

CALIFORNIA DEPARTMENT OF VETERANS AFFAIRS
Certain Department Financial Information and Operating Data

Contracts of Purchase

Set forth below is certain financial information regarding Contracts of Purchase. Capitalized terms not defined herein shall have the meaning ascribed to them in the forepart of this Official Statement.

Existing Contracts of Purchase

The following charts describe the LTV ratio of Contracts of Purchase based on the original appraised value of the applicable properties, geographic distribution, portfolio age data, and high LTV distribution of Contracts of Purchase financed under the Program as of June 30, 2016 using proceeds of Veterans G.O. Bonds and Commercial Paper Notes, Revenue Bonds and other amounts under the 1943 Fund. Current appraised value may be higher or lower than original appraised value. The appraisals reflect the market conditions at the time the appraisals were conducted, may not reflect current values, are not guarantees and may not be fully indicative of present or future values.⁽¹⁾

Loan-to-Value Ratio of Contracts of Purchase Based on Original Appraised Value as of June 30, 2016⁽²⁾

	<u>Uninsured</u>	<u>Original Radian Insured⁽²⁾</u>	<u>Additional Radian Insured⁽²⁾</u>	<u>VA Guaranteed</u>	<u>Total</u>
<u>Single Family Homes</u>					
Less than 30% LTV	\$ 19,273	\$ 2,430	\$ 377	\$ 910	\$ 22,990
30-49% LTV	51,296	11,927	3,152	4,388	70,763
50-59% LTV	46,764	7,080	6,617	6,403	66,864
60-69% LTV	34,067	6,499	47,746	14,942	103,254
70-79% LTV	18,796	543	62,321	33,695	115,355
Sub-total	<u>\$ 170,196</u>	<u>\$ 28,479</u>	<u>\$ 120,213</u>	<u>\$ 60,338</u>	<u>\$ 379,226</u>
80-84% LTV	\$ 10,622	\$ -	\$ 11,876	\$ 30,599	\$ 53,097
85-89% LTV	12,778	-	1,685	43,283	57,746
90-94% LTV	24,656	-	-	41,266	65,922
95-97% LTV	3,310	-	-	77,689	80,999
Sub-total	<u>\$ 51,366</u>	<u>\$ -</u>	<u>\$ 13,561</u>	<u>\$ 192,837</u>	<u>\$ 257,764</u>
Greater than 97% LTV	\$ 1,218	\$ -	\$ -	\$ 161,077	\$ 162,295
<u>Other Property Types</u>					
Farms	\$ 1,379	\$ 111	\$ 415	\$ -	\$ 1,905
Mobile Homes in Parks	11,674	137	10,159	-	21,970
Home Improvement Loans	10,124	-	-	-	10,124
Homes under Construction	8,173	-	-	-	8,173
Sub-total	<u>\$ 31,350</u>	<u>\$ 248</u>	<u>\$ 10,574</u>	<u>\$ -</u>	<u>\$ 42,172</u>
<u>Special Status Contracts of Purchase</u>					
Real Estate Owned ⁽⁴⁾	\$ 1,070	\$ -	\$ 1,794	\$ -	\$ 2,864
Cancelled	283	129	1,433	834	2,679
Disability Program ⁽⁵⁾	399	342	99	-	840
Sub-total	<u>\$ 1,752</u>	<u>\$ 471</u>	<u>\$ 3,326</u>	<u>\$ 834</u>	<u>\$ 6,383</u>
Total Portfolio	<u><u>\$ 255,882</u></u>	<u><u>\$ 29,198</u></u>	<u><u>\$ 147,674</u></u>	<u><u>\$ 415,086</u></u>	<u><u>\$ 847,840</u></u>

Source: Department of Veterans Affairs.

⁽¹⁾ For many properties financed with Contracts of Purchase, the appraised value as of June 30, 2016, is lower than the original appraised value.

⁽²⁾ Amounts in thousands. LTV based on Contracts of Purchase balance as of June 30, 2016 divided by original appraised value of the property, except where the Department has updated the appraised value of the applicable home after a veteran has applied for a home improvement loan. In such cases, the LTV is calculated with the new appraised value.

⁽³⁾ The primary mortgage insurance policies (the "Radian Policies") issued by Radian Guaranty Inc. ("Radian") provide coverage for aggregate losses incurred on covered Contracts of Purchase following property disposition, above an aggregate 2% deductible based upon the originally insured balances of the Contracts of Purchase originally included in the applicable group identified by Radian Policy coverage dates. As many of the Contracts of Purchase insured under the Original Radian Policy have high originally insured balances but have been paid down significantly over the life of such Contracts of Purchase, the Department does not anticipate that it will incur losses on Contracts of Purchase in excess of the aggregate 2% deductible in the Original Radian Policy. For the Additional Radian Policy, Radian's aggregate 2% deductible was met and Radian is now paying claims under the Additional Radian Policy. See "THE PROGRAM – USDVA Guaranty Program; Loan Insurance" and "—Primary Mortgage Insurance Coverage."

⁽⁴⁾ Repossessed properties and delinquent Contracts of Purchase carried as real estate owned ("REO") on financial statements.

⁽⁵⁾ Contracts of Purchase where payments are made on behalf of veterans by the Department's life and disability coverage plan.

**Geographic Distribution of Contracts of Purchase
Approximate Principal Balance Outstanding
as of June 30, 2016⁽¹⁾**

<u>County</u>	
Riverside	\$ 92,041
San Diego	75,985
Los Angeles	75,673
Sacramento	72,280
San Bernardino	58,182
Fresno	39,217
Kern	35,744
Solano	30,778
Shasta	24,931
Contra Costa	24,067
San Joaquin	23,258
Placer	22,569
Butte	17,444
El Dorado	13,577
Tulare	13,496
Other Northern California Counties	123,493
Other Central California Counties	75,003
Other Southern California Counties	30,102
Statewide—California	<u>\$ 847,840</u>

Source: Department of Veterans Affairs.

⁽¹⁾ Amounts in thousands.

Portfolio Age Data for Outstanding Contracts of Purchase as of June 30, 2016

Origination Date	Number of Contracts of Purchase	% of Contracts of Purchase in Portfolio	Outstanding Principal Balance⁽¹⁾	Outstanding Principal Balance as a Percent of Total Portfolio
1999 and Prior	998	18.11%	\$ 50	5.94%
2000	239	4.34	20	2.36
2001	91	1.65	7	0.86
2002	180	3.27	19	2.23
2003	473	8.58	67	7.88
2004	513	9.31	77	9.13
2005	328	5.95	46	5.41
2006	342	6.21	55	6.50
2007	366	6.64	60	7.13
2008	314	5.70	53	6.20
2009	133	2.41	13	1.48
2010	96	1.74	7	0.85
2011	57	1.03	4	0.50
2012	49	0.89	4	0.52
2013	104	1.89	20	2.31
2014	340	6.17	85	9.97
2015	608	11.03	176	20.77
2016	280	5.08	85	9.96
Total	5,511	100.00%	\$ 848	100.00%

Source: Department of Veterans Affairs.

⁽¹⁾ Amounts in millions.

Contracts of Purchase⁽¹⁾ with 97% LTV⁽²⁾ or Higher as of June 30, 2016

County	USDVA Guaranteed	No USDVA Guaranty or other Primary Mortgage Insurance	Total Contracts of Purchase with 97% or Higher LTV	Outstanding Balance of Contracts of Purchase with 97% or Higher LTV⁽³⁾
Riverside	79	0	79	\$ 25,748
Sacramento	64	0	64	19,359
San Bernardino	45	2	47	15,146
Los Angeles	45	1	46	17,117
Kern	30	3	33	7,359
San Diego	33	0	33	13,686
All Other Counties ⁽⁴⁾	304	4	308	100,379
Total	600	10	610	\$ 198,794

Source: Department of Veterans Affairs.

⁽¹⁾ Includes "Single Family Homes," "Other Property Types" and "Special Status Contracts of Purchase" as described in the table titled "Loan-to-Value Ratio of Contracts of Purchase Based on Original Appraised Value as of June 30, 2016." Excludes Home Improvement Loans, as described in the table titled "Loan-to-Value Ratio of Contracts of Purchase Based on Original Appraised Value as of June 30, 2016."

⁽²⁾ LTV based on Contracts of Purchase balance as of June 30, 2016 divided by original appraised value of the property, except where the Department has updated the appraised value of the applicable home after a veteran has applied for a home improvement loan. In such cases, the LTV is calculated with the new appraised value. The appraisals reflect the market conditions at the time the appraisals were conducted, may not reflect current values, are not guarantees and may not be fully indicative of present or future values. For many properties financed with Contracts of Purchase, the appraised value as of June 30, 2016 is lower than the original appraised value.

⁽³⁾ Amounts in thousands.

⁽⁴⁾ All counties not listed individually had less than 33 total contracts with a LTV of 97% or higher, as described above.

Primary Mortgage Insurance Coverage

The Contracts of Purchase insured under Radian Policies are divided into four sub-groups. The following table describes the sub-groups and outstanding Contracts of Purchase, insured under Radian Policies, as of June 30, 2016.

Group	Approximate Contracts of Purchase Coverage Dates ⁽⁵⁾	Total Contracts of Purchase	Percentage of Radian Insured Portfolio ⁽¹⁾	Percentage of Radian Insured Portfolio of Department Total Portfolio ⁽¹⁾	Loan-to- Value Ratio Radian Insured ⁽²⁾⁽³⁾	Original Aggregate Sub-group Deductible ⁽⁴⁾	Remaining Aggregate Sub-group Deductible
<u>Original Radian Policy</u>							
1	Prior to 2/3/1998	379	10.53%	2.17%	39.01%	\$ 14,024,312	\$ 12,636,931
2	2/3/1998 – 11/30/1998	43	1.35%	0.28%	44.60%	2,101,257	2,027,113
3	12/1/1998 – 6/30/2000	5	0.27%	0.05%	56.01	568,391	568,391
<u>Additional Radian Policy</u>							
4	7/1/2000 – 3/31/2008	1,060	87.85%	18.07%	67.63%	24,252,550	0 ⁽⁴⁾
Total		1,481	100.00%	20.57%	62.34%		

Source: Department of Veterans Affairs.

⁽¹⁾ Percentage based on outstanding Contract of Purchase principal amounts.

⁽²⁾ Calculated as the ratio of the outstanding principal amount of the aggregate Contracts of Purchase during the applicable period as compared to the aggregate original appraised value of the properties subject to such Contracts of Purchase at origination. The appraisals reflect the market conditions at the time the appraisals were conducted, may not reflect current values, are not guarantees and may not be fully indicative of present or future values.

⁽³⁾ For many properties financed with Contracts of Purchase, the appraised value as of June 30, 2016, is lower than the original appraised value.

⁽⁴⁾ The Radian Policies provide coverage for aggregate losses incurred on covered Contracts of Purchase following property disposition, above an aggregate 2% deductible based upon the originally insured balances of the Contracts of Purchase originally included in the applicable group identified by Radian policy coverage dates. As many of the Contracts of Purchase insured under the Original Radian Policy have high originally insured balances but have been paid down significantly over the life of such Contracts of Purchase, the Department does not anticipate that it will incur losses on Contracts of Purchase in excess of the aggregate 2% deductible in the Original Radian Policy. For the Additional Radian Policy, Radian's aggregate 2% deductible was met and Radian is now paying claims under the Additional Radian Policy. See "THE PROGRAM – USDVA Guaranty Program; Loan Insurance" and "Primary Mortgage Insurance Coverage."

⁽⁵⁾ "Coverage Date" is the respective Radian Policy date. As of April 1, 2008, the Department discontinued purchase of Radian mortgage insurance coverage.

Contracts of Purchase Origination and Principal Repayment Experience

The following tables represent, respectively, a historical picture of Contract of Purchase originations since the fiscal year ended June 30, 1990 and selected principal repayments with respect to Contracts of Purchase since the fiscal year ended June 30, 1990.

Contracts of Purchase Originated During the Fiscal Year

Fiscal Year Ending June 30	Veterans G.O. Bonds		Pre-Ullman Moneys		Revenue Bonds		Total	
	Number ⁽¹⁾	Amount	Number ⁽¹⁾	Amount	Number ⁽¹⁾	Amount	Number ⁽¹⁾	Amount
1990	2,097	\$187,445,600	--	--	522	\$38,150,800	2,619	\$225,596,400
1991	1,927	200,393,500	--	--	359	29,189,600	2,286	229,583,100
1992	1,086	111,600,500	--	--	388	34,671,600	1,474	146,272,100
1993	740	94,417,100	--	--	286	27,443,800	1,026	121,860,900
1994	843	117,213,779	--	--	337	34,740,536	1,180	151,954,315
1995	2,109	286,178,376	--	--	822	84,860,894	2,931	371,039,270
1996	762	107,751,444	--	--	222	22,723,617	984	130,475,061
1997	766	118,344,636	--	--	201	21,853,933	967	140,198,569
1998	615	99,224,002	188	\$17,716,376	164	18,871,066	967	135,811,444
1999	758	129,521,359	575	92,728,280	274	33,284,343	1,607	255,533,982
2000	1,045	185,180,534	1,725	333,328,690	708	92,214,409	3,478	610,723,633
2001	844	135,498,480	1,211	232,445,146	697	101,175,512	2,752	469,119,138
2002	334	56,887,867	416	74,915,487	204	27,178,525	954	158,981,879
2003	357	68,105,508	508	99,105,265	123	16,285,625	988	183,496,398
2004	444	97,223,818	1,173	274,187,085	165	26,109,792	1,782	397,520,696
2005	285	72,958,181	702	181,075,275	178	37,152,048	1,165	291,185,504
2006	198	48,999,641	898	230,993,270	5	831,638	1,101	280,824,549
2007	74	19,751,777	764	173,744,639	68	11,349,372	906	204,845,788
2008	214	38,721,589	428	139,470,089	417	111,589,399	1,059	289,781,076
2009	255	83,697,271	161	42,079,390	263	66,032,084	679	191,808,746
2010	34	10,805,881	31	8,170,125	74	13,122,489	139	32,098,495
2011	23	5,741,933	92	7,235,231	41	7,027,890	156	20,005,054
2012	13	3,694,109	44	3,619,080	26	4,170,377	83	11,483,566
2013	7	2,821,875	29	2,619,739	13	3,686,085	49	9,127,700
2014	172	57,114,169	25	5,718,970	38	7,547,436	235	70,380,575
2015	307	104,057,536	108	17,620,828	70	15,103,528	485	136,781,892
2016	380	138,616,456	138	26,739,697	74	16,200,693	592	181,556,846

Source: Department of Veterans Affairs.

⁽¹⁾ Number of Contracts of Purchase originated does not include home improvement loans or construction loans not fully funded.

Selected Principal Flows with respect to Contracts of Purchase Funded by both Veterans G.O. Bonds and Revenue Bonds (Dollar Amounts in Thousands)

Fiscal Year Ending June 30	Contracts of Purchase Funded During Year ⁽¹⁾	Contracts of Purchase Prepayments During Year	Other Principal Receipts-Losses During Year	Contracts of Purchase Balance at End of Year	Average Rate on all	Average of Monthly FHLMC 30-year Conventional Loan Rate	Annual Average Prepayment Rate	Annual Average Origination Rate
					Outstanding Contracts of Purchase			
Principal Flows								
1990	\$ 225,596	\$ 232,085	\$ 96,639	\$ 3,037,766	8.0%	10.1%	7.5%	7.3%
1991	229,583	191,895	92,722	2,982,732	8.0	9.9	6.4	7.6
1992	146,272	246,150	92,975	2,789,879	8.0	9.0	8.5	5.1
1993	121,861	273,817	105,629	2,532,294	8.0	8.0	10.3	4.6
1994	151,954	359,749	98,773	2,225,726	8.0	7.3	15.1	6.4
1995	371,039	111,984	74,706	2,410,075	7.8	8.7	4.8	16.0
1996	130,475	141,767	92,521	2,306,262	8.0	7.5	6.0	5.5
1997	140,199	111,254	106,027	2,229,180	8.0	7.9	4.9	6.2
1998	135,812	172,134	94,106	2,098,752	7.7	7.2	8.0	6.3
1999	255,534	183,776	101,254	2,069,256	6.9	6.9	8.8	12.3
2000	610,724	138,401	106,522	2,435,056	6.8	8.1	6.1	27.1
2001	469,119	189,902	91,033	2,623,241	6.8	7.5	7.5	18.5
2002	158,982	330,068	86,556	2,365,599	6.8	6.9	13.2	6.4
2003	183,496	701,785	74,643	1,772,667	6.7	5.9	33.9	8.9
2004	397,521	576,907	53,833	1,539,448	6.3	5.9	34.8	24.0
2005	291,186	272,044	70,564	1,488,026	5.9	5.8	18.0	19.2
2006	280,825	204,037	51,481	1,513,333	5.8	6.2	13.6	18.7
2007	204,846	132,207	50,403	1,535,569	5.8	6.4	8.7	13.4
2008	289,781	82,575	53,915	1,688,860	5.8	6.2	5.1	18.0
2009	191,809	84,010	56,756	1,739,903	5.9	5.6	4.9	11.2
2010	32,098	139,533	77,901	1,554,567	5.7	5.0	8.5	1.9
2011	20,005	123,520	74,199	1,376,853	5.7	4.6	8.4	1.4
2012	11,484	136,078	66,662	1,185,597	5.7	4.0	10.6	0.9
2013	9,128	187,623	54,740	952,362	5.6	3.5	17.6	0.9
2014	73,508	142,868	43,697	839,305	5.5	4.2	16.0	8.2
2015	143,538	129,325	32,669	820,849	5.2	3.9	15.6	17.3
2016	182,070	123,301	31,778	847,840	4.9	3.8	14.8	21.9
	\$ 5,373,816	\$ 5,658,061	\$ 2,016,321					

Source: Department of Veterans Affairs.

⁽¹⁾ Number of Contracts of Purchase Funded includes disbursements for home improvement loans and constructions loans.

Reservation rates on new Contracts of Purchase for period:

<u>Period</u>	<u>Veterans G.O. Bonds⁽¹⁾</u>	<u>Pre-Ullman Funds⁽¹⁾</u>	<u>Revenue Bonds</u>
Prior to January 1, 1999, substantially all newly originated Contracts of Purchase have the same rate as the then outstanding Contracts of Purchase.			
January 1, 1999 through June 30, 2000	6.65%	6.65%	5.95%
July 1, 2000 through February 28, 2001	7.50	7.95	6.95
March 1, 2001 through May 31, 2001	6.50	7.95	6.40
June 1, 2001 through August 31, 2001	6.50	7.10	6.40
September 1, 2001 through April 1, 2002	6.25	6.50	6.00
April 2, 2002 through July 31, 2002	5.90	5.50	5.80
August 1, 2002 through December 1, 2002	5.50	6.00	5.80
December 2, 2002 through June 15, 2003	4.99	5.40	5.25
June 16, 2003 through September 1, 2003	4.25	4.50	4.50
September 1, 2003 through September 15, 2003	4.25	4.99	4.50
September 16, 2003 through May 5, 2004	4.50	4.99	4.50
May 6, 2004 through June 1, 2004	4.75	5.25	4.75
June 2, 2004 through December 13, 2004	4.95	5.50	5.10
December 14, 2004 through April 3, 2005	4.95	5.50	5.50
April 4, 2005 through December 9, 2005	5.15	5.50	5.50
December 10, 2005 through February 5, 2006	5.50	5.50	5.50
February 6, 2006 through March 14, 2006	5.70	5.70	5.70
March 15, 2006 through April 25, 2006	6.00	6.00	6.00
April 26, 2006 through July 5, 2006	6.25	6.25	6.25
July 6, 2006 through December 19, 2006	6.50	6.50	6.50
December 20, 2006 through March 15, 2007	5.50	6.10	5.75
March 16, 2007 through July 9, 2007	5.50	6.10	5.25
July 10, 2007 through August 12, 2007	5.50	6.45	5.25
August 13, 2007 through October 14, 2007	5.50	6.55	5.25
October 15, 2007 through February 6, 2008	5.50	6.55	5.45
February 7, 2008 through June 25, 2008	5.50	6.10	5.45
June 26, 2008 through January 28, 2009	5.95	6.20	5.50
January 29, 2009 through February 13, 2011	5.95	6.20	5.75
February 14, 2011 through October 2, 2011	5.70	5.95	5.50
October 3, 2011 through February 29, 2012	5.50	5.95	5.25
March 1, 2012 through May 31, 2012	5.50	5.95	4.95
June 1, 2012 through July 31, 2012	4.95	5.95	4.60
August 1, 2012 through February 3, 2013	4.95	5.95	4.25
February 4, 2013 through February 28, 2013	4.50	5.50	4.25
March 1, 2013 through May 5, 2013	4.15	5.50	4.25
May 6, 2013 through November 30, 2014	3.90	5.50	4.25
December 1, 2014 to February 2, 2015	3.75	5.50	4.25
February 3, 2015 to June 14, 2015	3.50 ⁽²⁾ /3.75	5.50	4.25
June 15, 2015 to August 31, 2015	3.50 ⁽²⁾ /3.90	5.50	4.25
September 1, 2015 to October 31, 2015	3.50 ⁽²⁾ /3.90	5.50	4.25
November 1, 2015 to December 31, 2015	3.50 ⁽²⁾ /3.90	5.50	4.25
January 1, 2016 to January 24, 2016	3.25 ⁽²⁾ /3.99	5.50	4.25
January 25, 2016 to February 7, 2016	3.25 ⁽²⁾ /3.90	5.50	4.25
February 8, 2016 to May 1, 2016	3.25 ⁽²⁾ /3.75	5.50	4.25
May 2, 2016 to June 30, 2016	3.00 ⁽²⁾ /3.50	5.50	4.00

Source: Department of Veterans Affairs.

⁽¹⁾ Rates for Contracts of Purchase for mobile home in parks are 1% higher than the applicable established rates.

⁽²⁾ Rates for Contracts of Purchase up to 20 years.

Amounts Expected to be Available to Fund Contracts of Purchase and Related Investments

The following table shows amounts expected to be available to fund Contracts of Purchase from funds related to Veterans G.O. Bonds and Revenue Bonds. Additional moneys may become available to finance Contracts of Purchase through the future issuances of Veterans G.O. Bonds and Revenue Bonds. The Department has full discretion, subject to eligibility requirements and the requirements of the Internal Revenue Code of 1986, as amended (the “Federal Tax Code”), in applying the proceeds of Veterans G.O. Bonds, Revenue Bonds and other available moneys in the 1943 Fund to finance the Program in any order of priority it chooses. As of June 30, 2016, the Department had 109 pending applications for Contracts of Purchase in the aggregate amount of approximately \$32,059,427.

Amounts Expected to be Available to Fund Contracts of Purchase⁽¹⁾

	Pre-Ullman Moneys			QVMB Proceeds			QMB Proceeds			Current or Expected Investment	Contracted Investment Rate (%)	
	Amount On Deposit on June 30, 2016	Amounts Expected to be Deposited or Applied to Contracts through Sept. 1, 2016	Amount Expected to be Available on Sept. 1, 2016	Amount On Deposit on June 30, 2016	Amounts Expected to be Deposited or Applied to Contracts through Sept. 1, 2016	Amount Expected to be Available on Sept. 1, 2016	Amount On Deposit on June 30, 2016	Amounts Expected to be Deposited or Applied to Contracts through Sept. 1, 2016	Amount Expected to be Available on Sept. 1, 2016			
Veterans G.O. Bond Proceeds and Recycling Subaccounts												
Pre-Ullman Moneys.....	\$ 8,392	\$ (5,000)	\$ 3,392	\$ 0	\$ 0	\$ 0					SMIF ⁽²⁾	Variable
QVMB Reimbursement	1,254	(500)	754	0	0	0					SMIF ⁽²⁾	Variable
CJ G.O. Recycling	0	0	0	1,590	0	1,590						
CN G.O. Proceeds.....	0	0	0	53,413	23,000	30,413					[N.A.]	[N.A.]
Total.....	\$ 9,646	\$ (5,500)	\$ 4,146	\$ 55,003	\$ 23,000	\$ 32,003						
Revenue Bond Proceeds and Recycling Subaccounts												
QMB Reimbursement	\$ 9,999	\$ (4,000)	\$ 5,999				\$ 0	\$ 0	\$ 0		SMIF ⁽²⁾	Variable
Other Revenue Bond Series	0	0	0				0	0	0		N.A.	N.A.
Total.....	\$ 9,999	\$ (4,000)	\$ 5,999				\$ 0	\$ 0	\$ 0			
Grand Total	\$ 19,645	\$ (9,500)	\$ 10,145	\$ 55,003	\$ 23,000	\$ 32,003	\$ 0	\$ 0	\$ 0			

Source: Department of Veterans Affairs.

⁽¹⁾ Amounts in thousands.

⁽²⁾ Surplus Money Investment Fund (“SMIF”). Amounts invested in SMIF may be withdrawn and reinvested at any time.

Cancellations and Delinquencies

Set forth in the tables below are (i) a comparative chart of delinquent, cancelled and repossessed Contracts of Purchase and certain comparative information regarding USDVA guaranteed loans during the same period, and a breakdown of delinquencies by county and origination date, (ii) distribution of delinquencies with respect to Contracts of Purchase by County and (iii) delinquencies with respect to Contracts of Purchase by origination date.

Percentage of Number of Contracts of Purchase in the Department's Portfolio which are Delinquent															
	<u>2002⁽¹⁾</u>	<u>2003⁽¹⁾</u>	<u>2004⁽¹⁾</u>	<u>2005⁽¹⁾</u>	<u>2006⁽¹⁾</u>	<u>2007⁽¹⁾</u>	<u>2008⁽¹⁾</u>	<u>2009⁽¹⁾</u>	<u>2010⁽¹⁾</u>	<u>2011⁽¹⁾</u>	<u>2012⁽¹⁾</u>	<u>2013⁽¹⁾</u>	<u>2014⁽¹⁾</u>	<u>2015⁽¹⁾</u>	<u>2016⁽¹⁾</u>
30-60 days ⁽²⁾	3.52%	3.13%	2.97%	3.18%	2.93%	2.68%	2.75%	3.30%	3.61%	3.43%	3.12%	3.70%	3.27%	2.80%	2.14%
60+ days ⁽²⁾	2.43	2.03	1.43	1.48	0.85	1.13	1.64	3.30	3.68	3.72	3.72	3.09	2.42	2.10	1.43
Foreclosures in inventory (Cancelled Contracts) ⁽²⁾⁽³⁾	0.25	0.23	0.18	0.13	0.09	0.15	0.29	0.58	0.85	0.69	0.89	1.12	0.30	0.25	0.29
Real Estate in inventory ⁽³⁾	0.16	0.09	0.04	0.02	0.01	0.06	0.21	0.55	0.62	0.85	0.71	0.47	0.37	0.33	0.34
Percentage of Number of USDVA Guaranteed Loans in the U.S. which are Delinquent⁽⁴⁾															
30-60 days	4.87	4.83	4.53	4.49	3.81	3.66	3.76	3.76	3.65	3.45	3.06	2.98	2.51	2.20	2.25
60+ days	2.85	3.15	2.90	3.10	2.53	2.44	2.90	4.01	3.83	3.33	3.38	2.99	2.70	2.21	2.03
Foreclosures in inventory	1.72	1.49	1.45	1.50	1.10	1.02	1.33	2.07	2.50	2.30	2.28	1.88	1.56	1.34	1.19
Percentage of Number of USDVA Guaranteed Loans in California which are Delinquent⁽⁴⁾															
30-60 days	4.57	4.67	4.09	3.52	2.92	2.56	2.64	2.57	2.55	2.37	2.16	2.08	1.81	1.53	1.59
60+ days	2.57	2.79	2.34	2.11	1.30	1.33	1.82	2.78	3.09	2.42	2.53	2.18	1.70	1.38	1.12
Foreclosures in inventory	1.12	0.93	0.69	0.60	0.36	0.44	0.82	1.50	1.90	1.40	1.32	0.73	0.60	0.49	0.46
Percentage of Number of Prime Loans in the U.S. which are Delinquent⁽⁴⁾															
30-60 days	2.17	1.84	1.69	1.55	1.54	1.78	2.08	2.49	2.39	2.33	2.11	1.89	1.66	1.53	1.44
60+ days	0.83	0.67	0.63	0.60	0.70	0.85	1.65	3.52	4.27	3.04	2.59	1.96	1.81	1.41	1.24
Foreclosures in inventory	0.87	0.53	0.49	0.42	0.41	0.59	1.42	3.00	3.49	3.40	3.12	2.13	1.58	1.01	0.95
Percentage of Number of Prime Loans in California which are Delinquent⁽⁴⁾															
30-60 days	1.48	1.25	0.95	0.82	0.89	1.28	1.83	2.34	2.15	2.03	1.79	1.57	1.29	1.18	1.08
60+ days	0.45	0.39	0.26	0.20	0.27	0.62	2.19	5.39	6.80	4.75	3.27	2.21	1.44	0.99	0.88
Foreclosures in inventory	0.34	0.18	0.10	0.07	0.10	0.41	1.96	4.25	3.91	3.01	2.53	1.22	0.69	0.42	0.37
Percentage of Number of Contracts of Purchase in the Department's Portfolio which are Delinquent, Subject to Repayment/Forbearance Agreements or Cancelled Contracts															
	<u>2002⁽¹⁾</u>	<u>2003⁽¹⁾</u>	<u>2004⁽¹⁾</u>	<u>2005⁽¹⁾</u>	<u>2006⁽¹⁾</u>	<u>2007⁽¹⁾</u>	<u>2008⁽¹⁾</u>	<u>2009⁽¹⁾</u>	<u>2010⁽¹⁾</u>	<u>2011⁽¹⁾</u>	<u>2012⁽¹⁾</u>	<u>2013⁽¹⁾</u>	<u>2014⁽¹⁾</u>	<u>2015⁽¹⁾</u>	<u>2016⁽¹⁾</u>
30-60 days (Delinquent)	2.95%	2.77%	2.72%	2.96%	2.84%	2.56%	2.58%	2.86%	3.18%	3.17%	2.99%	3.57%	3.08%	2.59%	1.98%
30-60 days (Repayment/Forbearance Agreement)	0.57	0.36	0.25	0.22	0.09	0.12	0.17	0.44	0.43	0.26	0.13	0.13	0.19	0.21	0.16
Total	3.52	3.13	2.97	3.18	2.93	2.68	2.75	3.30	3.61	3.43	3.12	3.70	3.27	2.80	2.14
60+ days (Delinquent)	1.38	1.32	1.08	1.17	0.75	1.03	1.29	2.25	2.19	2.78	2.87	2.32	1.99	1.87	1.29
60+ days (Repayment/Forbearance Agreement)	1.05	0.71	0.35	0.31	0.10	0.10	0.35	1.05	1.49	0.94	0.85	0.77	0.43	0.23	0.15
Total	2.43	2.03	1.43	1.48	0.85	1.13	1.64	3.30	3.68	3.72	3.72	3.09	2.42	2.10	1.43
Foreclosures in Inventory (Cancelled Contracts)	0.23	0.22	0.15	0.13	0.09	0.15	0.26	0.56	0.80	0.62	0.84	1.05	0.30	0.25	0.29
"Repayment/Forbearance Agreement"	0.02	0.01	0.03	0.00	0.00	0.00	0.03	0.02	0.05	0.07	0.05	0.07	0.00	0.00	0.00
Total	0.25	0.23	0.18	0.13	0.09	0.15	0.29	0.58	0.85	0.69	0.89	1.12	0.30	0.25	0.29

Source: Department of Veterans Affairs.

⁽¹⁾ For the Fiscal Year ended June 30.

⁽²⁾ The Department has adjusted the criteria used to identify delinquent Contracts of Purchase from \$25 or more delinquent to over \$3 delinquent. The data below represents the breakout of delinquent, repayment/forbearance agreements and cancelled Contracts of Purchase. These figures include Contracts of Purchase that were the subject of forbearance or repayment agreements between the Department and the Contracts of Purchase holder.

⁽³⁾ Bankruptcies are included in cancelled Contracts of Purchase statistics and do not exceed in any period more than 10% of total cancellations and bankruptcy category. Federal bankruptcy law precludes repossession action of Contracts of Purchase when veteran is in bankruptcy proceedings until the automatic stay is lifted.

⁽⁴⁾ Source: National Delinquency Survey published by the Mortgage Bankers Association of America (the "Survey"). Data reported for 2002, is for "Conventional Loans." In subsequent Surveys, loans are categorized as prime loans or otherwise based upon the Survey respondents' internal classifications.

Distribution of Contracts of Purchase Delinquencies by County as of June 30, 2016⁽¹⁾⁽²⁾

County	Contracts of Purchase Delinquent 30 days	Contracts of Purchase Delinquent 60 days	Contracts of Purchase Delinquent 90+ days	Total Delinquent Contracts of Purchase	Total Delinquent Account Balance⁽³⁾
Riverside	11	6	9	26	\$ 5,371
Fresno	9	6	7	22	3,295
San Diego	14	2	3	19	3,520
San Bernardino	8	3	4	15	2,038
Butte	7	4	4	15	1,703
Los Angeles	5	3	6	14	3,047
Shasta	7	3	3	13	1,664
All Other ⁽⁴⁾	58	17	33	108	18,753
Total	119	44	69	232	\$ 39,391

Source: Department of Veterans Affairs.

⁽¹⁾ The Department has adjusted the criteria used to identify delinquent Contracts of Purchase from \$25 or more delinquent to over \$3 delinquent.

⁽²⁾ Includes REO and cancelled Contracts of Purchase.

⁽³⁾ Amounts in thousands.

⁽⁴⁾ "All Other" counties had fewer than 13 delinquent Contracts of Purchase outstanding.

Contracts of Purchase Delinquencies by Origination Date as of June 30, 2016⁽¹⁾⁽²⁾

Origination Year	Contracts of Purchase Delinquent 30-60 days	Outstanding Balance of Contracts of Purchase Delinquent 30-60 days⁽³⁾	Contracts of Purchase Delinquent 60-90 days	Outstanding Balance of Contract of Purchase Delinquent 60-90 days⁽³⁾	Contracts of Purchase Delinquent 90+ days	Outstanding Balance of Contract of Purchase Delinquent 90+ days⁽³⁾	Total Contracts of Purchase Delinquent	Total Outstanding Balance of Contracts of Purchase⁽³⁾
Pre-2007	82	\$ 11,749	27	\$ 3,655	39	\$ 5,403	148	\$ 20,807
2007	7	1,945	8	2,407	11	1,774	26	6,126
2008	5	858	3	1,023	5	714	13	2,595
2009	4	261	0	0	4	564	8	825
2010	2	356	1	370	1	157	4	883
2011	0	0	1	101	0	0	1	101
2012	1	180	1	93	0	0	2	273
2013	1	322	0	0	3	877	4	1,199
2014	4	831	1	298	1	192	6	1,321
2015	12	3,249	2	456	5	1,482	19	5,187
2016 ⁽⁴⁾	1	74	0	0	0	0	1	74
Total	119	\$ 19,825	44	\$ 8,403	69	\$ 11,163	232	\$ 39,391

Source: Department of Veterans Affairs.

⁽¹⁾ Includes REO and cancelled Contracts of Purchase.

⁽²⁾ The Department has adjusted the criteria used to identify delinquent Contracts of Purchase from \$25 or more delinquent to over \$3 delinquent.

⁽³⁾ Amounts in thousands.

⁽⁴⁾ As of June 30, 2016.

Veterans G.O. Bonds and Revenue Bonds
Selected Information with Respect to Veterans G.O. Bonds and Revenue Bonds

Veterans G.O. Bonds

Series	Bonds Outstanding ⁽¹⁾ as of June 30, 2016	Expected Bonds Outstanding ⁽¹⁾ as of Sept. 30, 2016	Final Maturity Date of Series as of Sept. 30, 2016	Next Optional Call as of Sept. 30, 2016	Call Price on Such Date	Maximum Coupon subject to Optional Call	Bonds Subject to Special Redemption ⁽²⁾
BR.....	\$ 100,000	\$ 100,000	December 1, 2019	Anytime	100%	5.125%	Excess Revenues
BZ.....	100,000	100,000	December 1, 2021	Anytime	100	5.350	Excess Revenues
CF.....	3,400,000	3,400,000	December 1, 2017	N.A.	N.A.	N.A.	Excess Revenues
CG.....	655,000	655,000	December 1, 2017	N.A.	N.A.	N.A.	Excess Revenues
CJ.....	110,000,000	110,000,000	December 1, 2035	June 1, 2024	100	3.750	Excess Revenues
CK.....	152,295,000	152,295,000	December 1, 2040	December 1, 2024	100	5.000	Excess Revenues
CL.....	128,610,000	128,610,000	December 1, 2034	December 1, 2024	100	5.000	Excess Revenues/Unexpended Proceeds
CM.....	162,315,000	162,315,000	December 1, 2036	December 1, 2024	100	4.125	Excess Revenues/PAC
CN.....	99,740,000	99,740,000	December 1, 2046	December 1, 2025	100	3.500	Excess Revenues/PAC
Sub-total	\$ 657,215,000	\$ 657,215,000					
Commercial Paper	\$ 0	\$ 0	N.A.	N.A.	N.A.	N.A.	N.A.
Total Veterans G.O. Bonds	\$ 657,215,000	\$ 657,215,000					

Home Purchase Revenue Bonds

Revenue Bonds Issued as Qualified Mortgage Bonds under the Federal Tax Code

2007 A.....	\$ 50,425,000	\$ 50,425,000	December 1, 2042	December 1, 2016	100%	5.000%	Excess Revenues
Sub-total	\$ 50,425,000	\$ 50,425,000					

Revenue Bonds Issued to Refund Bonds Issued Prior to Mortgage Subsidy Bond Tax Act of 1980

2011 A.....	30,800,000	5,000,000	December 1, 2022	June 1, 2021	100	4.500	Excess Revenues
2012 A.....	214,435,000	214,435,000	December 1, 2028	June 1, 2021	100	3.875	Excess Revenues
Sub-total	\$ 245,235,000	\$ 219,435,000					
Total Revenue Bonds	\$ 295,660,000	\$ 269,860,000					

Source: Department of Veterans Affairs.

⁽¹⁾ With respect to Revenue Bonds, "Outstanding" is as defined in Resolution RB-1.

⁽²⁾ Excess Revenues includes, but is not limited to, principal prepayments on Contracts of Purchase.

Additional Investments (as of June 30, 2016)

As noted above under “Amounts Expected to be Available to Fund Contracts of Purchase and Related Investments,” the Department invests a material portion of the cash of the 1943 Fund in SMIF. Amounts invested in SMIF may be withdrawn and reinvested at any time.

In connection with life and disability insurance, the Department maintains an Experience Rating Refund Agreement with Standard, pursuant to which The Bank of New York Mellon, as trustee (the “Trustee”), administers a claims fluctuation reserve account. At June 30, 2016, that account held approximately \$17,156,738.67, all of which was invested in government securities. Under the Experience Rating Refund Agreement, the annual interest rate used in determining the experience rating refund is (i) the rate paid by the Trustee plus 0.5% if the interest rate paid by the Trustee on funds in the claims fluctuation reserve account is less than 3.5%, (ii) 4% if the interest rate paid by the Trustee on funds in the claims fluctuation reserve account is at least 3.5% but less than 4%, and (iii) the rate paid by the Trustee if the interest rate paid by the Trustee on funds in the claims fluctuation reserve account is 4% or more. This agreement terminated on April 30, 2016.

A new Experience Rating Refund Agreement with Standard was executed with an effective date of May 1, 2016, through January 31, 2018. Under the new agreement, the annual interest rate used in determining the experience rating refund is (i) the rate paid by the Trustee plus 0.5% if the interest rate paid by the Trustee on funds in the claims fluctuation reserve account is less than 2.00%, (ii) 2.50% if the rate paid by the Trustee is at least 2.00% but less than 2.50%, and (iii) the rate paid by the Trustee if the interest rate paid by the Trustee on funds in the claims fluctuation reserve account is 2.50% or more.

The following additional investments have been made or will be made with respect to moneys in the 1943 Fund, which is the source of payment of the Revenue Bonds and the Veterans G.O. Bonds.

<u>Bond Series</u>	<u>Account Designation</u> ⁽¹⁾	<u>Amount (000s)</u>	<u>Investment Provider</u> ⁽³⁾	<u>Initial Investment Date</u>	<u>Investment Maturity Date</u>	<u>Interest Rate (%)</u>
BQ/BR	Revenue	Variable ⁽²⁾	Portigon AG ⁽⁴⁾	4/28/99	6/30/16 ⁽⁵⁾	5.37

Source: Department of Veterans Affairs.

- ⁽¹⁾ The account was established in the Revenue Bond Resolution and is authorized by the resolutions related to the applicable Veterans G.O. Bonds.
- ⁽²⁾ Maximum permitted amount on deposit under investment agreement is \$35,000,000. As of December 31, 2014, the investment agreement was amended to provide, among other things, that the Department may deposit no more than \$100,000 in the aggregate in any given month regardless of any withdrawals that may be made during such month.
- ⁽³⁾ As of August 2015, Portigon AG had a long term default rating of “A+” by Fitch. For liabilities entered into before July 19, 2001, and liabilities entered into between July 19, 2001 and July 18, 2005 that mature no later than December 31, 2015, Portigon AG’s guaranteed long-term ratings are “Aa1” by Moody’s and “AAA” by Fitch. Portigon AG is not rated by S&P. An explanation of the significance and status of such credit ratings may be obtained from the rating agencies furnishing the same. There is no assurance that such ratings will continue for any given period of time or that they will not be revised, qualified, or withdrawn entirely by any such rating agencies if, in their respective judgments, circumstances so warrant.
- ⁽⁴⁾ Portigon AG was formerly known as Westdeutsche Landesbank Girozentrale until July 2012.
- ⁽⁵⁾ The investment agreement provides for earlier termination in certain circumstances, including upon the withdrawal of all invested moneys and earnings and notice from the State Treasurer that no additional payments will be deposited.

All investments contain certain risks, some of which may be material. Such risks include, but are not limited to, a lower rate of return than expected and loss or delayed receipt of principal. For moneys invested in SMIF these risks may be mitigated, but are not eliminated, by limitations imposed on the portfolio management process by the State Treasurer’s investment policies, which may change from time to time.