

CalHFA Single Family Lending Update

September 2013



I. Single Family Lending

Existing Programs

- With the revisions to the California Homebuyer's Downpayment Assistance Program underwriting guidelines effective July 1st, reservations have declined by 45% vs. year ago

Month	2012	2013	%
July	644	243	62%
August	730	519	29%
Total	1374	762	45%



I. Single Family Lending (cont.)

- New Compliance Underwriting Standards:
 - Total DTI ratio of 43%
 - FICO scores: 640 requires \$1,500; 680 requires \$1,000 buyer contribution
 - Maximum CLTV 103%
 - Income and sales price limits
 - CalHFA Homebuyer Education required on CalHFA mortgage products
 - Home Warranty Protection Coverage required (New construction exempt)

I. Single Family Lending (cont.)

- MCC Program reservations for the first 2 months are 4 times higher vs. year ago (July-Aug. 184 reservations).
 - Anticipate MCC volume to continue to grow with the introduction of our new mortgage products. However, we expect \$29M of the 2011 MCC allocation to expire by the end of the year.
- Special Programs:
 - Collected \$14.4 million in outstanding HELP (\$6.4M) and RDLP (\$8M) July - August.
 - There are 6 loan modifications underway
 - Processed 86 CalHFA junior loan subordination requests

II. Legislation Approved

- On August 12th, the Governor signed AB 984 that:
 - Removes the deed restriction on our DPA programs, addressing a major HUD/FHA issue.
 - Permits CalHFA to fund loan at closing for our DPA products in the future. Currently we have a waiver from HUD/FHA that enables us to fund after closing, which saves us resources.
 - Enables us to offer a grant for an Energy Efficient Mortgage program.



III. New Program Introduction

New TBA FHA mortgage program announced August 16th, with August 26th start date.

- CalPLUS
 - FHA-insured mortgage with 3.5% DPA (ZIP DPA is a zero interest, deferred payment loan)
 - Higher mortgage rate generates DPA funds
- CalHFA FHA Mortgage
- Return of Extra Credit Teacher Program (ECTP)
 - Deferred payment, forgivable interest
 - Must be combined with CalHFA first mortgage
 - Teachers, administrators and employees at high priority schools (API Rank 1-5) are eligible



IV. Proposed CalHFA FHA Energy Efficient (EEM) + Grant

- Premium interest rate permits the first mortgage to be sold above par to fund the 4% CalHFA EEM Grant.
- CalHFA EEM Grant will help low and moderate income homebuyers fund energy efficient home repairs as part of their FHA-insured mortgage
- The cost of the improvement and the estimate of the energy savings must be determined by a Home Energy Rating System (HERS) or energy consultant.



IV. Proposed CalHFA FHA Energy Efficient (EEM) + Grant (cont.)

- FHA limits the amount of the improvements that may be financed as follows:
 - The least of 5% of:
 - The value of the property or sales price
 - 115% of the median area home value
 - 150% of the conforming Freddie Mac sales price limit
 - FHA allows the final loan amount to exceed the maximum FHA mortgage limit by the amount of the energy-efficient improvements
 - The CalHFA EEM Grant is not included in the CLTV
 - The maximum CLTV may exceed 103% when combined with CalHFA subordinate financing for down payment assistance



IV. Proposed CalHFA FHA Energy Efficient (EEM) + Grant (cont.)

- CalHFA's EEM grant will allow the borrower to complete more improvements, up to the maximum allowed under the HERS audit.
- Allows a borrower to piggy-back on the existing FHA EEM:
 - Provides additional energy efficient improvements
 - Reduces utility bills
 - Improves comfort
 - Improves the value of the home
- CalHFA EEM Grant can be combined with CHDAP, ECTP and the MCC program
- It cannot be used with a CalPLUS mortgage

How the EEM Grant will work:

Sample – Property Value/Sales Price of \$200,000

Maximum FHA EEM amount is \$10,000 (5% of value)

- HERS audit shows energy efficient repairs of:
 - Windows, doors & weather-stripping: \$ 7,000
 - Attic insulation \$ 3,000
 - HVAC System \$ 6,000
 - Total Energy Efficient Improvements \$16,000
- Maximum FHA EEM Amount (\$10,000)
- Unrealized improvements w/out CalHFA EEM Grant: \$ 6,000
- CalHFA EEM Grant (\$ 6,000)
- Maximum amount of CalHFA EEM Grant would be the lesser of \$8,120 (sales price x 96.5% + \$10,000 EEM x 4%) or \$6,000 (amount approved under the HERS audit less maximum FHA EEM amount)

How the EEM Grant will work:

- At closing, an escrow account is established to deposit the funds for the energy efficient improvements.
- The escrow account is not to exceed 90 days.
- The CalHFA EEM + Grant program will follow the program and compliance underwriting guidelines approved by the Board in May 2013.



Next Steps:

- Board approval of proposed CalHFA FHA EEM Product: November 2013.
- Working on a Conventional mortgage product proposal.