



Program Bulletin

January 16, 2002

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To: CHFA Approved Lenders

BUILDER LOCK (BLOCK) FORWARD COMMITMENT PROCESS

This bulletin is a reminder to builders/developers of the Agency's BLOCK forward commitment process for permanent mortgage financing for CHFA-eligible borrowers for newly constructed homeownership housing statewide. On any day, builders/developers may lock-in, through a CHFA-approved lender, an interest rate for a pool of funds for terms of 6, 9, or 12 months into the future for commitment fees of 0.5%, 1.5%, or 2% respectively. The BLOCK process has the following benefits:

- Provides a hedge against rising interest rates
- Offers longer delivery time than the 90-day delivery, no fee, SL process
- Commitment requests may be staged monthly or quarterly to match construction/marketing program
- May be used concurrently with SL process at any development
- **No Cash Upfront** is required for 6-month forward commitments
- No penalty for non delivery
- Fees for 9 and 12-month commitments are paid with one-half cash upfront, with balance collected only on those loans delivered
- Commitment fees are charged only for the length of time used. Thus fees paid for long-term commitments may be reduced if loans are delivered for purchase earlier in the term
- A forward commitment accesses both the below-market-interest-rate 30-year fixed rate 1st mortgages, and CHAP 2nd mortgages and other down payment assistance programs as may be available
- No prior approval is required of the developer or the development beyond those required by the mortgage insurer
- Flexibility to purchase and transfer BLOCK commitments among CHFA-approved lenders

For further information and details about how to purchase a BLOCK forward commitment, builders/developers should contact the builder-representative of the CHFA-approved lender with whom they are currently working, or refer to CHFA's web page at www.chfa.ca.gov. Additional information and referrals may be obtained from Tom Harrison, Homeownership Program at (916) 324-8088.

Questions regarding this bulletin should be directed to CHFA, Homeownership Programs, 1121 L Street, 7th Floor, Sacramento CA 95814; by phone (916) 324-8088; by fax (916) 324-6589; or visit CHFA's website at: www.chfa.ca.gov



Lenders are encouraged to use CHFA's FHA Energy Efficient Mortgage Program (EEM) to minimize energy usage and costs. Additional information regarding EEMs is available on CHFA's web page.