFA is not subject to the State budget appropriation process. However, for sound financial management and oversight purposes, an annual budget is presented to, and approved by, the Board of Directors. Updates on the mid-year budget and mid-year business plan are provided to the Board of Directors in the third quarter of each year.

CalHFA's preliminary budget is initially reviewed by the Executive Director on or before December 1 of each year for the ensuing fiscal year, then transmitted to the Secretary of the Business, Consumer Services and Housing Agency, the Director of the Department of Finance, and the Joint Legislative Budget Committee. This preliminary budget is included in the Governor's January Budget Proposal for informational purposes. The Agency's final budget is reviewed and approved by the CalHFA Board of Directors in May of each year.

According to Health and Safety Code §51005 – Housing and Home Finance Section, CalHFA shall submit an annual report of its activities under this division for the preceding year to the Governor, the Secretary of the Business, Consumer Services and Housing Agency, the Director of Housing and Community Development, the Treasurer, the Joint Legislative Budget Committee, the Legislative Analyst, and the Legislature, by December 31 of each year. The report shall include specific information evaluating the extent to which the programs administered by the Agency have attained the statutory objectives of the Agency.

The organizational structure of the Agency clearly defines key areas of authority and responsibility and establishes appropriate lines of reporting. The Agency's Administration Division produces monthly organizational charts to provide a clear picture of the functional sub-unit of each division and the relationships between them. The organizational charts are published on the internal website *Insider* to allow all employees access to view how the Agency is structured. Pursuant to Title 25, California code of regulation sections §10002 and §13302 (c), the Executive Director of the Agency has established Delegation of Authority to sign contracts, debt obligations, or other documents and instruments on her behalf when the Director is unavailable. The Office of General Counsel maintains an updated list of signature delegations.

The Agency's Workforce Plan was developed to align with CalHFA's Strategic Plan and is intended to help ensure that there are systems in place to recruit, develop, and retain staff to support CalHFA business goals and operational needs. To create this Workforce Plan, CalHFA identified workforce challenges (gaps) and prioritized workforce planning initiatives (goals) to address those gaps over the next three to five years. The Workforce Plan outlines the current state of CalHFA's workforce, identifies workforce challenges and environmental factors affecting business needs, and discusses the plan for mitigating these concerns.

CalHFA's Administration Division uses an onboarding process for all new hires, a structured

guide to assist managers/supervisors in welcoming, integrating, and acclimating new employees to CalHFA. The process maps out the key onboarding phases to help orient and engage new employees with the CalHFA environment. It was also designed to ensure that managers/supervisors give each new employee a consistent and comprehensive onboarding experience.

Performance appraisals, goals, and objectives are a routine annual process throughout the Agency. To facilitate this annual process, CalHFA uses Inspire, an online software that helps build stronger relationships between leaders and their staff through transparency and accountability. The software blends leadership methods with goal management, continuous performance assessments, and proven engagement tactics. The supervisory and management staff are responsible for meeting with their respective employees and evaluating their work performance. In addition, the meetings are used to communicate an expectation of competence in the relevant knowledge, skills, and abilities required for each position. Management has a responsibility to hold personnel accountable through performance appraisals and disciplinary actions. Moreover, the Administration Division provides oversight and ensures compliance through verifying the qualifications of job candidates and hiring or promoting only those with required knowledge and skills. CalHFA demonstrates its commitment to competence by ensuring that staff receives training and supervision to perform job duties. All employees are required to complete regularly scheduled training on the ethics and anti-fraud policies of the organization. Each Division Director is responsible for planning and preparing for succession by developing contingency plans and cross-training to re-assign duties when employees change positions or leave the Agency.

In the event of a disaster, the Agency's Business Continuity Management Plan provides guidance to managers and employees on how to carry out the critical business processes during and after a disruption. The Business Continuity Plan outlines the Agency's policies, disaster readiness training and awareness for CalHFA staff, and procedures for managing a disaster while ensuring the safety of staff and CalHFA assets. This plan also includes a Business Impact Analysis that identifies what products and services are most critical to the Agency and must be recovered in a disaster. The Business Continuity Management Plan and the Agency's other written policies and procedures are published on the internal website *Insider* to allow all employees to understand their roles and responsibilities within predefined limits clearly.

Information and Communication

The Strategic Plan outlines the strategies the Agency takes to achieve the mission and vision of CalHFA. Annually, the Agency's Leadership team attends a series of business planning sessions to review the organization's performance against the current year's business plan and uses that discussion to develop the proposed business plan for the upcoming fiscal year. Directly following the business planning sessions, each Division Director is tasked with creating a budget that supports the achievement of the goals and strategic initiatives outlined in the Agency's proposed business plan. In March, CalHFA presents a detailed report to the Board of Directors featuring a mid-year business plan update and a policy workshop that demonstrates the actual Agency activities through mid-year (December 31), shows projections for the remainder of the current fiscal year and provides the CalHFA Board of Directors with information regarding possible initiatives. Each May, the Agency presents the final proposed

Strategic Plan and Operating Budget to CalHFA's Board of Directors for the upcoming fiscal year.

The Leadership Team consisting of the Division Directors and upper-level managers was created to carry out the vision of CalHFA through a culture of effective communication and collaboration. The main goal of the Leadership Team is to facilitate and enforce the same standards and values are evident throughout the Agency. The team is responsible for communicating the core values and codes of conduct to the front-line staff, including updates related to current programs' status, implementation of new initiatives, legislative changes, and updates and policy discussions. The Agency's new initiatives and special announcements are also communicated to the Agency's staff by the internal website *Insider* and various all-staff communications such as emails, videos and townhall meetings throughout the year.

CalHFA communicates externally via multiple platforms, and the communications are reviewed prior to release. Our public website at www.calhfa.ca.gov, audience-specific email announcements, and various social media services are each leveraged to give CalHFA the broadest reach for getting messages out. The Agency also issues periodic press releases through Business Wire and places op-ed pieces to reach traditional news media. Additionally, face-to-face and in-person communications are critical, including a dedicated Single Family Lending outreach team for in-person training seminars. The Executive Director, other Division Directors and Single Family and Multifamily staff attend and speak at multiple housing fairs, conferences, expositions, and other events throughout the year.

CalHFA supports the California State Auditor's Office efforts to protect employees who report the improper activities of state agencies and employees under the California Whistleblower Protection Act. Annually, the Director of Administration communicates to all staff their responsibility as a government employee to report any fraud, waste, or abuse, – which ultimately protects scarce state resources – and the protections that ensure freedom from retaliation when doing so.

The Agency uses data from the accounting/financial system to make informed decisions and evaluate program performance. Internal reports of agency activities are logged and assessed against the Agency's goals and strategies. If a risk is detected that would hinder the accomplishment of the Agency's goals, the Enterprise Risk Management and Compliance (ERM&C) Division along with the Leadership Team will meet to develop a plan with mitigating controls.

Management looks to the Information Technology Division for critical operating data and supports efforts to improve the systems as technology advances. The information systems used by the Agency are a combination of in-house built programs and third-party software.

MONITORING

The information included here discusses the entity-wide, continuous process to ensure internal control systems are working as intended. The role of the executive monitoring sponsor includes facilitating and verifying that the California Housing Finance Agency monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have

been given to: Christopher Shultz, Chief Deputy Director; Tiena Johnson Hall, Executive Director.

Management plays a crucial role in assuring that a high standard of business and ethical practices permeates the activities surrounding the custody and use of the Agency's resources. Established internal control policies and procedures guide employees in their stewardship role of achieving Agency's goals and objectives. The Director of each division is responsible for ensuring that internal controls are established, properly documented, maintained and adhered to in each unit within their division and monitoring employee compliance with internal controls. Control activities include approvals, authorizations, verifications, reconciliations, reviews of performance, security of assets, segregation of duties, and controls over information systems. Staff are empowered to identify risks and develop mitigation efforts to control the various risks. The ERM&C group is tasked with independent evaluations of program controls to identify and mitigate risk across the Agency. The ERM&C Division meets with all divisions and program areas annually to conduct its risk assessment. ERM&C routinely reviews and monitors the Agency's activities to ensure compliance with policies and identify any possible risks. These discussions assist in establishing ERM&C's priorities for the year, particularly its focus on the highest and most critical risks in the Agency.

The Agency undertakes activities to raise organizational awareness and foster a culture that enhances risk assessment and communication throughout its divisions. The Leadership Team meets biweekly to share current activities and these meetings include discussions of previously identified potential risks and the development of plans to mitigate them. Reconciliation of the Agency's financial statements is conducted daily, monthly, and quarterly. Operating payments are regularly verified for accuracy and compliance with contract terms or agreements. The Loan Administration Unit reviews monthly reports from outside loan servicers and compares them to internal reports for accuracy. Additionally, the Single Family Division established a Quality Control group that monitors the compliance and accuracy of the Agency's single family loan documentation.

CalHFA's Senior Loan Committee (SLC) provides advice and recommendations to the Executive Director and Chief Deputy Director on the approval of lending activities related to Multifamily Programs. The SLC is also entrusted with the task of reviewing and monitoring both the Financing and Multifamily Programs divisions' policies and procedures related to pricing and underwriting, asset management guidelines and standards, loan modifications and workouts, and credit risk guidelines to ensure that they are in alignment with CalHFA's Strategic Plan, California Health and Safety Code §50952, and CalHFA's mission.

CalHFA's Information Technology Division continuously monitors activity and takes security measures in technical support, application support, and information security. The Information Technology Division completely revised the Information Security Policy Manual, which promotes effective management and oversight of information security programs by formulating and documenting the security level of the Agency's information system. The manual is used as a foundation for appropriate security measures and controls to provide for the confidentiality, integrity, and availability of information, regardless of its form (electronic, optical, oral, print, or other media). These measures and controls are critical for ensuring business continuity and protection of informational assets against unauthorized access, use,

disclosure, disruption, modification, or destruction.

The Agency established the Information Security Governance Council, which is comprised of the Chief Deputy Director, General Counsel, Director of Enterprise Risk Management and Compliance, Director of Financing, Comptroller, Chief Information Officer, Deputy Chief Information Officer, Director of Administration, Multifamily Programs Chief, Single Family Programs Chief, and Chief Information Security Officer. The Council is responsible for the oversight and delivery of all information technology decisions, including the overall strategic direction of the division. The purpose of the Information Security Governance Council is to ensure that CalHFA Information Security Program is effective in meeting the requirements of the appropriate state and federal laws, regulations and directives while ensuring the Agency can conduct its business in support of its core mission and goals. The Information Security Governance Council will serve as a decision-making body for Agency-wide Information Security initiatives.

The independently contracted accounting firm CliftonLarsonAllen, LLP, assists the Fiscal Services Division with fiscal risk management and oversight and provides the certification that the Agency's financial statement is accurate and prepared according to the Generally Accepted Accounting Principles. The Board of Directors oversees the Agency's risk management process, while the executive team determines the risk strategies and oversees the implementation of various loan programs and products, new initiatives, investments, hedging activities, counterparty relationships, and services. During the Board meetings, the Agency's staff presents quarterly reports on production, delinquency, and progress toward attaining strategic milestones.

If any inadequacies are discovered, the Agency takes the appropriate measures to remedy the issues.

RISK ASSESSMENT PROCESS

The following personnel were involved in the California Housing Finance Agency risk assessment process: executive management, middle management, and front line management.

The following methods were used to identify risks: brainstorming meetings, employee engagement surveys, ongoing monitoring activities, audit/review results, other/prior risk assessments, external stakeholders, questionnaires, consideration of potential fraud, and performance metrics.

The following criteria were used to rank risks: likelihood of occurrence, potential impact to mission/goals/objectives, timing of potential event, potential impact of remediation efforts, and tolerance level for the type of risk.

The ERM&C team plays a leading role in managing the Agency's risks and identifying potential vulnerabilities. ERM&C instills risk awareness throughout the Agency, enhances its transparency, and assists with collecting, mitigating, monitoring, and reporting the various enterprise risks. The ERM&C team's goal is to focus management's attention on the organization's most significant risks and improve its ability to meet its mission, goals, and

objectives. The Agency strives to identify the number of risks it is willing to accept and use a consistent approach to assess risks. Division Directors set internal expectations and requirements regarding risk within their own divisions through the established standards of conduct, oversight structure, organizational structure, and expectation memos as part of the control environment.

At its annual meetings with each division, the ERM&C Division works to identify new risks, reassess the top risks identified in the prior year, and develop an action plan on how to mitigate these risks. Bi-annually, the senior leaders respond to the enterprise risk survey to identify the current and emerging internal and external risks. Cross-functional groups identify the controls and mitigations across the Agency on an ongoing basis.

The identified risks are evaluated and ranked on the likelihood that the risk will occur and the impact of the risk if it occurs. Important factors included in the ranking process are operational risk, systematic risk, financial risk, environmental risk, risk to the sustainability of the Agency, and conformity to regulatory compliance requirements.

RISKS AND CONTROLS

Risk: Workforce Development & Talent Acquisition

Functional Objective: To hire and maintain a knowledgeable and qualified workforce.

Risk Statement: Inability to maintain a knowledgeable and qualified workforce inhibits the Agency's ability to execute all business objectives effectively.

CalHFA is a smaller organization with fewer than 200 employees. Like many departments across the State, CalHFA has identified succession planning as a significant risk to the organization. There is a risk that CalHFA lacks the ability to execute business objectives effectively due to recruitment challenges and potential loss of knowledge due to staff turnover. For continuous improvement and to address the organization's sustainability, CalHFA aims to ensure that it has the correct people in the correct positions with the proper training to achieve the Agency's goals and fulfill its mission.

To mitigate this risk, CalHFA developed strategies for hiring and retaining employees, providing ongoing job shadowing and mentoring, and ensuring that procedure manuals are in place and updated regularly. The CalHFA Workforce Plan and Strategic Plan support business continuity and processes to identify and supply a qualified and motivated workforce.

Control: Control: Recruitment and Selection

CalHFA successfully recruited and filled the Executive Team. This has stabilized our workforce, resulting in our ability to address issues, strategies, and other business objectives more efficiently and in a timely fashion. The hiring of key leadership improves teamwork, productivity, strategy, and building the foundation for organizational success now and into the future.

In the effort to enhance our recruitment strategy to attain a diversified, knowledgeable, and qualified workforce, CalHFA increased our recruitment efforts to include direct outreach by attending virtual and in-person job fairs and partnerships with universities and other industry associations.

In 2022 and 2023, CalHFA earned Great Place to Work Certification. The organization recognizes employers around the world that create an employee-validated outstanding work environment.

CalHFA continues to prioritize filling key vacancies within divisions and establishing entry-level training that lead to potential promotions within the Agency.

Control: Control: Onboarding, Training and Development

CalHFA developed a buddy system to onboard new employees. This system has enabled new employees to become acclimated to the organization quicker, build an immediate personal connection, and have a point of contact for questions.

To maintain and enhance a knowledgeable workforce, CalHFA implements knowledge transfer and job shadowing for all employees. These knowledge transfer efforts also provide an opportunity for staff to cross-train and obtain new knowledge.

Additionally, each division has been tasked with developing and maintaining desk procedures to ensure consistent compliance with laws and regulations while establishing consistent standards and practices throughout the Agency.

The Agency conducts Employee Engagement Surveys annually. The survey allows CalHFA to have a better understanding of what drives people and how engaged they are. It also serves as a platform where everyone can voice their concerns and feel heard and valued. The survey helps the Agency identify key performance indicators for additional improvement in this area.

CalHFA further invested in employee satisfaction by working with an Executive Coaching Expert to help with developing growth strategies for a positive and sustainable outcome. Members of the CalHFA leadership team had routine meetings with the Executive Coaching Expert to develop effective communication and how to leverage passion, experience and expertise to achieve CalHFA's mission and vision. This activity has helped the Agency accomplish the important goal of ensuring that CalHFA's executives and senior leadership are in alignment and communicate with a single voice.

Risk: Technology – Data Security

Functional Objective: To ensure the continual confidentiality and availability of the CalHFA's data assets.

Risk Statement: Failure to protect the confidentiality and availability of the organization's data from an information security breach.

Technology plays a vital role in CalHFA's business operations. It provides necessary tools and functions, helps increase productivity, allows for better decision-making processes, and enables customers to interact with the Agency through various communication technology systems.

With the increasing threat of information security breaches, managing data security risk to protect the confidentiality and availability of the organization's data has become an increasingly important business concern. An information security breach could have a significant impact on CalHFA's customers, agency reputation, regulatory reporting, and could trigger federal and state sanctions. The Agency's Chief Information Officer has worked closely with CalHFA's Executive Director and Leadership team to develop the enterprise security architecture for CalHFA to assist in rationalizing, standardizing, and consolidating information technology applications assets, infrastructure data, and procedures for all divisions within CalHFA.

Control: Control: Oversight

The Information Technology Governance Council is responsible for the oversight and delivery of all information technology decisions. The Council ensures the effective and efficient use of technology solutions in supporting the enterprise to achieve its strategy and goals with acceptable levels of risk.

Increased staffing in the Security and Exchange unit ensures that CalHFA has the most qualified team to maintain information security while meeting the critical business functions.

The updated Information Security Policy Manual is used to guide all division managers and staff to comply with information technology policies to ensure consistent compliance with State and Federal guidelines and Industry Best Practices.

Control: Control: Data security, data loss, and data backup

The CalHFA Information Technology Division created a multi-layered framework to mitigate data security and data loss risks. The data loss prevention controls encompass the following framework: IT Infrastructure, Personal Computing, Outsourced IT, and IT Governance. IT infrastructure (e.g., servers, networks, internet, Wi-Fi, operating system, and application software) has system prevention controls such as separation and control access to various systems and networks in place with different threat levels and sets clearly defined security roles for users who may operate and interface with the CalHFA technology environment. Personal computing ("endpoint" equipment – e.g., desktops, laptops, tablets, mobile devices) is regulated through CalHFA's network by safeguarding information systems and assets at network entry and exit points. Furthermore, CalHFA established 24-hour security monitoring and alerting Agency systems to actively monitor activities and detect data breaches.

CalHFA's IT team recently implemented new security measures for email, logins, and mobile devices, including a 2-factor authentication, re-enabling of conditional access and mobile device management. Leveraging the use of the cloud for data backup and

storage, CalHFA's IT team has been contracting with a reliable cloud hosting provider to minimize the Agency's risk of a security data breach.

CalHFA's multi-layer data backup strategy has been established to ensure immutable, air gapped data backups.

Control: Control: Mandatory security awareness training

To enhance information security knowledge and awareness for all staff, continuous security awareness training is being provided throughout the year and ongoing phishing test exercises are conducted for all staff and vendors. These efforts serve to strengthen security awareness and protect information assets.

Risk: Economic Volatility

Functional Objective: To ensure CalHFA stays relevant in the market and positively impacts the housing needs of Californians.

Risk Statement: Inability to stay relevant in the market and positively address the housing needs of Californians.

CalHFA provides access to low-interest rate home financing to low- and moderate-income homebuyers as well as financing for the acquisition, rehabilitation, and preservation or new construction of affordable rental housing.

In recent years, the housing market has been unpredictable due to the pandemic and challenging economic climate. To continue to be relevant in the market and positively address the housing needs of Californians, CalHFA has been consistently evaluating our practices and looking for new and innovative opportunities to ensure that it continues to maintain and achieve its mission.

Control: Control: Evaluation and adaptation of products offered to meet current market demands

CalHFA continuously performs internal evaluations of our programs and policies to ensure it is relevant in the current environment. The goal is to ensure that the Agency and its programs remain helpful in addressing Californians' needs.

At least annually, the Multifamily and Single Family divisions perform assessments and re-evaluations of all product term sheets to ensure the programs are consistent with market conditions and parameters. Additionally, each division monitors policies of vital partners as needed, such as the Single Family Division reviewing master servicers' policies and the Multifamily Division staying current with the regulations of the California Debt Limit Allocation Committee and California Tax Credit Allocation Committee. This is done to ensure the Agency can work as efficiently as possible with its partners to provide affordable housing and homeownership solutions to Californians and has the benefit of helping CalHFA remain responsive to the current economic environment.

Control: Control: Impact Analysis

As part of the ongoing fiduciary responsibility of the funds, the Financing division is continuously working collaboratively across the Agency to conduct a cost benefit analysis prior to launching any new financing product and evaluate the impact of the external forces on our overall financial stability.

Control: Control: Creation of new and innovative programs to leverage new market opportunities

CalHFA is actively looking for new opportunities to be innovative and thoughtful in the housing finance market. The Agency looks at the current real estate environment and its constraints, to determine where the most significant impact could be made for the population we serve. For example, when the state's private activity bond cap allocation became oversubscribed, CalHFA launched a Bond Recycling Program, which will provide an additional source of tax-exempt financing, (outside of the annual State Debt Ceiling) bond cap, to address the state's affordable housing crisis. Other innovative programs include the Accessory Dwelling Unit (ADU) Grant Program, which provides financing to create additional housing units in California without needing to purchase land, and the California Dream for All Program, which is a revolving, shared appreciation loan program designed to increase access to homeownership for first-time homebuyer that may not otherwise have a homeownership opportunity due to their financial situation.

Control: Control: Establishing and maintaining key partnerships

CalHFA recognizes that collaboration and strong strategic partnerships are essential to its business success, and its ability to stay informed of current market factors. The Agency regularly communicates and engages with our key partners such as the private lenders, housing advocacy groups, federal, state, and local government partners, nonprofit and for-profit housing developers, and other housing stakeholders. These collaborations are beneficial as financial partnerships and as vehicles for gathering knowledge and insight, which is why it is so important to seek out new partners and enhance existing collaborations. With the goal of continuing to strengthen and understand the common and shared affordable housing initiatives with HFAs across the country, CalHFA sends its executive team and mid-level management to attend seminars and conferences annually.

Control: Control: Enhanced and focused outreach

Part of the constant examination of the effectiveness of CalHFA's programs in relation to the dynamic housing market is a continuing evaluation of their usefulness for underserved communities. The Agency recognizes that historical housing discrimination is still having negative effects on the ability of certain communities to achieve the dream of homeownership, and Fair Housing priorities are central to the work that CalHFA does. Therefore, CalHFA focuses much of its marketing and outreach to underserved communities to ensure that our program options are known and available to those communities who need it most. CalHFA continues to analyze data and leverage

community partnerships to inform our program design and outreach strategies.

CONCLUSION

The California Housing Finance Agency strives to reduce the risks inherent in our work and accepts the responsibility to continuously improve by addressing newly recognized risks and revising risk mitigation strategies as appropriate. I certify our internal control and monitoring systems are adequate to identify and address current and potential risks facing the organization.

Tiena Johnson Hall, Executive Director

CC: California Legislature [Senate, Assembly]
California State Auditor
California State Library
California State Controller
Director of California Department of Finance
Secretary of California Government Operations Agency