



California Housing Finance Agency

1121 "L" Street, 7th Floor Sacramento, CA 95814

Program Bulletin

July 7, 1999

Bulletin #99-12

To: CHFA Approved Lenders and Servicers

USDA GUARANTEED RURAL HOUSING LOAN PROGRAM

CHFA is pleased to announce that the USDA Guaranteed Rural Housing Loan Program (GRH) has been approved for use in conjunction with CHFA financing. Rural homebuyers who have good credit and a steady income but do not have enough cash to cover closing expenses for a conventional insured loan now have another avenue to take toward homeownership. This loan guarantee by the Federal Government will help to reduce a lender's risk while helping more people to become homeowners.

The Rural Housing Service (RHS), an Agency within the federal Rural Development (RD) mission area of the USDA, administers this program. For information regarding eligible rural areas and property types, borrower eligibility, GRH loan terms and other details of the GRH program, Lenders should contact the RHS Regional Office at 430 G Street, Agency 4169, Davis, CA 95616.

PROGRAM SUMMARY

The GRH Loan Program is a 100% loan program for first-time homebuyers in rural areas as established by the Rural Housing Service (RHS). Some of the special features of this program are:

- No downpayment required: maximum loan---up to 100% loan-to-value or other limit established by RHS (USDA)
- 30-year fixed interest rate
- Maximum underwriting ratios---29% PITI and 41% MOTI
- Typical closing costs can be in loan up to GRH loan limit
- RHS does not limit seller contributions
- No additional mortgage insurance required
- RHS charges only a one-time Guarantee Fee (1% X Loan)
- Originating and Servicing Lenders must be approved by **both** RHS and CHFA

PROGRAM INTEREST RATES AND INCOME LIMITS

CHFA's first mortgage interest rate and income limits are published by CHFA Program Bulletins. The current rates and limits, now with a two-tier structure, are found in Program Bulletin 99-10. Both GRH and CHFA have income limits which cannot be exceeded; the lowest maximum limit prevails.

CHFA ORIGINATION REQUIREMENTS

- The Originating Lender must be approved by both RHS and CHFA.
- All loans submitted under this new program must meet CHFA's standard loan guidelines as published in CHFA's Program Manual, Servicers Guide and Program Bulletins.
- In making a reservation through the Lender Access System (LAS), the Lender should use the Insurance code "16" for the GRH loan.
- The loan underwriting must be completed by RHS **prior** to delivery to CHFA for compliance review and approval.
- Lender must provide a signed Conditional Commitment for Guaranty (FR1980-18) with the review file submitted to CHFA.
- Lender must obtain and retain the Loan Note Guaranty as soon as reasonably possible after close of escrow.
- Lender must use the CHFA Promissory Note and Deed of Trust (CHFA's CaHLIF version) .
- If the GRH loan is less than 100%, the lender may also use it with the CHFA 100% Loan Program (includes CHFA first and second loans) in the counties eligible for that program (see Program Bulletin #98-08); and with the Affordable Housing Partnership Program (AHPP) for low income borrowers.

Any loan, purchased by CHFA, discovered to have loan origination, underwriting or closing deficiencies realized through lender or borrower negligence or misrepresentation shall, at the option of CHFA, be repurchased by the originating lender. In the event of a default warranting loan liquidation, CHFA will require the GRH loan be repurchased by the loan servicer.

CHFA LOAN SERVICING ISSUES

The loan servicing functions for GRH loans will be carried out by and will be the responsibility of lenders approved by both RHS and CHFA and who have executed a Mortgage Purchase and Servicing Agreement with CHFA. CHFA will not service these loans. The servicing is to be retained by originating lender or serviced-released to a CHFA and RHS approved servicer. Complete servicing criteria may be found in the CHFA Servicer's Guide and Program Bulletins.

Servicing Fees:

Servicer may retain a servicing fee of one-twelfth of three-eighths of one percent (37.5b.p.) per

annum computed on the unpaid principal balance prior to the monthly payment.

Mortgage Insurance Advance Payment Remittances

Servicer shall remit by the fifth (5th) working day of each month, the amount of all monthly loan payments scheduled to be received, but not received during the preceding month. Servicer will advance such monthly loan payments to CHFA, less its servicing fee, from its own funds. Funds shall be remitted to Accounting/Advance Claim payments on CHFA Form 165 (Exhibit E-1) or computer generated equivalent.

Repurchasing GRH Loan within Ninety (90) Days of Trustee Sale, or "Deed-in-Lieu".

Servicer is required to purchase USDA Guaranteed Rural Housing Loan by remitting to CHFA the outstanding unpaid principal balance plus all accrued interest thereon (interest to date of Servicer remittance to CHFA), 1) within ninety (90) days of the Trustee's Sale, or 2) recorded "Deed-in-Lieu".

Servicer may be required to repurchase a Loan, at CHFA's option, if a foreclosure is prevented, delayed or judicially denied because of any defect in the Deed of Trust or Note assigned to CHFA, which defect was not caused by CHFA. This repurchase requirement is effective, should CHFA exercise its option herein, even if the defect(s) was caused by the Servicer's predecessor Servicer(s). Servicer is not eligible for cost reimbursement on repurchases.

Assumption of Loans

CHFA will enforce all the terms of the loan restrictions including, but not limited to, loan assumptions for income and sale price restrictions, owner occupancy requirements, etc.

Servicer shall not consent to the transfer of assumption of a CHFA Loan without CHFA's prior written authorization.

For additional information or questions regarding this Bulletin, you may write the California Housing Finance Agency, Single Family Programs, 1121 L Street, 7th Floor, Sacramento, CA 95814; or call (916) 324-8088. Fax requests may be sent to (916) 324-6589.