

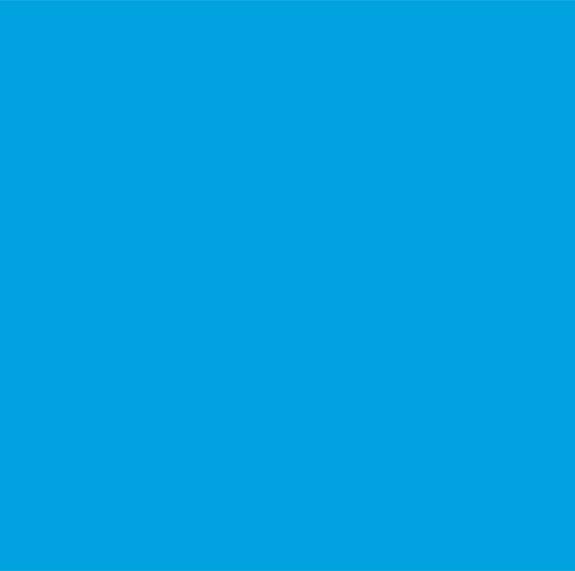
OLIVER WYMAN



April 16, 2009

**Actuarial Study for Health Facility
Construction Loan Insurance Fund
As of June 30, 2008**

Suzanne Black, FCAS, MAAA



Confidentiality

Our clients' industries are extremely competitive. The confidentiality of companies' plans and data is obviously critical. Oliver Wyman will protect the confidentiality of all such client information.

Similarly, management consulting is a competitive business. We view our approaches and insights as proprietary and therefore look to our clients to protect Oliver Wyman's interests in our proposals, presentations, methodologies and analytical techniques. Under no circumstances should this material be shared with any third party without the written consent of Oliver Wyman.

Copyright © 2008 Oliver Wyman

Overview / Agenda

- Analysis of Reserve Sufficiency of HFCLIF
- Analysis of Debt Service Coverage Ratios
- Analysis of Cash Flow Projection
- Analysis of Risk to State Fund
- Questions or Comments

Reserve Sufficiency of HFCLIF

as of June 30, 2008

Cal-Mortgage Statutory Requirements

Item	Without Pipeline IBNR Reserve	With Pipeline IBNR Reserve
Capital and Surplus	75,000,000	75,000,000
Case Reserve (Current Default)	127,648,370	127,648,370
Pipeline IBNR Reserve	-	4,921,424
Recoveries (Resolved Loans)	(10,521,461)	(10,521,461)
Sherman Oaks Proceeds (Recovery)	(16,185,000)	(16,185,000)
Contingency Reserve	10,992,518	10,992,518
Unearned Premium Reserve	48,101,890	48,101,890
Total	235,036,317	239,957,741
Shortfall	\$47.9 million	\$52.8 million

- The Actual HFCLIF balance as of June 30, 2008 was \$187.2 million.
- Pipeline IBNR refers to the reserves for projects that have tapped into their DSRF, even through these projects have not defaulted.
- Contingency reserve is a statutory requirement and corresponds to 0.8% of principle balance.

Reserve Sufficiency Comparison with Oliver Wyman 2006 Study

Cal-Mortgage Statutory Requirements Comparison (in millions)

Item	Oliver Wyman 2006 Study	Oliver Wyman 2008 Study	Change
Capital and Surplus	75.00	75.00	0.00
Case Reserve (net of recoveries)	140.14	100.94	(39.20)
Pipeline IBNR Reserve	3.10	4.92	1.82
Contingency Reserve	10.04	10.99	0.95
Unearned Premium Reserve	35.58	48.10	12.52
Total	263.86	239.96	(23.90)

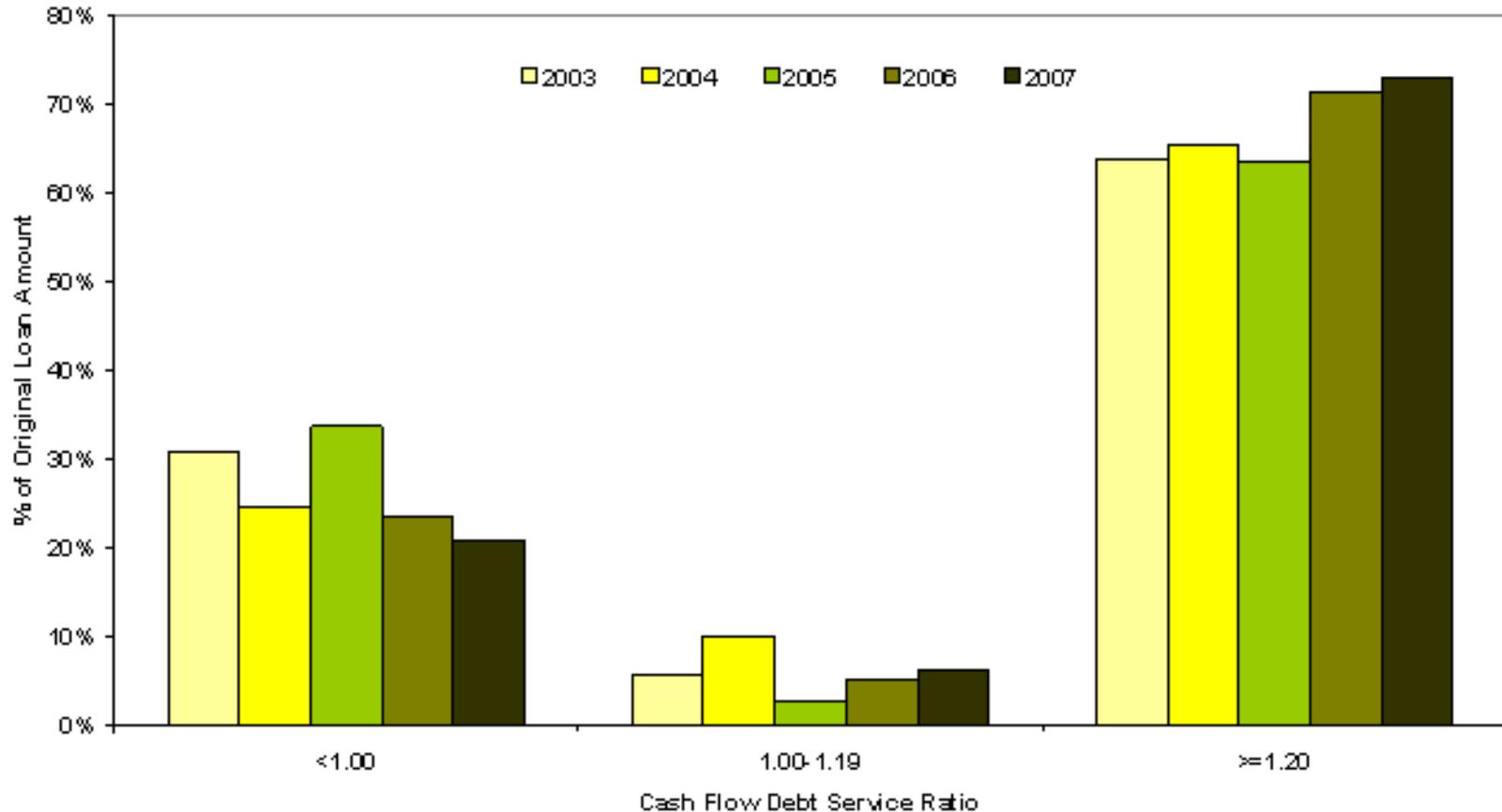
- Case Reserve is approximately \$39.20 million lower
- Unearned Premium Reserves increased by approximately \$12.52 million
- Pipeline IBNR Reserve estimate is approximately \$1.82 million higher

Debt Service Coverage Ratios

Cash Flow Ratio

Cash Flow Debt Service Ratios

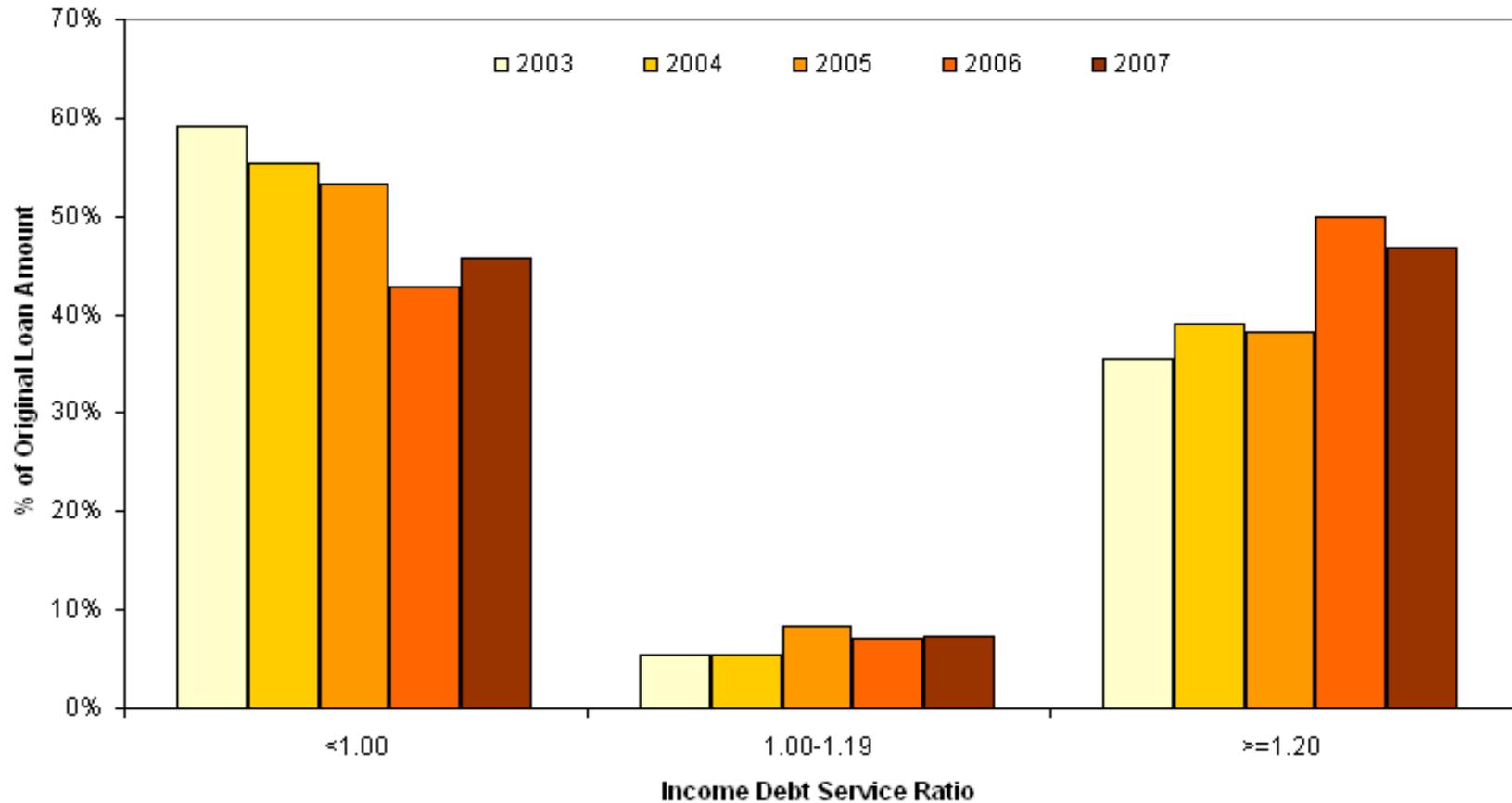
Distribution by Original Loan Amount



Debt Service Coverage Ratios

Total Income Ratio

Income Debt Service Ratios Distribution by Original Loan Amount



HFCLIF's Expected Financial Position

Under each of the modeled scenarios

Scenario	Description	Positive Balance Until
Expected	New Loans Insured - 6.75% Default Rate	at least 2037/38
Run-Off	No New Loans Insured - 6.75% Default Rate	2021/22
Adverse	New Loans Insured - 8.0% Default Rate	at least 2037/38
Adverse	New Loans Insured - 10.0% Default Rate	2030/31

Cash Flow Projection

Change in Assumptions

Cal-Mortgage Cash Flow Analysis Change in Assumptions

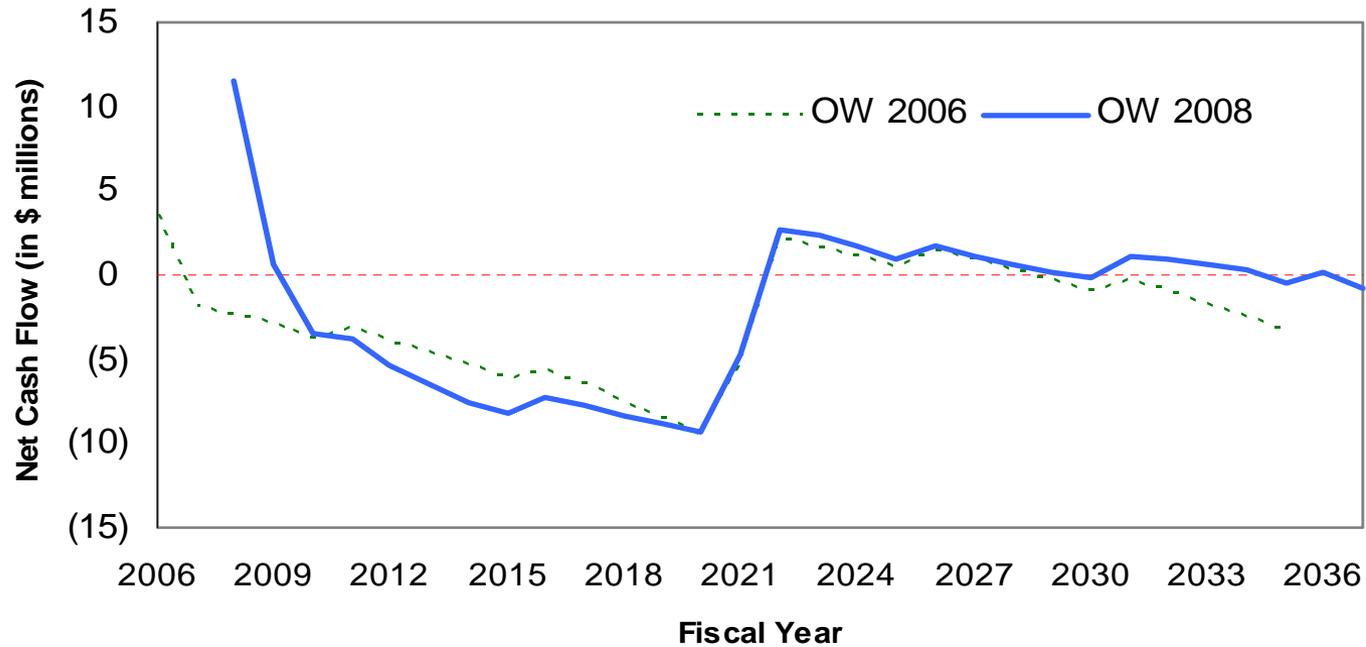
Item	OW 2006 Study	OW 2008 Study	Historical (excl. Triad)	Historical (incl. Triad)
Issued Amounts (30 yrs)	7.13B	7.61B		
Investment Yield	4.00%	4.27%*		
Premium Rate	2.54%	2.54%		
C&I Fee as % of Loan Principle	0.40%	0.40%		
Projected Default Rate	6.00%	6.75%	2.14%	5.58%
Estimated Claim Severity	60.00%	60.00%	47.82%	61.81%
Estimated Payment Pattern (Paid Within)	6 years	6 years		
Administrative Expenses	4,590,000	4,828,000		
Trend on Administrative Expenses	4.00%	4.00%		

* Based on the average of all years

Cash Flow Projection

Comparison with Oliver Wyman 2006 Study

Cash Flow Analysis - New Loans Insured



*OW 2008 at 6.75% Default Rate
OW 2006 at 6.00% Default Rate

Cal-Mortgage Year of Fund Balance Depletion

Confidence Level	Probability of Catastrophic Scenario			
	0%	1%	5%	10%
Expected	at least 2037/38	at least 2037/38	2031/32	2021/22
70%	at least 2037/38	at least 2037/38	2025/26	2019/20
80%	at least 2037/38	at least 2037/38	2021/22	2018/19
90%	at least 2037/38	2032/33	2019/20	2016/17

Cal-Mortgage Fiscal Year 2037/38 Ending Fund Balance

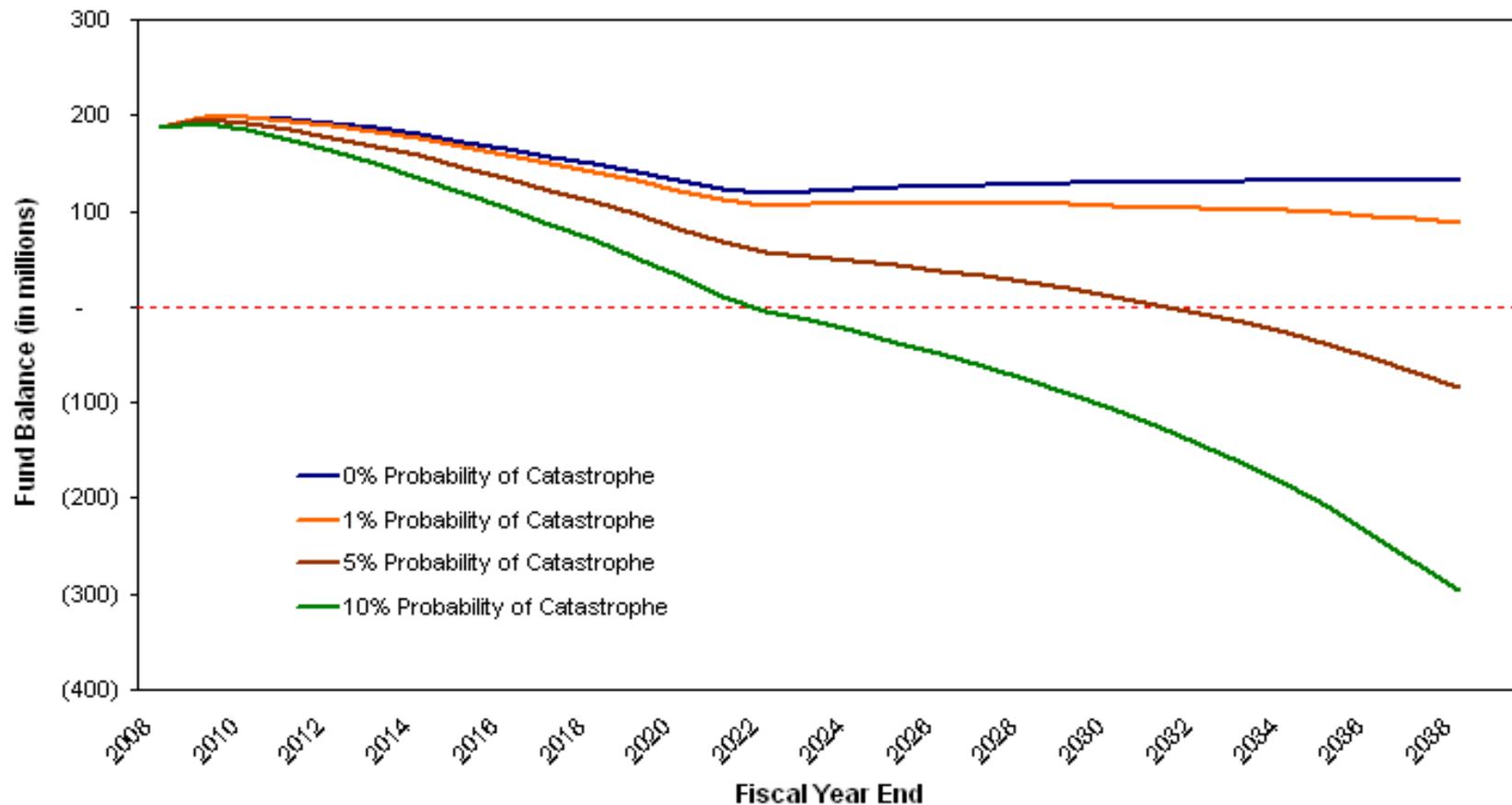
Confidence Level	Probability of Catastrophic Scenario			
	0%	1%	5%	10%
Expected	131,420,323	88,331,255	(83,265,517)	(297,254,252)
70%	95,507,775	52,151,812	(167,923,248)	(418,256,371)
80%	74,439,429	12,102,776	(237,565,286)	(510,544,358)
90%	44,862,414	(58,659,276)	(343,239,910)	(637,357,901)

- The fund balance becomes negative by the end of the indicated fiscal year.
- Size of original loan amount for catastrophe claim is assumed to be \$90 million.

Risk to State Fund

Expected Cash Flow Projection

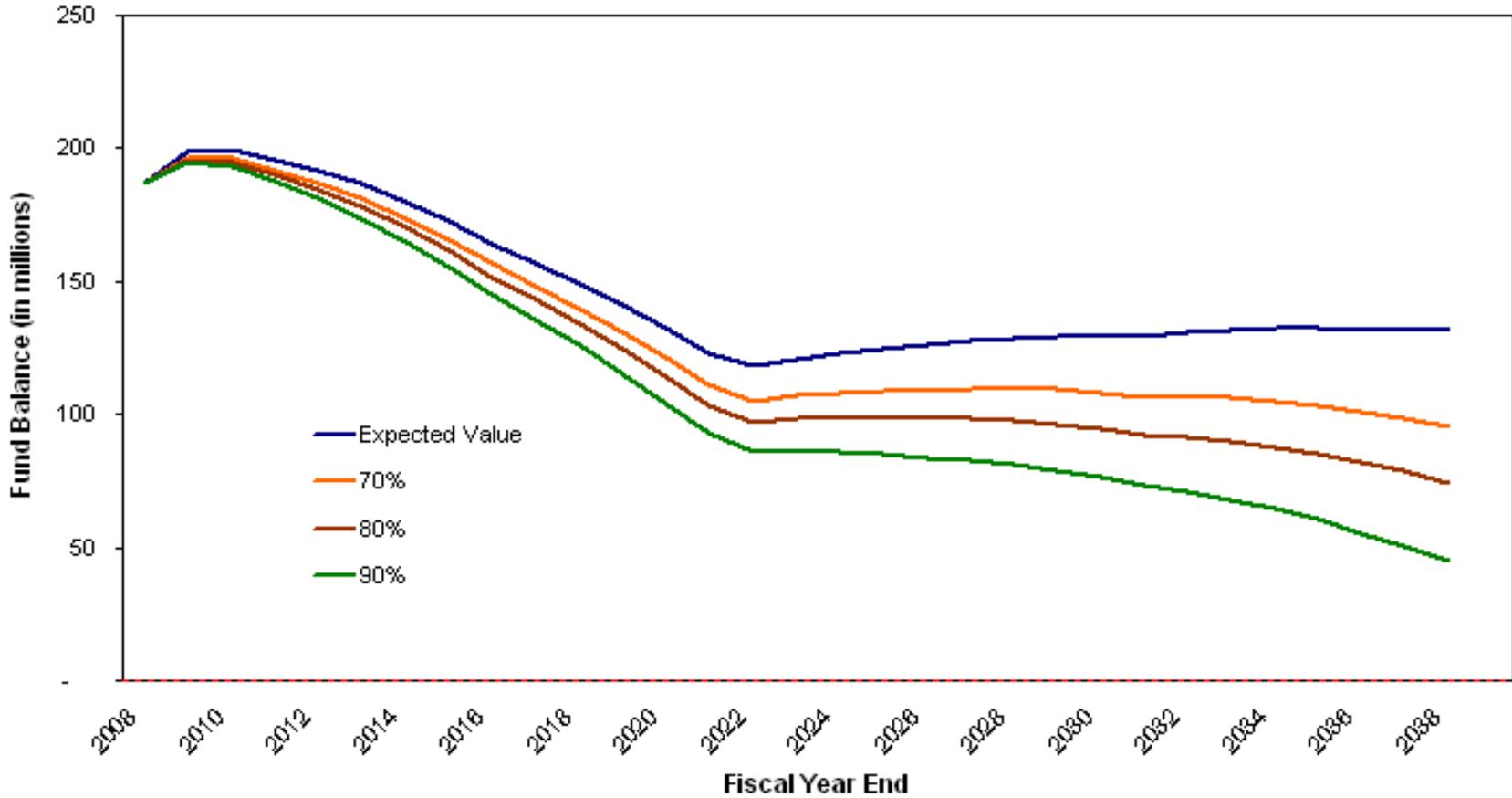
Estimated Fiscal Year End Fund Balance



Risk to State Fund

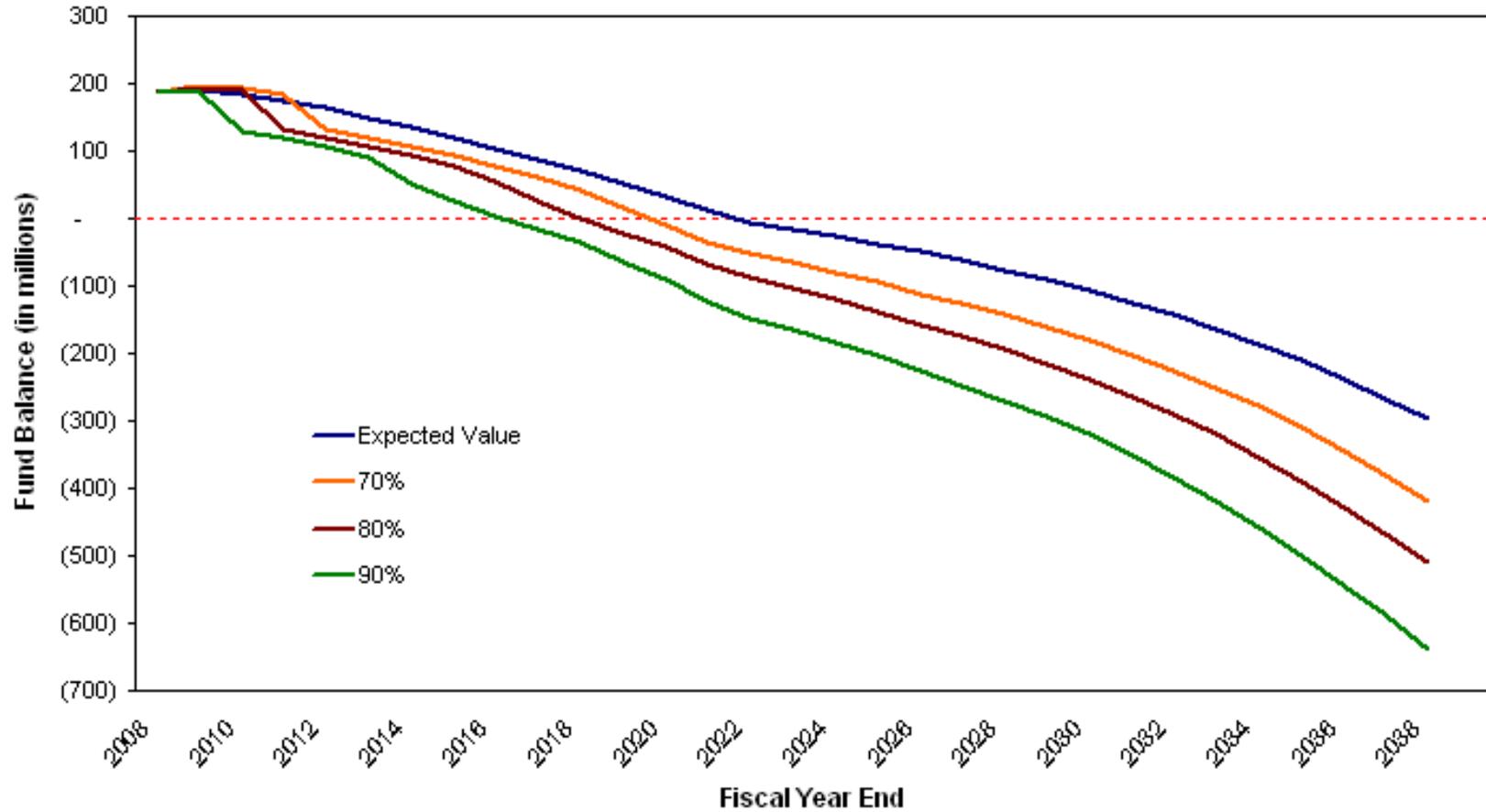
No Catastrophe

Estimated Fiscal Year End Fund Balance 0% Probability of Catastrophe



Risk to State Fund With Catastrophe

Estimated Fiscal Year End Fund Balance
10% Probability of Catastrophe



Questions or Comments ?