



**chfa**

*financing the places where  
people live and work*

Message from Cris White, CHFA Executive Director/CEO,  
Regarding 2009 Audited Financial Statements

Colorado Housing and Finance Authority (CHFA) has released its 2009 Audited Financial Statements. The audit indicates a \$15.3 million loss. Of that figure, \$10.4 million is the decrease in fair market value of CHFA's investments, leaving a \$4.9 million loss net of adjustment. The loss is driven by the unprecedented collapse of the municipal bond market, the national decline in economic conditions, and the direct impact of those factors on our business operations. A major factor in the results was the significant increase in borrowing costs we experienced related to the use of variable rate financing structures and the associated counterparties.

In 2004, CHFA implemented a strategic vision to double the number of households served over the subsequent five-year period. In an effort to maximize the number of customers served and to provide the lowest interest rates possible, CHFA began incrementally increasing its use of variable rate bonds. This was a very successful strategy which allowed us to serve 175,000 households over the past five years, thereby doubling the number of households served up to that point.

Many of the entities supporting those variable rate bonds, our liquidity providers, experienced downgrades as a result of the financial crisis that hit the bond market in late 2008. Those downgrades resulted in an increase in CHFA's borrowing costs ranging from 200-400 basis points above the rate prior to the bond market disruption. The significant increase in borrowing costs had a negative impact on nearly \$1 billion in bonds outstanding, which directly contributed to the loss recorded in the 2009 audited financials.

In 2009, total assets declined by \$379 million as a direct result of management's efforts to reduce outstanding debt and strengthen capital ratios. CHFA management increased capital ratios to position the organization to withstand future economic downturns and to build a base for future production.

CHFA responded to increasing delinquencies caused by the national economic decline with a \$14 million loan loss reserve increase, bringing the total to \$21 million. Management has proactively replaced \$1 billion of CHFA's Standby Bond Purchase Agreements (liquidity) through the Treasury Credit and Liquidity Program (TCLP), which are trading at favorable levels to date.

CHFA is taking steps to reduce our exposure to the variable rate market while still meeting the needs of our borrowers. The bond market has improved dramatically compared to its performance in 2009 and CHFA's variable rate bond costs have stabilized at normal, budgeted levels.

We look forward to continuing to serve Colorado as we have for the past 35 years.

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colorado housing and finance authority

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