



**National Homebuyers Fund Inc. (NHF)**

# **Board of Directors Meeting**

**Wednesday  
November 9, 2022  
9:30 A.M.**

**1215 K Street, Suite 1650  
Sacramento, CA 95814**





National Homebuyers Fund, Inc.  
1215 K Street, Ste 1650 · Sacramento, California 95814  
Phone: 866-643-4968 · Fax: 916-444-3551 · [www.nhfloan.org](http://www.nhfloan.org)

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**Board of Directors Meeting  
November 9, 2022 – 9:30 a.m.  
1215 K Street, Suite 1650  
Sacramento, CA 95814**

**NHF Board of Directors:**

Supervisor Bob Williams, Tehama County  
Supervisor Daron McDaniel, Merced County  
Supervisor Dan Miller, Nevada County  
Supervisor Doug Teeter, Butte County  
Supervisor Jack Garamendi, Calaveras County

In accordance with Government Code section 54953, subdivision (e) (Assembly Bill 361), the November 9, 2022 National Homebuyers Fund, Inc. Meeting will be facilitated virtually through Zoom with limited in-person attendance. Members of the public may attend the meeting in-person, provided that the National Homebuyers Fund, Inc. reserve the right to limit the number of people in attendance. Members of the public can also watch or listen to the meeting using one of the following methods:

1. Join the Zoom meeting application on your computer, tablet or smartphone:

Go to: <https://rccnet.zoom.us/j/81335664498?from=addon>

Enter Password: 060245

2. Call-in and listen to the meeting:

Dial +1 (669) 900-9128

Enter meeting ID: 813 3566 4498

Enter password: 060245

**PUBLIC COMMENT USING ZOOM:** Members of the public who join the Zoom meeting, either through the Zoom app or by calling in, will be able to provide live public comment at specific points throughout the meeting.

**EMAIL PUBLIC COMMENT:** One may also email public comment to [mchui@rccnet.org](mailto:mchui@rccnet.org) before or during the meeting. All emailed public comments will be forwarded to all National Homebuyers Fund, Inc. members.

**DISABLED ACCOMMODATION:** Meeting facilities are accessible to persons with disabilities. If you have a disability which requires an accommodation or an alternative means to assist you in attending, observing, or commenting on this meeting, or an alternative agenda document format, please contact NHF at (916) 447-4806 or by email at [mchui@rccnet.org](mailto:mchui@rccnet.org) by 9:30 a.m. Monday, November 7<sup>th</sup> to ensure arrangements for accommodation.

**AGENDA**

**1. Call to Order & Determination of Quorum**

*Chair, Supervisor Bob Williams, Tehama County*

**2. Public Comments**

*At this time any member of the public may address the Board. Speakers are asked to state their name for the record but are not required to do so. Comments are usually limited to no more than 3 minutes per speaker.*

3. **Consent Agenda – ACTION**
  - a. **July 13, 2022 Board Meeting Minutes** **Page 1**
  - b. **NHF Resolution TC004-22: Authorizing Remote and Hybrid Teleconference Meetings of the NHF Board of Directors Pursuant to Assembly Bill 361** **Page 3**  
*Arthur J. Wylene, RCRC General Counsel*
  - c. **Proposed Revision to the NHF Bylaws Relating to Check-Signing Authority** **Page 7**  
*Patrick Blacklock, President*
  
4. **NHF Quarterly Reports** (Discussion and possible action relative to)  
*Milena De Melo, RCRC Finance Director*
  - a. **NHF Condensed Balance Sheet (September 30, 2022)** **Page 9**
  - b. **NHF Investment Report (Period Ended September 30, 2022)** **Page 13**
  - c. **NHF Budget v. Actual Report (Period Ended September 30, 2022)** **Page 17**
  
5. **Business and Administrative Matters** (Discussion and possible action related to)
  - a. **NHF 2023 Proposed Budget – ACTION** **Page 21**  
*Milena De Melo*
  - b. **NHF Revenue Activity and Excess Resources Transfer to RCRC – ACTION** **Page 29**  
*Craig Ferguson, Vice President*
  
6. **Program Updates** (Discussion and possible action relative to)
  - a. **Business Development and Program Updates** **Page 31**  
*Craig Ferguson*
  
7. **Adjournment**

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. The agenda for this regular meeting of the National Homebuyers Fund, Inc. was duly posted at its offices, 1215 K Street, Suite 1650, Sacramento, California, 72 hours prior to the meeting.

Any written materials related to an open session item on this agenda that are submitted to the National Homebuyers Fund, Inc. less than 72 hours prior to the meeting, and that are not exempt from disclosure under the Public Records Act, will promptly be made available for public inspection at NHF's principal office, 1215 K Street, Suite 1650, Sacramento, CA 95814, (916) 447-4806, during normal business hours, and on the NHF website, <http://www.nhfloan.org/notices.html>.

**National Homebuyers Fund, Inc.  
Board of Directors Meeting  
Wednesday, July 13, 2022 - 9:30 a.m.  
1215 K Street, Suite 1650  
Sacramento CA 95814**

**MINUTES**

**Call to Order, Determination of Quorum**

NHF Chair, Supervisor Bob Williams, Tehama County, presided. Present were President Patrick Blacklock, RCRC General Counsel Arthur J. Wylene, and RCRC Director of Board Operations Maggie Chui, clerk. NHF Chair Williams called the meeting to order at 9:31 a.m. A quorum was determined at that time. Those members present:

**Directors**

Chair, Supervisor Bob Williams, Tehama County  
Vice Chair, Supervisor Daron McDaniel, Merced County  
Supervisor Dan Miller, Nevada County  
Supervisor Jack Garamendi, Calaveras County\*

**Absent**

Supervisor Doug Teeter, Butte County

\*Attendance via Zoom

**Public Comments**

None

**Consent Agenda**

- a. **May 11, 2022 Board of Directors Meeting Minutes**
- b. **NHF Resolution TC003-22: Authorizing Remote and Hybrid Teleconference Meetings of the NHF Board of Directors Pursuant to Assembly Bill 361**

Chair, Supervisor Bob Williams, Tehama County, called for approval of the above-listed consent agenda items.

**Supervisor Dan Miller, Nevada County, motioned to approve the consent agenda items. Supervisor Daron McDaniel, Merced County, seconded the motion. Motion passed with all Supervisors present voting “Aye.”**

**NHF Condensed Balance Sheet (May 31, 2022)**

Milena De Melo, RCRC Interim Finance Director, presented the NHF Condensed Balance Sheet as of May 31, 2022, 2021, and 2020.

**NHF Investment Report (May 31, 2022)**

Milena De Melo presented the NHF Quarterly Investment Report which provided a summary of investment transactions from December 31, 2021, to May 31, 2022.

**NHF Budget v. Actual Report (May 31, 2022)**

Milena De Melo presented the NHF Statement of Revenues and Expenses which provided a summary of budget to actual comparison for quarter ended May 31, 2022.

**Program Updates**

Craig Ferguson, Senior Vice President, provided an update on current programs to the NHF Executive Committee, including NHF's and the Golden State Finance Authority's (NHF affiliate entity) down payment assistance programs.

**Adjournment**

NHF Chair, Supervisor Bob Williams, Tehama County, adjourned the NHF Board of Directors Meeting at 9:50 a.m.



**To:** Members of the NHF Board of Directors  
**From:** Arthur J. Wylene, RCRC General Counsel  
**Date:** November 1, 2022  
**Re:** NHF Resolution TC004-22: Authorizing Remote and Hybrid  
Teleconference Meetings of the NHF Board of Directors Pursuant to  
Assembly Bill 361 – **ACTION**

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### **Summary**

The proposed resolution will allow the current NHF Board of Directors meeting to be held primarily in-person at the RCRC offices, while still permitting full remote participation for those members who are unable to attend in person, or prefer to participate virtually.

### **Background**

In accordance with Section 5(k) of the NHF Bylaws, meetings of the NHF Board of Directors are conducted pursuant to the provisions of the Ralph M. Brown Act. The Brown Act has traditionally placed significant restrictions on teleconferenced meetings, including requiring that each teleconference location be accessible to the public (i.e., participation of Board members from homes or private offices has not been permitted).

In the early days of the COVID-19 pandemic, the Governor issued a series of Executive Orders temporarily suspending the restrictions on teleconferenced meetings, under which most NHF Board meetings have been conducted during the last year-and-a-half. These Executive Orders terminated on September 30, 2021. In their place, the Legislature has enacted Assembly Bill 361 (R. Rivas), which permits legislative bodies to continue holding teleconferenced meetings without the traditional Brown Act restrictions (through December 2023) under any of the following circumstances:

*(A) The legislative body holds a meeting during a proclaimed state of emergency, and state or local officials have imposed or recommended measures to promote social distancing.*

*(B) The legislative body holds a meeting during a proclaimed state of emergency for the purpose of determining, by majority vote, whether as a result of the emergency, meeting in person would present imminent risks to the health or safety of attendees.*

*(C) The legislative body holds a meeting during a proclaimed state of emergency and has determined, by majority vote, pursuant to subparagraph (B), that, as a*

*result of the emergency, meeting in person would present imminent risks to the health or safety of attendees.*

To continue holding teleconferenced meetings in the manner to which Board members have become accustomed, each of NHF's legislative bodies will need to make the alternative determinations required by Assembly Bill 361. These determinations are factually supportable, as the continued rates of transmission of the COVID-19 virus, including the Omicron variant, can indeed present imminent risks to the health and safety of some in-person attendees, particularly those with pre-existing health conditions.

If the proposed resolution making these determinations is approved, the Board may continue holding remote and hybrid meetings in substantially the same manner as it has during the past 18 months. (Assembly Bill 361 includes several additional requirements for teleconferenced meetings, including providing an opportunity for "real time" public comment, and suspending the meeting in the event that remote connectivity is lost; however, these are all consistent with NHF's existing practices.)

Assembly Bill 361 generally requires that the requisite determinations must be reconsidered every thirty days. Since NHF's legislative bodies typically do not meet that frequently, a new resolution making these determinations will be required at the start of each meeting.

**Recommendation**

It is recommended that the Board of Directors approve the proposed Resolution Authorizing Remote and Hybrid Teleconference Meetings of the NHF Board of Directors Pursuant to Assembly Bill 361.

**Attachment**

- Proposed Resolution TC004-22

## **NHF RESOLUTION NO. TC004-22**

### **RESOLUTION OF THE BOARD OF DIRECTORS OF NATIONAL HOMEBUYERS FUND AUTHORIZING REMOTE AND HYBRID TELECONFERENCE MEETINGS OF THE BOARD OF DIRECTORS PURSUANT TO ASSEMBLY BILL 361**

WHEREAS, National Homebuyers Fund (NHF) is committed to preserving and nurturing public access and participation in meetings of NHF's legislative bodies; and

WHEREAS, the Brown Act, Government Code section 54953, subdivision (e), makes provisions for remote teleconferencing participation in meetings by members of a legislative body, without compliance with the requirements of Government Code section 54953, subdivision (b)(3), subject to the existence of certain conditions; and

WHEREAS, a required condition is that a state of emergency is declared by the Governor pursuant to Government Code section 8625, proclaiming the existence of conditions of disaster or of extreme peril to the safety of persons and property within the state caused by conditions as described in Government Code section 8558; and

WHEREAS, on March 4, 2020, the Governor proclaimed pursuant to his authority under the California Emergency Services Act, California Government Code section 8625, that a state of emergency exists with regard to a novel coronavirus (a disease now known as COVID-19); and

WHEREAS, on June 4, 2021, the Governor clarified that the "reopening" of California on June 15, 2021 did not include any change to the proclaimed state of emergency or the powers exercised thereunder; and

WHEREAS, as of the date of this Resolution, neither the Governor nor the Legislature have exercised their respective powers pursuant to California Government Code section 8629 to lift the state of emergency either by proclamation or by concurrent resolution in the state Legislature; and

WHEREAS, the continued rates of transmission of the virus and variants causing COVID-19 within California are such that meeting in person would present imminent risks to the health or safety of some attendees of public meetings, particularly those with pre-existing health conditions;

WHEREAS, the Board of Directors has considered the current circumstances of the state of emergency, and determined that the state of emergency continues to directly impact the ability of the members to meet safely in person;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the National Homebuyers Fund as follows:

1. The Recitals set forth above are true and correct and are incorporated into this Resolution by this reference.

2. A proclaimed state of emergency exists and as a result of the emergency, meeting in person would present imminent risks to the health or safety of some attendees, particularly those with pre-existing health conditions.
3. The Board of Directors is hereby authorized and directed to conduct open and public meetings in accordance with Government Code section 54953, subdivision (e) and other applicable provisions of the Brown Act.
4. This Resolution is intended to enable the Board of Directors to meet via teleconference in accordance with Assembly Bill 361 of 2021 (Statutes 2021, Chapter 165), whether solely by teleconference or via a "hybrid" combination of physical location and teleconference.
5. This Resolution shall take effect immediately upon its adoption and shall be effective for a period of thirty (30) days thereafter, unless extended pursuant to Government Code section 54953, subdivision (e)(3). Expiration of this resolution shall not prejudice any subsequent action to adopt another resolution in accordance with Government Code section 54953, subdivision (e) during the present or any future state of emergency.

PASSED, APPROVED AND ADOPTED by the Board of Directors of the National Homebuyers Fund, the 9th day of November 2022.

Secretary's Certificate

*I certify that the foregoing is a true and accurate description of action taken at a properly constituted meeting of the Board of Directors of National Homebuyers Fund, Inc. on November 9, 2022.*

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Secretary's Signature



To: Members of the NHF Board of Directors  
From: Patrick Blacklock, President  
Date: November 1, 2022  
Re: Proposed Revision to the NHF Bylaws Relating to Check-Signing Authority  
– **ACTION**

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### **Summary**

The 2022-2025 Strategic Plan for RCRC and its affiliates sets forth the objective to "maintain and strengthen organizational governance," with an associated implementation strategy that includes formalizing and compiling a complete entity-wide corporate governance framework. In furtherance of these goals, staff is presently evaluating existing policies and practices that have evolved over time, and may not be fully reflected in the applicable Bylaws.

During this review, it has come to staff's attention that the organization's long-standing practices with regard to check-signing authority (applicable to all affiliates) do not precisely match the language in Section 6(b)(ii) of the NHF Bylaws. Under existing practice, all checks must be signed by the President or their designee, while large checks (over \$5,000) must be signed by two individuals, both duly authorized by the President. The NHF Bylaws currently specify that any check-signers (other than the President and CFO) must further be approved by the Board. This would be cumbersome and impracticable given NHF's volume of transactions and anticipated growth. The proposed amendment would clarify and conform the Bylaws to NHF's current practices.

### **Recommendation**

It is recommended that the NHF Board of Directors approve the proposed revision to Section 6(b)(ii) of the NHF Bylaws relating to check-signing authority.

### **Attachment**

- Proposed Bylaws Revision

## Proposed Bylaws Revision

### **Section 6. Officers.**

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(b) *Officers of the Corporation.*

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(ii) *Chief Financial Officer.* The Chief Financial Officer shall be the Chief Financial Officer of RCRC. The Chief Financial Officer shall be ex officio the Treasurer of the corporation, and shall serve at the pleasure of the President. The Chief Financial Officer shall keep and maintain, or cause to be kept and maintained, complete and accurate accounts of all receipts and disbursements of the corporation, including accounts of its assets and liabilities. The Chief Financial Officer shall deposit or caused to be deposited all moneys and other valuables in the name and to the credit of the corporation in such depositories as may be determined by the President. The Chief Financial Officer shall disburse the funds of the corporation as may be ordered by the Board and shall regularly render to the board an account of the actions of the Chief Financial Officer and of the financial condition of the corporation.

Debits and payments from the corporate accounts of less the \$5,000 shall require the signature of ~~either~~ one (1) of the following: the President, or Chief Financial Officer, or such other ~~bonded employed as may be~~ signatory duly authorized by the President Board; debits and payments of \$5,000 or more shall require the signature of two (2) of the following: the President, or Chief Financial Officer, or such other ~~bonded employed as may be~~ signatory duly authorized by the President Board. The Chief Financial Officer shall render quarterly written financial reports to the Board setting forth all income received and expenditures made since the previous report and the balance of unexpended corporate funds as of the date of such report.

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**To:** Members of the NHF Board of Directors  
**From:** Milena De Melo, RCRC Finance Director  
**Date:** November 1, 2022  
**Re:** NHF Condensed Balance Sheet (September 30, 2022)

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### **Summary**

The Condensed Balance Sheet provides an overview of the Net Position of NHF as of September 30, 2022, compared to audited Net Position as of December 31, 2021 and 2020.

NHF's net position remains strong at \$87.2 million. Items of significance include:

- Total cash and cash equivalents totaling approximately \$79.7 million, a decrease of approximately \$6.6 million compared to December 2021.
- Second mortgages receivable, net of loan loss allowance of \$8.0 million, an increase of \$5.3 million compared to December 2021.

### **Attachment**

- NHF Condensed Balance Sheet as of September 30, 2022.



**National Homebuyers Fund Inc.  
Condensed Balance Sheet  
September 30, 2022**

	<b>(Unaudited)</b>	
	<b>September 30, 2022</b>	<b>Audited</b>
	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>Assets</b>		
Cash in banks, brokerage, and CalTrust	\$ 79,748,302	\$ 86,306,606
Accounts receivable and other assets	321,418	2,873,844
Accounts receivable, proceeds from sale of securities *	-	3,003,633
Second mortgages receivable, less loan loss allowance **	7,962,566	2,711,443
<b>Total assets</b>	<b>\$ 88,032,286</b>	<b>\$ 94,895,526</b>
<b>Liabilities</b>		
Accounts payable	\$ 787,998	\$ 2,285,514
Accounts payable, securities to be purchased, at fair value *	-	3,002,656
<b>Total liabilities</b>	<b>\$ 787,998</b>	<b>\$ 5,288,170</b>
<b>Net position, unrestricted</b>	<b>\$ 87,244,288</b>	<b>\$ 89,607,356</b>
	<b>\$ 87,244,288</b>	<b>\$ 87,654,130</b>

\* Balances offset each other for a net impact on Statement of Revenues, Expenses, and Changes in Net Position in amounts of \$0, \$977, and (\$135,742) as of September 30, 2022, December 31, 2021, and December 31, 2020, respectively.

\*\* Net of loan loss allowance of \$175,000 as of September 30, 2022, December 31, 2021 and December 31, 2020, has been included as a reduction of mortgage receivables outstanding.





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**To:** Members of the NHF Board of Directors  
**From:** Milena De Melo, RCRC Finance Director  
**Date:** November 1, 2022  
**Re:** NHF Investment Report (Period Ended September 30, 2022)

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### **Summary**

In accordance with NHF's investment policy, we are providing the NHF investment report. This report provides a summary of investment transactions from December 31, 2021 to September 30, 2022. Investment returns by investment type and a comparison to the 90-day Treasury Rate for the most recent period of September 30, 2022 have been included.

The CalTRUST yields are the funds' reported September 30th yields.

### **Attachment**

- NHF Investment Report for the Period Ended September 30, 2022



**NATIONAL HOMEBUYERS FUND INC.**  
**Investment Report**  
**For the Period Ended September 30, 2022**

	Total	CalTRUST Short-Term	CalTRUST Medium-Term
Balance 12/31/2021 *	\$ 35,079,375	\$ 2,090,427	\$ 32,988,948
Additions	-	-	-
Withdrawals	-	-	-
Interest (includes accrued)	46,212	1,187	45,025
Capital Gain/(Loss)	(852,536)	(10,382)	(842,154)
Balance 03/31/2022 *	34,273,051	2,081,232	32,191,819
Additions	-	-	-
Withdrawals	-	-	-
Interest (includes accrued)	53,043	1,966	51,077
Capital Gain/(Loss)	(64,745)	1	(64,746)
Balance 05/31/2022 *	34,261,349	2,083,199	32,178,150
Additions	-	-	-
Withdrawals	-	-	-
Interest (includes accrued)	166,259	11,511	154,748
Capital Gain/(Loss)	(791,614)	(10,411)	(781,203)
Balance 09/30/2022 *	\$ 33,635,994	\$ 2,084,299	\$ 31,551,695

Yield:

Annualized One Year  
Average Maturity (days)  
90 Day Treasury Bill Rate

Reported as of September 30, 2022	
Short Term	Mid Term
0.74%	0.88%
332	825
3.33%	

All current cash investments are held in CalTRUST's Short-Term Fund or Medium-Term Fund. Cash in the CalTRUST Short-Term Fund may be accessed within 24 hours. Cash in the CalTRUST Medium-Term Fund may be accessed within 72 hours.

No members of the Investment Committee have any conflict of interest with any current investment firms.

\* Amounts shown include accrued interest at the end of the period.

Purpose of transactions in excess of \$1 million:  
- None





**To:** Members of the NHF Board of Directors  
**From:** Milena De Melo, RCRC Finance Director  
**Date:** November 1, 2022  
**Re:** NHF Budget v. Actual Report (Period Ended September 30, 2022)

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### **Summary**

The Statement of Revenues and Expenses for NHF provides a budget to actual comparison for the period ended September 30, 2022.

NHF's expenditures exceeded revenues by approximately \$2.4 million, resulting in a \$3.0 million unfavorable variance from the 2022 budget. Items of significance include:

- An unrealized loss on investments of \$1,708,894 - This amount is unrealized and is due to lower performance from less-than-favorable market conditions.
- An unfavorable variance of approximately \$10.2 million in housing program revenue. Market instability has had a negative impact on loan production, resulting in lower revenue. This variance, however, is substantially offset by the favorable \$9.2 million variance in down payment assistance expenditure.

### **Attachment**

- NHF Statement of Revenues and Expenses, Budget vs. Actual, for the Period Ended September 30, 2022



**NATIONAL HOMEBUYERS FUND INC.**  
**Budget v. Actual**  
**For the period ended September 30, 2022**

	2022 Annual Budget	Period ended September 30, 2022 Budget	Period ended September 30, 2022 Actual	Variance favorable / (unfavorable)	Percent favorable / (unfavorable)
<b>Revenue:</b>					
Housing program revenue	\$ 18,987,500	\$ 14,240,625	\$ 4,004,393	\$ (10,236,232)	-71.9%
Program management fee revenue	1,540,000	1,155,000	496,410	(658,590)	-57.0%
2nd mortgage interest	187,000	140,250	119,462	(20,788)	-14.8%
Interest and dividend income	150,000	112,500	400,841	288,341	256.3%
Unrealized capital gains / (loss)	20,000	15,000	(1,708,894)	(1,723,894)	-11492.6%
<b>Total revenue:</b>	<b>\$ 20,884,500</b>	<b>\$ 15,663,375</b>	<b>\$ 3,312,212</b>	<b>\$ (12,351,163)</b>	<b>-78.9%</b>
<b>Expenditures:</b>					
Accounting & Auditing	\$ 27,050	\$ 20,288	\$ 23,925	\$ (3,638)	-17.9%
Banking	2,000	1,500	300	1,200	80.0%
Business development and expansion	100,000	75,000	22,052	52,948	70.6%
Consultants	205,000	153,750	157,500	(3,750)	-2.4%
Contract support services	2,608,800	1,956,600	1,956,600	-	0.0%
Dues, fees & subscriptions	22,500	16,875	21,619	(4,744)	-28.1%
Excess Resources to RCRC	750,000	562,500	562,500	-	0.0%
Insurance	48,500	36,375	36,090	285	0.8%
Legal Services	50,000	37,500	2,588	34,912	93.1%
Loan Losses	50,000	37,500	19,514	17,986	48.0%
Meetings	1,000	750	-	750	100.0%
Miscellaneous	1,000	750	624	126	16.8%
Gift Program	16,000,000	12,000,000	2,765,843	9,234,157	77.0%
Pipeline Services	40,000	30,000	22,500	7,500	25.0%
Rent	64,050	48,038	46,267	1,771	3.7%
Sponsorships	60,000	45,000	37,358	7,642	17.0%
<b>Total expenditures:</b>	<b>\$ 20,029,900</b>	<b>\$ 15,022,425</b>	<b>\$ 5,675,280</b>	<b>\$ 9,347,145</b>	<b>62.2%</b>
<b>Net revenues over expenditures:</b>	<b>\$ 854,600</b>	<b>\$ 640,950</b>	<b>\$ (2,363,068)</b>	<b>\$ (3,004,018)</b>	<b>-468.7%</b>





To: Members of the NHF Board of Directors  
From: Patrick Blacklock, President  
Milena De Melo, RCRC Finance Director  
Date: November 1, 2022  
Re: NHF 2023 Proposed Budget - **ACTION**

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The proposed 2023 National Homebuyers Fund, Inc. (NHF) Operating Budget constitutes NHF's continued commitment to the organization's core functions of national affordable housing down payment assistance and other program management services.

### **2023 Proposed NHF Budget Summary**

The proposed 2023 operating budget (Attachment A) includes total revenues of \$4,240,667 and total expenditures of \$3,940,250 and results in net revenue over expenditures of \$300,417. The primary sources of revenue and budgeted expenses are described below.

### **2023 Proposed Revenue Highlights**

Proposed revenues are primarily derived from housing programs and program management services. Second mortgage portfolio interest earnings, interest on investments, and investment gains also contribute to revenues. The proposed 2023 NHF Operating Revenue Budget of \$4,240,667 includes:

- Housing program activity which is projected to generate revenues of \$3,291,667.
- Management services revenue of \$610,000.
- NHF second mortgage portfolio interest earnings of \$169,000.
- Interest and dividends on cash and investments held at CalTRUST of \$150,000.

### **2023 Proposed Expenditure Highlights**

The proposed 2023 NHF Operating Expenditure Budget totaling \$3,940,250 is designed to provide the resources necessary to pursue and implement current and planned housing programs and other services. Primary expenditures include contract support services payments, and an estimated excess revenue transfer to RCRC.

The key proposed 2023 NHF expenditures include:

- Contract support services payments to RCRC in the amount of \$2,549,600.
- In accordance with the NHF Bylaws, the NHF budget includes a proposed transfer of excess revenues of \$750,000 to RCRC in 2023. This is the same

amount as budgeted in 2022. This item is specifically addressed in a separate report.

- Consultants in the amount of \$210,000 for housing-related matters primarily at the federal level.
- Business development and expansion in the amount of \$100,000.
- Ongoing operating expenses such as audit, insurance, and rent totaling \$140,650.
- Sponsorships of \$60,000 which include possible sponsorships back into communities.
- Budgeted loan losses totaling \$50,000.

### **Key Differences between 2023 and 2022 Budgets**

The proposed 2023 NHF Revenue Budget is \$4,240,667, a decrease of \$16,643,833 (79.7%). The proposed Expenditure Budget for NHF is \$3,940,250, a \$16,089,650 (80.3%) decrease from the 2022 approved budget. Following is a summary of the key differences between the proposed 2023 and the 2022 approved budgets:

- **Housing Program Revenue** – A decrease of \$15,695,833 (82.7%) in revenue resulting from one of NHF’s down payment assistance programs. NHF’s down payment assistance comes in the form of either a Gift or a zero-interest rate Second Mortgage. NHF’s traditional Gift option is budgeted to pause operations given the unfavorable interest rate environment. The budget and expectations for the zero-interest option are budgeted for slight growth.
- **Program Management Fee Revenue** – A decrease of \$930,000 (60.4%) in revenue associated with a decrease in a contract entity’s program volume.
- **2<sup>nd</sup> Mortgage Interest** – A decrease of \$18,000 (9.6%) associated with interest earnings on 2<sup>nd</sup> mortgages declining as balances continue to be paid down.
- **Interest and Dividend Income** – These are associated with earnings on the entity’s investments from CalTRUST. Given the existing interest rate environment and uncertainties in the market, NHF has budgeted interest and dividend income to remain consistent considering strong cash and investment balances.
- **Housing Program Down Payment Assistance (Expense) to Homebuyers** –A decrease of \$16,000,000 (100.0%). This expense represents DPA Grants to homebuyers under a traditional NHF program in the form of a Gift to homebuyers. As the program is budgeted to pause operations in 2023, the associated expenditure is budgeted to cease as well.

- **Legal Services** – A decrease of \$40,000 (80.0%) due to conclusion of an ongoing lawsuit.
- **Contract Support Service Expenses** – A decrease of \$59,200 (2.3%) in contract service fees primarily driven decrease in direct and indirect costs in services provided by RCRC.
- **Excess resources to RCRC** – Excess resources fee is expected to remain consistent with the prior year, to align with the budgeted decline in revenue growth and NHF’s commitment to keep funds within the organization to utilize for future growth.

**Budgeted Net Revenue**

The proposed budget for 2023 will result in net revenue over expenditures of \$300,417. The budgeted expenditures include noncash adjustments for loan losses of \$50,000 and unrealized gains of \$20,000. Therefore, the proposed 2023 budget is projected to generate positive cash flow of \$330,417.

NHF has established an operating reserve which will be calculated as three months (25%) of the annual budgeted total expenditures, which includes both administrative and program expenses, as approved by the Board of Directors. An additional 10% operating reserve is used for contingencies. These balances are shown in Attachment B.

While the economy remains uncertain going into 2023, and the 2023 budget is proposing lower revenues and expenditures, NHF remains in a strong position with excess reserve cash of approximately \$18.7 million as of the end of October 2022. As NHF’s proposed 2023 budget is projected to generate positive cash flow of \$330,417 no draw down on NHF’s cash balance is planned.

**Recommendations**

It is recommended that the NHF Board of Directors approve the following actions:

1. Approve the attached proposed 2023 NHF Operating Budget.
2. Grant the NHF President 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 shall be made in consultation with the NHF Vice President, NHF Chair, and NHF Vice Chair with subsequent ratification by the Board of Directors, as necessary.
3. Approve the 2023 contract service fee to RCRC in the amount of \$2,549,600 and transfer of \$750,000 of excess revenues to RCRC in accordance with the NHF bylaws.

## **Attachments**

- 2023 NHF Operating Budget (Attachment A)
- NHF Reserve Calculation (Attachment B)

**NATIONAL HOMEBUYERS FUND INC.**  
**Operating Budget**  
**For the Year Ended December 31, 2023**

	<b>2023 Budget</b>	<b>2022 Budget</b>	<b>Change Increase / (Decrease)</b>
<b>Revenue:</b>			
Housing program revenue	\$ 3,291,667	\$ 18,987,500	\$ (15,695,833)
Program management fees	610,000	1,540,000	(930,000)
Interest income on second mortgages	169,000	187,000	(18,000)
Interest and dividend income on cash and investments	150,000	150,000	-
Unrealized capital gains/(losses)	20,000	20,000	-
<b>Total Revenue</b>	<b>\$ 4,240,667</b>	<b>\$ 20,884,500</b>	<b>\$ (16,643,833)</b>
<b>Expenditures:</b>			
Accounting and auditing	\$ 21,050	\$ 27,050	\$ (6,000)
Bank fees	2,000	2,000	-
Business development and expansion	100,000	100,000	-
Consultants	210,000	205,000	5,000
Contract support service fee	2,549,600	2,608,800	(59,200)
Custodian / Trustee Fees	1,000	-	1,000
Dues, fees and subscriptions	25,000	22,500	2,500
Excess resources paid to RCRC	750,000	750,000	-
Insurance	49,600	48,500	1,100
Legal fees	10,000	50,000	(40,000)
Loan loss reserve	50,000	50,000	-
Meetings	1,000	1,000	-
Miscellaneous	1,000	1,000	-
Down payment assistance program (DPA)	-	16,000,000	(16,000,000)
Pipeline services	40,000	40,000	-
Rent	70,000	64,050	5,950
Sponsorships	60,000	60,000	-
<b>Total Expenditures</b>	<b>\$ 3,940,250</b>	<b>\$ 20,029,900</b>	<b>\$ (16,089,650)</b>
<b>Net Revenue Over Expenditures</b>	<b>\$ 300,417</b>	<b>\$ 854,600</b>	<b>\$ (554,183)</b>
<b>Noncash Adjustments:</b>			
Capital gains/(losses)	\$ (20,000)	\$ (20,000)	\$ -
Loan loss reserve	\$ 50,000	\$ 50,000	\$ -
<b>Projected net cash flow</b>	<b>\$ 330,417</b>	<b>\$ 884,600</b>	<b>\$ (554,183)</b>



**National Homebuyers Fund, Inc.**  
**Reserve Calculation**  
**October 31, 2022**

Total budgeted expenditures for the year ended December 31, 2022	\$ 20,029,900
	25%
<i>Operating</i> reserve calculation at 50% of annual expense budget	\$ 5,007,475
	10%
<i>Contingency</i> reserve calculation at 5% of annual expense budget	\$ 2,002,990
<i>Program</i> reserve calculation necessary for MBS trades	\$ 40,190,050
<i>Commitments</i> for Board-approved initiatives	
- Down payment assistance in the form of second mortgage loans	\$ 9,695,222
Total commitments	\$ 9,695,222
Total reserve for the period ended October 31, 2022	\$ 56,895,736
Available cash and investments in CalTRUST	\$ 75,603,913
Unassigned cash and investments in CalTRUST	\$ 18,708,176
Projected net cash flow - 2023 Budget	\$ 330,417
Unassigned cash and investments in CalTRUST adjusted for 2023 budgeted cash flow	\$ 19,038,593





To: Members of the NHF Board of Directors  
From: Patrick Blacklock, President  
Milena De Melo, RCRC Finance Director  
Craig Ferguson, Vice President  
Date: November 1, 2022  
Re: NHF Revenue Activity and Excess Resources Transfer to RCRC -  
**ACTION**

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### **Summary**

Section 3 (d) "Excess Revenues" of the NHF Bylaws states:

"This corporation shall transfer to RCRC all revenues in excess of the corporation's business operating needs. The amounts of such excess revenues shall be determined and transferred by the Chief Financial Officer and the Vice President on not less than an annual basis. Any transfer of funds pursuant to this Section shall be approved by the President."

NHF continued its housing program in 2022. Current economic conditions and increases in interest rates, however, have impacted and slowed down the housing programs. It is prudent for NHF to proceed conservatively regarding estimating NHF's excess resources.

Prior years' experience has demonstrated that the market that NHF operates in can be volatile. As such, utilization and investment of resources in program development, enhancement of the existing program, and supporting long-term financial needs is critical to future success.

To strengthen both the short and long-term future of NHF, it is important to retain significant resources in NHF to invest in and support continued expansion and program development. With a strong balance sheet and available resources, NHF presents a solid financial condition to partners and potential partners and has the resources necessary to pursue further programmatic and geographic expansion and diversification.

NHF's proposed budget for 2023 includes projected revenues of roughly \$4.2 million and projected expenditures of \$3.9 million. The contract support service fee to RCRC for 2023 will decrease slightly. The 2022 contract amount was \$2,608,800 while the proposed 2023 contract amount is \$2,549,600.

**NHF Resources**

As of September 30, 2022, NHF’s resources consist primarily of the following:

Cash and cash equivalents	\$39,629,696
Cash in Securities Brokerage Accounts	\$40,118,606
Second Mortgages (some of which will experience losses)	<u>\$ 8,137,566</u>
Total primary resources	<u>\$87,885,868</u>

With the projected decrease in down payment assistance program activity, the volatility of the market and the on-going commitment to build strong programs for homeowners, a conservative approach to the transfer of resources to RCRC is suggested. Consideration includes both short and long-term program needs and commitments in evaluating and discussing the current and future resource requirements of NHF. This is based on 2022 activity and 2023 and future business operating needs and plans.

**Conclusion**

In addition to the 2023 contract support service fee, and in accordance with the NHF bylaws, it is recommended NHF transfer \$750,000 to RCRC in 2023. To ensure the stability of NHF resources the \$750,000 should be transferred quarterly in equal amounts. In the event there is a notable change in the market and/or NHF’s business operating model or needs, the transfer will be revisited with the NHF Board.

**Recommendation**

It is recommended that, per NHF bylaws, based on 2022 activity and projected 2023 and future operating needs, the Board approve the transfer of \$750,000 of NHF resources to RCRC in equal quarterly transfers in 2023.



**To:** Members of the NHF Board of Directors  
**From:** Craig Ferguson, Vice President  
**Date:** November 1, 2022  
**Re:** Business Development and Program Updates

**Summary**

Data updates. Other updates will be provided verbally.

**Programs**

Down Payment Assistance Programs

Data Snapshot

	2022 (YTD)	2021	Program Total*
# of individuals/families that purchased a home through an NHF program	1182	2310	46.4K+
Total down payment assistance (2 <sup>nd</sup> loans and gifts) provided by NHF programs	\$12.9M+	\$23.8+	\$399M+
Total loan financing (1 <sup>st</sup> and 2 <sup>nd</sup> loans) provided by NHF programs	\$363M+	\$639M+	\$8.9B+

*\*From inception*