



Homeownership Program Bulletin

December 16, 2002

Program Bulletin #2002-37

To: CalHFA Approved Lenders

EXPANSION OF THE EXTRA CREDIT TEACHER HOME PURCHASE ASSISTANCE PROGRAM (EXTRA CREDIT TEACHER PROGRAM)

This Program Bulletin replaces both CalHFA Program Bulletin #2001-13, dated July 2, 2001 and CalHFA Program Bulletin #2001-23, dated September 13, 2001. It is effective for all Extra Credit Teacher Program loans that will close on or after December 16, 2002. The following modifications have been made to the program as shown below:

- Eligible Low Performing Schools - Has been expanded to public and charter schools that score in the bottom fifty percentile (50%) Statewide Rank Academic Performance Index (API Ranks 1-5).
- Eligible Staff Members – Staff members with one of the following credentials are now also eligible for the program in addition to credentialed teachers and administrators:
 - School Nurse Credential
 - Clinical or Rehabilitation Service Credential
 - Pupil Personnel Services Credential
 - Library Media Teacher Service Credential
 - Designated Subjects Vocational Education Teaching Credential
- Low Performing School Districts – Staff members with the above listed credentials must be employed at either a Low Performing School or Low Performing School District. Low performing school districts are defined as districts where more than 50% of the K-12 public schools within the district are low performing.
- Teaching Commitment – Commitment was reduced from five years to three years from date of loan.
- County & Continuation Schools - These schools are now eligible statewide.

EFFECTIVE DATE OF LOAN RESERVATIONS

The Extra Credit Teacher Program (ECTP) as described in this bulletin is effective for all Extra Credit Teacher Program loans that will close on or after December 16, 2002.

PROGRAM PURPOSE, USE AND TERMS

This Extra Credit Teacher Program is intended to assist low performing schools recruit and retain eligible credentialed school staff to increase their academic standing and thus provide pupils with high quality education.

The Extra Credit Teacher Program is designed to provide up to 100% financing by combining a CalHFA first loan with a CalHFA \$7,500 second loan. Under no circumstances will cash back to the homebuyer be permitted.

The first loan is a standard CalHFA FHA, VA or CalHFA Mortgage Insurance Services insured 30-year fixed rate loan. CalHFA interest rate on the Extra Credit Teacher Program first loan is published under ECTP rates for both new construction and existing resale. Interest rates are subject to change and are announced under separate CalHFA Program Bulletins when applicable. The CalHFA website www.calhfa.ca.gov lists current interest rates along with other program information.

The second loan is a 30-year deferred payment with a principal amount of \$7,500, which can only be used for down payment, not closing costs. The interest rate on the second is five percent (5%) simple interest, which may be reduced progressively to zero percent (0%) over three years. If the eligible school staff person remains employed in a low performing school or low performing school district if applicable, the interest rate will reduce by one percent (1%) the first full year, by one percent (1%) the second full year, and by three percent (3%) the third full year, at which time it will reach zero percent (0%) and then will remain there for the term of the loan. In the event of the borrower's termination of employment during the first three years, the interest rate on the 2nd loan will accrue at the last reduced rate (if applicable) that the borrower met continued eligibility.

CalHFA will permit the borrower to use other local housing agency subordinate financing to help in the acquisition of the home, provided the applicant and the property meet the CalHFA subordinate loan requirements, and/or the applicable subordinate financing has been previously approved under the Affordable Housing Partnership Program (AHPP) by CalHFA and is subordinate to the CalHFA first and second loans.

This program receives specific annual allocations, therefore the program is offered on a first-come-first-served basis as long as funds last.

BORROWER ELIGIBILITY

All borrowers must be first-time homebuyers whose income does not exceed CalHFA income limits adjusted for county and family size. Income limits are subject to change and will be announced by Program Bulletin when applicable and are available on CalHFA's website.

All first-time homebuyers must meet CalHFA first loan eligibility requirements. Please refer to the CalHFA Program Manual-Rev. 8/99 for information on standard Borrower and first loan eligibility requirements. This manual is periodically updated by Program Bulletins.

Additionally, the borrower must meet the following eligibility requirements:

- Credentialed. Be a holder of an appropriate credential. An eligible teacher, administrator, or staff member is any person who holds one of the credentials listed on the attached List of Credentials issued by the California Commission on Teacher Credentialing.
- Low Performing School. Eligible credentialed Teachers and Administrators (see attached) to be currently employed in a Low Performing School that scored in the bottom fifty percentile (50%) Statewide Rank Academic Performance Index ("API"), as published by the Superintendent of Public Instruction or the Department of Education pursuant to Ed Code § 52056. If a school does not have an API ranking, please contact CalHFA for determination of eligibility.
- Low Performing School District. Eligible credentialed Staff Members (see attached) may either work in a low performing school as described above or in a low performing school district. Low performing school districts are defined as districts where more than 50% of the K-12 public schools within the district are low performing.
- Service Commitment. Intend to work for three years continuously from the date of the loan in a Low Performing School or Low Performing School District.
- First-time Homebuyer. Borrower must be a first-time homebuyer (i.e. not have owned and occupied a home in the last three years).
- Occupancy. The residence being purchased shall be intended to be the borrower's primary residence and continue to be for the term of the CalHFA first loan.
- Income Limits. The total borrower income does not exceed CalHFA Income Limits adjusted for county and family size.
- Single Family Residence Only/Sales Price Limits. The residence being purchased and financed is a single-family residence, condominium, or manufactured housing (permanently attached) located within California, and does not exceed area sales price limits.
- Qualify for the Loan. The borrower must be able to credit qualify for either a CalHFA FHA-insured, VA Guaranteed, or CalHFA Mortgage Insurance Services insured 30 year fixed rate first loan for the amount necessary to purchase a home.

In order to qualify for partial or full interest rate reduction on the second loan, the borrower shall produce documentation evidencing continued eligibility to the satisfaction of CalHFA.

Exceptions to the three-year continuous employment requirement will be allowed in the following cases:

- The borrower is employed at the same school as at the time of receipt of the loan, but that school is no longer considered a Low Performing School.
- The borrower's departure from the Low Performing School was involuntary and was not the result of disciplinary action, and he/she accepts a teaching or principal position at another California K-12 public school within one year of her/his date of departure.
- Hardship cases; serious illness, death and divorce.
- Occurrences covered under the Family Medical Leave Act.
- Other exceptions as deemed acceptable by the Agency.

Repayment of the principal and accrued interest on both the first and second loans shall be due and payable at the earlier of the following events:

- Transfer of title.
- Sale of the residence.
- Payoff/refinance of the first loan.

- The property is no longer the borrower's primary residence (subject to CalHFA hardship provisions described in the CalHFA lending manual).

PROPERTY ELIGIBILITY

All properties must meet CalHFA's standard property eligibility requirements, including CalHFA sales price limits. Refer to the CalHFA Program Manual-Rev. 8/99, as updated by Program Bulletin #2000-18, dated October 17, 2000, for current property eligibility. Sales price limits are subject to change and will be announced by Program Bulletin when applicable, and are available on CalHFA's website.

LOAN PROCESSING AND PURCHASE DOCUMENTATION PROCEDURES

Loan delivery for the Extra Credit Teacher Program will be accomplished in the same manner in which CalHFA operates its first and second loan programs. CalHFA approved Lenders will reserve the Extra Credit Teacher Home Purchase Assistance Program through the Lender Access System (LAS) by selecting the Extra Credit Teacher Program option on the registration screen. The completely processed and underwritten loan will then be forwarded to CalHFA for compliance review and approval. Please refer to the CalHFA Program Manual for submission procedures and document requirements. The submission file should be clearly marked "Extra Credit Teacher Program" on the outside cover of the loan file.

In addition to normal CalHFA documentation requirements, CalHFA will require that the Lender receive and provide to the Agency an Extra Credit Teacher Home Purchase Program Eligibility Certificate (see attached) completed by the employing school district, County Office of Education or local Board of Education which certifies school or school district eligibility and borrower employment eligibility.

SUBMISSION OF LOAN PURCHASE DOCUMENTS

As of October 1, 2002, CalHFA will allow first and second mortgages to be purchased separately rather than purchased simultaneously. This new policy is intended to expedite the purchase process of the first mortgage. Refer to Program Bulletin #2002-31 dated September 20, 2002, regarding modifications to purchase procedures.

Due to new HUD requirements regarding the processing of subordinate loans, effective November 25, 2002, all CalHFA subordinate loans must reflect the Lender/Beneficiary and Trustee as California Housing Finance Agency, a public instrumentality and a political subdivision of the State of California. Refer to Program Bulletin #2002-34 dated November 25, 2002 for complete details.

For the second loan, the revised Home Purchase Assistance (HPA) Promissory Note, dated 12/15/02 and Deed of Trust dated 11/22/02, (both attached) must be used for loans that will close on or after December 16, 2002. Second loans are not registered through MERS.

Lenders using the MERS procedure for the first Deed of Trust are advised to select the MERS version of the deed of trust. Copies of MERS documents as well as non-MERS documents are available from CalHFA's website www.calhfa.ca.gov "Bulletins, Forms" or electronic versions of specific documents are also available via e-mail or disk. Please contact Lender Services at (916)324-4653.

For Lenders using the MERS procedure for the first Deed of Trust, refer to Program Bulletin #2002-36 for MERS procedures.

After loan closing, the Lender will submit the required loan closing documents (listed below) for purchase to CalHFA, within the required time limits for the Single Loan (SL) reservation system or the Forward Commitment (FC) periods as applicable.

CalHFA will review the loans for purchase upon receipt of the following required documents:

CalHFA FIRST LOANS

The purchase documentation requirements for the first mortgage loan shall be as follows:

1. Mortgage Submission Voucher – Purchase Submittal.
2. The original Promissory Note endorsed to the California Housing Finance Agency, with fully executed Tax Exempt Financing Rider, if an FHA or VA loan.
3. Title Company or Lender certified copy of the Deed of Trust, with fully executed Tax Exempt Financing Rider if an FHA or VA loan and all applicable riders on Conventional loans.
4. Title Company or Lender certified copy of the Corporation Assignment of the Deed of Trust. Example: First Assignment from Correspondent Lender to CalHFA approved Lender and a Second Assignment from CalHFA approved Lender to California Housing Finance Agency OR evidence of MERS registration.
5. Title/Escrow Company certified copy of the Final HUD-1 Settlement Statement.
6. On all loans service released to CalHFA, an ALTA Title Policy insuring all CalHFA loans encumbering the property is required within 120 days from the date of purchase of the loan by CalHFA. The insured to reflect California Housing Finance Agency.

CalHFA SUBORDINATE LOANS

The purchase documentation requirements for the subordinate mortgage shall be as follows:

1. Subordinate Mortgage Submission Voucher Part II (Subordinate MSV-II).
2. The original CalHFA Subordinate Promissory Note showing California Housing Finance Agency, a public instrumentality and a political subdivision of the State of California as the Lender/Beneficiary, which has been executed by all borrowers.
3. Lender or Title Company certified copy of the subordinate Deed of Trust showing California Housing Finance Agency, a public instrumentality and a political subdivision of the State of California reflected as the Lender, Beneficiary and Trustee and instructing the County Recorder to forward the original deed of trust directly to CalHFA at 1121 L Street, 7th Floor, Sacramento, CA 95814.
4. HUD Final Settlement Statement for each loan being submitted for purchase.
5. Copy of the final, Truth-In-Lending Disclosure Statement signed by the borrower(s), if changes to the initial Truth-In-Lending Disclosure were required.

CalHFA will require all errors or omissions to be corrected and missing documents to be submitted prior to the purchase of the loan. Additionally, CalHFA will require errors found in the Deeds of Trust to be corrected either by re-recording or using the Reformation of Permanent Deed of Trust. The Reformation of Deed of Trust is available on CalHFA's Website.

CalHFA will fund only the outstanding principal balance of the second loans. Accrued interest will not be funded upon purchase of junior loans by the Agency, since interest is deferred for the term of the loans (See the paragraph titled "Compensation to Lenders" below).

SERVICING

Lenders will be required to service release the first loans to CalHFA and will receive a Servicing Release Fee of 75 basis points for VA Loans, and 90 basis points for FHA and Conventional loans. The second loans will be serviced directly by CalHFA due to the deferred payment structure and no servicing fee.

Repayment of the entire principal and interest of the second is due upon any of the following events: sale or transfer of the secured property; refinance or payoff of the first loan; or upon the formal filing and recording of a Notice of Default (unless rescinded). Prepayment of the second loan is permitted at any time. Partial prepayment of the second loan is permitted and the crediting of such payments will be done in two ways. First, during the first three years of the loan, partial prepayments will be credited toward principal only. From the 37th month forward, payments will be credited first to the interest (if any) and then to principal. CalHFA does not charge prepayment penalties.

At the time the second loan is accepted into CalHFA Loan Servicing, CalHFA will notify the borrower of the Extra Credit Teacher Program second loan number and provide instructions to the borrower regarding procedures for prepayments of second loans to be made directly to CalHFA. Periodically, and upon issuing a Demand for Payoff, CalHFA Loan Servicing will issue a notice to the teacher detailing the procedure he or she must follow to be eligible for interest forgiveness on the \$7,500 second loan. The interest rate on the second is five percent (5%), which may be reduced progressively to zero percent (0%) over three years. If the eligible school staff person remains employed in a low performing school or low performing school district if applicable, the interest rate will reduce by one percent (1%) the first full year, by one percent (1%) the second full year, and by three percent (3%) the third full year, at which time it will reach zero percent (0%) and then will remain there for the term of the loan.

COMPENSATION TO LENDERS

In addition to normal fees allowed for CalHFA first loans, Lenders would be permitted to charge the borrower or seller an additional \$250 to process the Extra Credit Teacher Program second loan. The \$250 processing fee for the second loan is to compensate Lenders for all accrued interest from the date of recordation to date of purchase of the loan by CalHFA, plus cover normal origination and processing costs for the second. CalHFA will not pay a servicing release fee for the second loan since servicing fee income is not collected.

PROGRAM DOCUMENTS

Documents are available on our website. Electronic versions of specific documents are also available via e-mail or disk. Please contact Lender Services at (916)324-4653 to request your copies.

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

Attachments

EXTRA CREDIT TEACHER HOME PURCHASE PROGRAM

ELIGIBILITY CERTIFICATE

INSTRUCTIONS

Lender: Please complete items 1-4, have Applicant complete item 5 and send to Employer for completion of items 6-17.

Applicant (Teacher, Administrator Or Staff Member): Please complete item 5.

Employer (School District or County Office of Education): Please complete items 6-17, sign and return to Lender.

PART I – REQUEST

To be completed by Lender

1. Issuer: _____
Contact Name: _____
Address: _____
City: _____ Zip: _____
Phone: _____ Fax: _____
 2. Name of Applicant (Teacher, Administrator or Staff Member) : _____
Address: _____
City: _____ Zip: _____
Phone: _____ Fax: _____
 3. Name of Applicant's current Employer (School District, County Office of Education): _____

 4. Hire date at current school: _____
 5. ***“I have applied for a mortgage revenue bond loan through the Extra Credit Teacher Home Purchase Program. My signature below authorizes my employer to verify the information requested in this Certificate.”***
- Signature of Applicant: _____ Date: _____

PART II – CERTIFICATION OF ELIGIBILITY INFORMATION

To be completed by Employer (School District or County Office of Education)

Please indicate your certification of the following information by marking an “X” in the boxes below:

- 6. The Applicant listed above is employed by the School District or County Office of Education listed in Part I, Item 3.
- 7. The Applicant is currently employed at the school listed in Part I, Item 4.
- 8. The Applicant holds one of the credentials issued by the California Commission on Teacher Credentialing listed below in Part III.
- 9. The Applicant is not currently under suspension by his or her employing school district or County Office of Education, and there is not currently pending any disciplinary inquiry, investigation, action or proceeding that could result in the suspension or dismissal of the Applicant.
- 10. It has been verified with the California Commission on Teacher Credentialing that the Applicant’s credential is not currently suspended or revoked, and that there is not currently pending any disciplinary inquiry, investigation, action or proceeding that could result in the suspension or revocation of the Applicant’s credential.
- 11. The personnel file of the Applicant reflects that he or she has not been dismissed from a teaching or administrative position for any reason, and that he or she has not been the subject of a disciplinary suspension which has been upheld.

(Note: The disciplinary inquiry, investigation, action or proceeding referenced in questions 9,10, and 11 refers only to formal action taken by the employing school district or County Office of Education or the California Commission on Teacher Credentialing.)

- 12. If the Applicant is a teacher, has he or she received National Board Certification? Yes No
- 13. Is applicant employed at a county or continuation school? Yes No
- 14. Is applicant’s employing School District Low Performing?
(Meaning more than 50% of all schools in district are Low Performing Schools) Yes No
- 15. Is applicant’s current employing school low performing?
(Current Academic Performance Index Ranking of 1-5) Yes No
- 16. Current Academic Performance Index Ranking of School (please circle) 1 2 3 4 5 6+

“I certify that the information provided in Part II above is true, accurate and complete as of the date submitted. I certify that I am an authorized representative of the employing school district or County Office of Education, and am duly authorized to submit this information and make the representations contained herein.”

- 17. Name of Employer (Authorized Representative): _____
Title: _____
Signature: _____ Date: _____
School District or County Office of Education: _____
Phone: _____ Fax: _____

PART III – LIST OF CREDENTIALS (An applicant must hold one of the following credentials to be eligible for the Extra Credit Teacher Home Purchase Program.)

For Teachers

Single Subject Teaching Credential	Multiple Subject Teaching Credential
Specialist Instruction Credential in Special Education	Education Specialist Instruction Credential
Standard Elementary Teaching Credential	Standard Secondary Teaching Credential
Standard Early Childhood Education Teaching Credential	Standard Restricted Special Education Teaching Credential
General Kindergarten-Primary Teaching Credential	General Elementary Teaching Credential
General Junior High Teaching Credential	General Secondary Teaching Credential
Special Secondary Teaching Credential in Art	Special Credential for Teaching Exceptional Children
Special Secondary Teaching Credential in Business Ed	Special Secondary Credential for Teaching the Blind
Special Secondary Teaching Credential in Homemaking	Special Secondary Teaching Credential in Industrial Arts
Special Secondary Credential for Teaching Lip Reading	Special Secondary Teaching Credential in Music
Special Secondary Limited Teaching Credential in Music	Special Secondary Teaching Credential Limited in Agric.
Special Secondary Credential for Teaching the Partially Sighted Child	Special Secondary Teaching Credential in Physical Ed.
Special Secondary Teaching Credential in Correction of Speech Defects	Special Secondary Teaching Credential in Speech Arts
	Special Secondary Credential for Teaching the Mentally Retarded

For Administrators

Administrative Services Credential	Administrative Services Credential (Examination)
Standard Supervision Credential	Standard Administration Credential
General Elementary School Administration Credential	General Elementary School Supervision Credential
General Secondary School Administration Credential	General Secondary School Supervision Credential
General Administration Credential	General Supervision Credential
The Supervision Credential	General School Principal or Supervisor Credential

For Staff Members

School Nurse Credential
Clinical or Rehabilitation Service Credential
Pupil Personnel Services Credential (e.g. School Counseling, School Social Work, School Psychology and Child Welfare and Attendance)
Library Media Teacher Service Credential
Designated Subjects Vocational Education Teaching Credential

ATTENTION EMPLOYER: THIS FORM MUST BE TRANSMITTED DIRECTLY TO THE LENDER.

**EXTRA CREDIT TEACHER PROGRAM
PROMISSORY NOTE
CALIFORNIA HOUSING FINANCE AGENCY HOME PURCHASE ASSISTANCE PROGRAM (“HPA”)**

**NOTICE TO BORROWER
THIS DOCUMENT CONTAINS PROVISIONS
PROHIBITING UNAUTHORIZED TRANSFERS SECURED BY
A DEED OF TRUST ON RESIDENTIAL PROPERTY**

Property Address: _____

\$ 7,500.00 _____, 20 _____
Date of this Note

FOR VALUE RECEIVED, the undersigned, _____, (the “Borrower”) hereby promises to pay to the order of the California Housing Finance Agency, a public instrumentality and a political subdivision of the State of California, its assignees or holder, whose address is 1121 L Street, Suite 103, Sacramento, California, 95814, (the “Lender”) as further provided herein, a principal amount equal to seven thousand five hundred dollars and no cents (\$7,500.00), with simple interest at the rate specified below on the unpaid principal balance from the date of this Promissory Note (the “Note”), until paid. The obligation of the Borrower with respect to this Note is secured by that certain Deed of Trust entitled “Permanent Deed of Trust with Assignment of Rents, Security Agreement and Fixture Filing (California Housing Finance Agency Home Purchase Assistance Program) (“HPA”)” (the “Deed of Trust”), and executed by the Borrower concurrently herewith.

DEFINITIONS

“Date of this Note” – means the date that this Note is executed as specified on the top right hand side of this page.

“First Note and Deed of Trust” – means that purchase money financing provided by the California Housing Finance Agency or its designee and which is an encumbrance on the Property in a 1st priority lien position.

“Qualified Borrower” – means the Lender has determined, in its sole discretion, from documentation provided by the Borrower and his/her employer, that Borrower is currently employed at a Low Performing School or Low Performing School District in a credentialed school staff position, and will occupy the Property as his/her principal residence. “Credentialed school staff position” means the Borrower holds a California Credential in the subject area(s) stated in the Extra Credit Teacher Home Purchase Assistance Program Bulletin #2002-XX. “Qualified Borrower” also includes credentialed school staff who are currently employed in a school or school district that is not now a Low Performing School or Low Performing School District, but the school or school district was during the previous one or two years, and Borrower was employed at such school or school district during the time the school or school district was a Low Performing School or Low Performing School District.

“Low Performing School” (Statewide Rank 1, 2, 3, 4, or 5) means a school which ranks in the bottom 50% in the Academic Performance Index (“API”) of schools tested pursuant to the Public Schools Accountability Act of 1999 in the most current testing cycle as identified by statistics prepared by the Department of Education.

“Low Performing School District” – means a California Public School District where more than 50% of the K-12 public schools in the district are low performing schools.

RECITALS

1. *Borrower's Obligation.* This Note evidences the obligation of the Borrower to the Lender for the repayment of funds loaned to finance the purchase of that certain real property (the "Property") described in the Deed of Trust. The amount of home purchase assistance plus accrued interest shall be due and payable at the end of the Term of Note as set forth in paragraph 5 below, or upon acceleration of payment as set forth in paragraph 6 below.

2. *Amounts.* Simple interest on the outstanding principal amount of home purchase assistance shall accrue at five percent (5%) per annum from the Date of this Note until payment in full, subject to the following modifications, if applicable:

- (a) If the Borrower is a Qualified Borrower on the first year anniversary date of the Date of this Note ("1st Anniversary"), the Borrower's interest due shall be reduced by 1% so that the effective rate on this Note is 4% simple interest per annum. This rate reduction shall apply both retroactively back to the Date of this Note, and prospectively, so that interest shall accrue at 4% until the loan is paid in full.
- (b) If the Borrower was a Qualified Borrower on the 1st Anniversary, and continues to be a Qualified Borrower on the second year anniversary date of the Date of this Note ("2nd Anniversary"), the Borrower's interest due shall be reduced by 1% so that the effective rate on this Note shall be 3% simple interest per annum. This rate reduction shall apply both retroactively back to the Date of this Note, and prospectively so that interest shall accrue at 3% until the loan is paid in full.
- (c) If the Borrower was a Qualified Borrower on the 1st and 2nd Anniversary and continues to be a Qualified Borrower on the third year anniversary of the Date of this Note ("3rd Anniversary"), the Borrower's interest due on this Note shall be reduced by 3% so that the effective rate on this Note is 0% simple interest per annum. This rate reduction shall apply both retroactively back to the Date of this Note, and prospectively so that interest shall accrue at 0% until the loan is paid in full.
- (d) Notwithstanding the definition of Qualified Borrower specified herein, if Borrower's employer school improves its API scores during the first three years, so that it no longer ranks as a Low Performing School, Borrower shall remain a Qualified Borrower for the purposes of the above-stated interest rate reductions.

3. *Occupancy.* Borrower shall occupy the Property as Borrower's principal place of residence during the term of this Note.

4. *Loan Not Assumable, Prohibition on Transfer of Interests; Limited Exceptions.* The Borrower shall not make any lease, sale, assignment, conveyance or transfer of the Property except as permitted. No transfer of this second loan will be permitted, and no successor in interest to the Borrower(s) will be permitted to assume the Borrower(s) loan secured by this Deed of Trust except in the following limited circumstances:

- (a) The transfer results from the death of a Borrower and the transfer is to the surviving Co-Borrower who occupies the property;
- (b) A transfer by a Borrower to his or her spouse when the spouse becomes by such transfer a co-owner of the Property;
- (c) A transfer of the Property resulting from a decree of dissolution of the marriage or legal separation or from a property settlement agreement incidental to such a decree by which a spouse who is already a Borrower continues to occupy the Property and becomes the sole owner of the Property.
- (d) A transfer by a Borrower to an intervivos trust in which the Borrower is the sole beneficiary.

5. *Term of Note/Repayment of Loan Principal and Interest.* Borrower shall repay to Lender the principal, interest and any other amounts due under this Note on the earliest of the following occurrences:

- (a) When the First Note and Deed of Trust becomes due and payable;

- (b) When the First Note and Deed of Trust loan is paid in full;
- (c) When the First Note and Deed of Trust loan is refinanced; or
- (d) When the property is sold or transferred.

6. *Acceleration of Payment.* The principal amount of this loan, together with any then outstanding accrued interest thereon shall become immediately due and payable upon the earliest of any of the following events:

- (a) In the event of a default under the terms of this Note or the Deed of Trust securing this Note;
- (b) In the event that the Borrower shall cease to occupy the Property as Borrower's principal place of residence;
- (c) In the event of any sale, or transfer, lease, rental or encumbrance of the property in violation of paragraph 4 of this Promissory Note; or
- (d) In the event of those circumstances specified in paragraph 5 of this Note.

7. *Place and Manner of Payment.* All amounts due and payable under this Note are payable at the principal office of the Lender set forth above, or at such other place or places as the Lender may designate to the Borrower in writing from time to time.

8. *Application of Payments.* Until the 3rd Anniversary, all partial payments received on account of this Note shall be first applied to the reduction of principal and the remainder shall be applied to accrued interest. Any payments received by the Lender on account of this Note after the 3rd Anniversary shall first be applied to accrued interest and the remainder shall be applied to reduction of the principal.

9. *Attorney's Fees.* The Borrower hereby agrees to pay all costs and expenses, including reasonable attorney's fees, which may be incurred by the Lender in the enforcement of this Note.

10. *Default and Acceleration.* All covenants, conditions and agreements contained in the Deed of Trust are hereby made a part of this Note. The Borrower agrees that the unpaid balance of the then principal amount of this Note, together with all accrued interest thereon and charges owing, shall, at the option of the Lender or, if so provided in this Note and Deed of Trust executed by the Borrower, shall automatically become due and payable, and thereafter until paid bear interest at the rate of ten percent (10%) per annum, upon the failure of the Borrower to make any payment hereunder as and when due; upon the failure of the Borrower to perform or observe any other provision of this Note, or upon the occurrence of any event (whether termed default, event of default or similar term) which under the terms of the Deed of Trust, shall entitle the Lender to exercise rights or remedies thereunder.

11. *Notices.* Except as may be otherwise specifically provided herein, any approval, notice, direction, consent, request or other action by the Lender shall be in writing and may be communicated to the Borrower at the address of the Property, or at such other place or places as the Borrower shall designate to the Lender in writing, from time to time, for the receipt of communications from the Lender.

12. *No Prohibition Against Prepayment.* Borrower may prepay this Note at any time without penalty.

13. *Governing Law.* This Note shall be construed in accordance with and be governed by the laws of the State of California.

14. *Severability.* If any provision of this Note shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

15. *Time.* Time is of the essence in this Note.

16. *No Waiver by the Lender.* No waiver of any breach, default or failure of condition under the terms of the Note or Deed of Trust shall thereby be implied from any failure of the Lender to take, or any delay by the Lender in taking, action with respect to such breach, default or failure or from any previous waiver of any similar or unrelated breach, default or failure; and a waiver of any term of the Note, Deed of Trust, or any of the obligations secured thereby must be made in writing and shall be limited to the express written terms of such waiver.

17. *Successors and Assigns.* The promises and agreements herein contained shall bind and inure to the benefit of, as applicable, the respective heirs, executors, administrators, successors and assigns of the parties.

_____	_____
Borrower	Borrower
_____	_____
Borrower	Borrower
_____	_____
Borrower	Borrower

WHEN RECORDED RETURN TO:

(For Recorder's Use Only)

California Housing Finance Agency
Homeownership Programs
Subordinate Loan Processing Unit
1121 L Street, 7th Floor
Sacramento, CA 95814

**PERMANENT DEED OF TRUST WITH ASSIGNMENT OF RENTS,
SECURITY AGREEMENT AND FIXTURE FILING
CALIFORNIA HOUSING FINANCE AGENCY HOME PURCHASE ASSISTANCE PROGRAM ("HPA")**

HiCAP SECOND LOAN AND EXTRA CREDIT TEACHER LOAN

**NOTICE TO BORROWER
THIS DEED OF TRUST CONTAINS PROVISIONS
PROHIBITING UNAUTHORIZED TRANSFERS**

This Deed of Trust is made on _____, 20_____, by _____

_____, (the "Borrower") to the California Housing Finance Agency, a public instrumentality and a political subdivision of the State of California, (the "Trustee") whose business address is 1121 L Street, Suite 103, Sacramento, California, 95814 in favor of the California Housing Finance Agency, a public instrumentality and a political subdivision of the State of California, as beneficiary, (the "Lender") whose address is 1121 L Street, Suite 103, Sacramento, California, 95814, and any successor or assigns.

RECITALS

1. BORROWER, IN CONSIDERATION OF THE INDEBTEDNESS RECITED HEREIN, AND THE TRUST HEREIN CREATED HEREBY IRREVOCABLY GRANTS, TRANSFERS AND ASSIGNS to Trustee in trust, with power of sale and right of entry and possession, all of Borrower's right, title and interest now held or hereafter acquired in and to the following: (a) all of that certain real property (the "Property") located in the County of _____, State of California, described below as

whose property address is _____ which is incorporated herein by this reference; and (b) all buildings, improvements and fixtures now or hereafter erected

thereon, and all appurtenances, easements, and articles of property now or hereafter affixed to, placed upon or used in connection with the Property, together with all additions to, substitutions for, changes in or replacements of the whole or any part of said articles of property (all of which real and personal property are sometimes referred to as the "Property"); all of which are hereby pledged and assigned, transferred, and set over onto Trustee, and for purposes of this Deed of Trust declared to be part of the realty; provided, however, that furniture and other personal property of Borrower now or hereafter situated on said real property are not intended to be included as part of the Property.

2. *Payment of Principal and Interest.* Borrower will promptly pay when due the principal and simple interest, and late charges as applicable, on the indebtedness evidenced by the Note, as defined in paragraph 5 below.

3. *Application of Payments.* Unless applicable law or the Note provides otherwise, all payments received by Lender under the Note will be applied by Lender first to interest payable on the Note, and then to the outstanding principal of the Note.

4. *Payment Due.* These loans are due in the event: (a) California Housing Finance Agency's first Note and Deed of Trust ("First Note and Deed of Trust") becomes all due and payable whether by acceleration or otherwise; (b) the First Note and Deed of Trust is paid in full; (c) the First Note and Deed of Trust is refinanced; (d) the Property is sold or transferred; or (e) the Borrower ceases to occupy the Property as the Borrower's principal place of residence.

BORROWER HEREBY ABSOLUTELY, UNCONDITIONALLY AND IRREVOCABLY ASSIGNS to Lender all rents, royalties, issues, accounts and profits of or relating to the Property. This assignment is absolute, primary and direct and is not intended to be a separate or secondary pledge, or other form of additional security, and no further act or step is or shall be required of Lender to perfect this assignment. This assignment shall not impose upon Lender any duty to cause the Property to produce rents nor shall Lender be deemed to be a mortgagee in possession by reason thereof for any purpose. The rights of the Lender to all rents, royalties, issue accounts and profits of, or relating to the Property, are subordinate to the rights of the holder of the First Deed of Trust.

5. THE ABOVE GRANT, TRANSFER, AND ASSIGNMENTS ARE FOR THE PURPOSE OF SECURING:

Payment of the indebtedness evidenced by that certain promissory note of the Borrower entitled "California Housing Finance Agency Home Purchase Assistance Program" and indebtedness evidenced by that certain promissory note of Borrower entitled "Extra Credit Teacher Program, Promissory Note, California Housing Finance Agency Home Purchase Assistance Program ("HPA")" (collectively referred to as "the Note"), both of even date herewith, of the Borrower in the face amounts of _____

_____ (\$ _____) and _____
_____ (\$ _____), respectively together with simple interest on such indebtedness according to the terms of the Note, and any and all amendments, modifications, extensions or renewals of the Note.

6. TO PROTECT THE SECURITY OF THIS DEED OF TRUST, BORROWER AGREES:

6.1 *Maintenance of the Property.* (a) To keep the Property in a decent, safe, sanitary, tenantable condition and repair and permit no waste thereof; (b) not to commit or suffer to be done or exist on or about the Property any condition causing the Property to become less valuable; (c) not to remove, demolish or structurally alter any buildings and improvements now or hereinafter located on the Property; (d) to repair, restore or rebuild promptly any buildings or improvements on the Property that may become damaged or be destroyed while subject to the lien of this Deed of Trust; (e) to comply with all applicable laws, ordinances and governmental regulations affecting the Property or requiring any alteration or improvement thereof, and not to suffer or permit any violations of any such law, ordinance or governmental regulation, nor of any covenant, condition or restriction affecting the Property; (f) not to initiate or acquiesce in any change in any zoning or other land use or legal classification which affects any of the Property without Lender's written consent; and (g) not to alter the use of all or any part of the Property without the prior written consent of the Lender.

6.2 *Insurance.* To keep the Property insured, with loss payable to Lender, against loss or damage by fire and such other hazards, casualties and contingencies and by such companies, on such forms and in the amount of the replacement cost of the buildings or improvements on the Property, and to deliver the original of all such policies to Lender, together with receipts satisfactory to Lender evidencing payment of the premiums. All such policies shall provide that Lender shall be given thirty (30) days advance written notice of the cancellation, expiration or termination of any such policy or any material change in the coverage afforded by it. Renewal policies and any replacement policies, together with premium receipts satisfactory to Lender, shall be delivered to Lender at least thirty (30) days prior to the expiration of existing policies. Neither Trustee nor Lender shall by reason of accepting, rejecting, approving or obtaining insurance incur any liability for the existence, nonexistence, form or legal sufficiency of such insurance, or solvency of any insurer for payment of losses.

6.3 *Payment of Taxes and Utility Charges.* To pay, at least ten (10) days prior to delinquency, all taxes and assessments, both general and special, fines, penalties, levies and charges of every type or nature levied upon or assessed against any part of the Property.

6.4 *Payment and Discharge of Liens.* Borrower shall pay, when due, all claims of every kind and nature which might become a lien on the Property or any part thereof and will not at any time create or allow to exist any lien on the Property or any part thereof of any kind or nature other than the California Housing Finance Agency's First Deed of Trust and this second Deed of Trust; provided, however, that the following are excepted from this prohibition: (a) liens for taxes and assessments which are not delinquent although by law are given the status of a lien, and (b) such of the above claims as are, and only during the time they are, being contested by the Borrower in good faith and by appropriate legal proceedings, and Borrower shall post security for the payment of these contested claims as may be requested by Lender. Borrower shall not default in the payment or performance of any obligation secured by a lien, mortgage or deed of trust which is superior to this Deed of Trust.

7. IT IS MUTUALLY AGREED THAT:

7.1 *Awards and Damages.* All judgments, awards of damages, settlements and compensation made in connection with or in lieu of (a) taking of all or any part of or any interest in the Property by or under assertion of the power of eminent domain, (b) any damage to or destruction of the Property or any part thereof by insured casualty, and (c) any other injury or damage to all or any part of the Property, are hereby assigned to and shall be paid to Lender. Lender is authorized and empowered (but not required) to collect and receive any such sums and is authorized to apply them in whole or in part upon any indebtedness or obligation secured hereby, in such order and manner as Lender shall determine at its option. Lender shall be entitled to settle and adjust all claims under insurance policies provided under this Deed of Trust and may deduct and retain from the proceeds of such insurance the amount of all expenses incurred by it in connection with any such settlement or adjustment. All or any part of the amounts so collected and recovered by Lender may be released to Borrower upon such conditions as Lender may impose for its disposition. Application of all or any part of the amounts collected and received by Lender or the release thereof shall not cure or waive any default under this Deed of Trust. If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the condemnor offers to make an award or settle a claim for damages, Borrower fails to respond to Lender within thirty (30) days after the date such notice is mailed, Lender is authorized to collect and apply the proceeds, at Lender's option, either to restoration or repair of the Property or to the sum secured by this Deed of Trust.

7.2 *Prohibition on Transfer of Interests.* Borrower shall not make any sale, lease, conveyance or other transfer of the Property in any form except as contained in paragraph 8.2 herein.

7.3 *Sale or Forbearance.* No sale of the Property, forbearances on the part of Lender or extension of the time for payment of the indebtedness hereby secured shall operate to release, discharge, waive, modify, change or affect the liability of Borrower either in whole or in part.

7.4 *Lender's Rights to Release.* Without affecting the liability of any person for payment of any indebtedness hereby secured (other than any person released pursuant hereto), including without limitation any one or more endorsers or guarantors, and without affecting the lien hereof upon any of the property not released pursuant hereto, at any time and from time to time without notice: (a) Lender may, at its sole discretion, (i) release any person now or hereafter liable for payment of any or all such indebtedness, (ii) extend the time for or agree to alter the

terms of payment of any or all such indebtedness, and (iii) release or accept additional security for such indebtedness, or subordinate the lien or charge hereof; and (b) Trustee, acting pursuant to the written request of Lender, may reconvey all or any part of the Property, consent to the making of any map or plat thereof, join in granting any easement thereon, or join in any such agreement of extension or subordination.

7.5 *Reconveyance.* Upon written request of Lender stating that all sums and obligations secured hereby have been discharged, or otherwise as requested in writing by Lender, and upon surrender of this Deed of Trust and the Note and any additional loan notes to Trustee for cancellation, and upon payment to Trustee of its fees and expenses, Trustee shall reconvey, without warranty, the Property or that part thereof then held hereunder. The recitals in any reconveyance shall be conclusive proof of their truthfulness and the grantee in any such reconveyance may be described "as the person or persons legally entitled thereto". When the Property has been fully reconveyed, the last such reconveyance shall operate as a reassignment of all of the rents, royalties, issues, accounts and profits of the Property to the person or persons legally entitled thereto unless such reconveyance expressly provides to the contrary.

7.6 *Occupancy.* Borrower shall occupy the Property as Borrower's principal place of residence during the term of the Note.

8. EVENTS OF DEFAULT

8.1 *Events of Default.* Any one or more of the following events shall constitute a default under this Deed of Trust: (a) failure of Borrower to pay the indebtedness secured hereby or any installment thereof, whether principal, interest or otherwise, when and as the same become due and payable, whether at maturity or by acceleration or otherwise; or (b) failure of Borrower to observe or to perform any covenant, condition or agreement to be observed or performed by Borrower pursuant to the Note or this Deed of Trust including but not limited to the continuous occupancy of Property by Borrower provision; or (c) the occurrence of any event which, under the terms of the Note, shall entitle Lender to exercise the rights or remedies thereunder; or (d) the occurrence of any event which, under the terms of the First Note and First Deed of Trust shall entitle Lender to exercise the rights or remedies thereunder.

8.2 *Loan Not Assumable, Transfer of Property; Limited Exceptions.* Where California Housing Finance Agency funds continue to be used in financing the purchase or continued use of the Property, no transfer of the Property will be permitted, and no successor in interest to the Borrower(s) will be permitted to assume the Borrower's loan secured by this Deed of Trust except in the following limited circumstances:

- (a) The transfer results from the death of a Borrower and the transfer is to the surviving Co-Borrower;
- (b) A transfer by a Borrower to his or her spouse when the spouse becomes by such transfer a co-owner of the Property;
- (c) A transfer of the Property resulting from a decree of dissolution of the marriage or legal separation or from a property settlement agreement incidental to such a decree which requires the Borrower to continue to make payments on the Note and by which a spouse who is already a Borrower becomes the sole owner of the Property;
- (d) A transfer by a Borrower to an inter vivos trust in which the Borrower is the sole beneficiary.

8.3 *Acceleration and Sale.*

(a) *Acceleration.* In the event of any default as set forth in paragraphs 8.1 and 8.2 above, the Lender, without demand on Borrower, may declare all sums hereby secured immediately due and payable by notice thereof to Borrower or by executing and recording or by causing Trustee to execute and record a notice of default and election to cause the Property to be sold to satisfy the obligations secured hereby or by the commencement of an appropriate action to foreclose this Deed of Trust or by any other appropriate manner;

(b) Sale. After delivery to Trustee of a Notice of Default and Demand for Sale and after the expiration of such time and the giving of such notice of default and sale as may then be required by law, and without demand on Borrower, Trustee shall sell the Property at the time and place of sale fixed by it in said notice of sale, at public auction to the highest bidder for cash in lawful money of the United States of America, payable at time of sale. Trustee may postpone sale of all or any portion of the Property by public announcement at such time and place of sale and from time to time thereafter may postpone such sale by public announcement at the time and place fixed by the preceding postponement. Any person, including Borrower, Trustee or Lender, may purchase at such sale. Upon such sale by Trustee it shall deliver to such purchaser its deed conveying the Property so sold, but without any covenant or warranty expressed or implied. The recitals in such deed of any matters or facts shall be conclusive proof of their truthfulness. Upon sale by Trustee, and after deducting all costs, expenses and fees of Trustee and this Deed of Trust, Trustee shall apply the proceeds of sale to the payment of the principal indebtedness hereby secured, whether evidenced by the Note or otherwise, or representing advances made or costs or expenses paid or incurred by Lender under this Deed of Trust, or the Secured Obligations or any other instrument evidencing or securing any indebtedness hereby secured and to the payment of all other sums then secured hereby, including interest as provided in this Deed of Trust, the Secured Obligations or any other such instrument, in such order as the Lender shall direct; and then the remainder, if any, shall be paid to the person or persons legally entitled thereto.

8.4 *Attorney's Fees.* If Trustee or Lender shall be made parties to or shall intervene in any action or proceeding affecting the Property or the title thereto or the interest of Trustee or Lender under this Deed of Trust, or if Lender employs an attorney to collect any or all of the indebtedness hereby secured or to foreclose this Deed of Trust, or authorizes Trustee to conduct trustee's sale proceedings hereunder, then Trustee and Lender shall be reimbursed by Borrower, immediately and without demand, for all reasonable costs, charges and attorney's fees incurred by them or either of them in any such case whether or not suit be commenced, and the same, together with interest thereon from the date of payment at the rate of ten percent (10%) per annum.

8.5 *Exercise of Remedies; Delay.* No exercise of any right or remedy by Lender or Trustee hereunder shall constitute a waiver of any other right or remedy herein contained or provided by law, and no delay by Lender or Trustee in exercising any such right or remedy hereunder shall operate as a waiver thereof or preclude the exercise thereof during the continuance of any default hereunder.

8.6 *Trustee Substitution.* The irrevocable power to appoint a substitute trustee or trustees hereunder is hereby expressly granted to Lender, to be exercised at any time hereafter, without specifying any reason therefore by filing for record in the office where this Deed of Trust is recorded a substitution of trustee, and said power of appointment of successor trustee or trustees may be exercised as often as and whenever Lender deems advisable. The exercise of said power of appointment, no matter how often, shall not be deemed an exhaustion thereof, and upon recording of such deed or substitution of trustee or trustees so appointed shall thereupon, without further act or deed of conveyance, succeed to and become fully vested with identically the same title and estate in and to the Property hereby conveyed and with all the rights, powers, trusts and duties of the predecessor in the trust hereunder, with the like effect as if originally named as trustee or as one of the trustees.

8.7 *Remedies Cumulative.* No remedy herein contained or conferred upon Lender or Trustee is intended to be exclusive of any other remedy or remedies afforded by law or by the terms hereof to Lender or Trustee but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity.

9. MISCELLANEOUS PROVISIONS

9.1 *Successors, Assigns, Gender, Number.* The covenants and agreements herein contained shall bind, and the benefit and advantages shall inure to, the respective heirs, executors, administrators, successors and assigns of the parties. Wherever used, the singular number shall include the plural, and the plural the singular, and the use of any gender shall be applicable to all genders.

9.2 *Headings.* The headings are inserted only for convenience of reference and in no way define, limit, or describe the scope or intent of this Deed of Trust, or of any particular provision thereof, or the proper construction thereof.

9.3 *Actions on Behalf of Lender.* Except as otherwise specifically provided herein, whenever any approval, notice, direction, consent, request or other action by Lender is required or permitted under this Deed of Trust, such action shall be in writing.

9.4 *Terms.* The word "Lender" means the present Lender, or any future owner or holder, including pledgee, of the indebtedness secured hereby.

9.5 *Obligations of Borrower.* If more than one person has executed this Deed of Trust as "Borrower", the obligations of all such persons hereunder shall be joint and several.

9.6 *Incorporation by Reference.* The provisions of the California Housing Financing Agency Home Purchase Assistance Program bulletins, as amended from time to time, and the documents relating to that program are incorporated by reference as though set out verbatim.

9.7 *Severability.* If any provision of this Deed of Trust shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired.

9.8 *Indemnification.* Borrower will indemnify and hold Lender, its officers and agents harmless against any and all losses, claims, demands, penalties and liabilities which Lender, its officers or agents may sustain or suffer by reason of anything done or omitted in good faith pursuant to or in connection with this Deed of Trust and not assert any claim against Lender, its officers or agents by reason of any action so taken or omitted. Borrower shall, at Borrower's expense, defend, indemnify, save and hold Lender, its officers and agents harmless from any and all claims, demands, losses, expenses, damages (general, punitive or otherwise), causes of action (whether legal or equitable in nature) asserted by any person, firm, corporation or other entity arising out of this Deed of Trust and Borrower shall pay Lender upon demand all claims, judgments, damages, losses or expenses (including reasonable legal expense) incurred by Lender as a result of any legal action arising out of this Deed of Trust.

9.9 *Subordination.* This Deed of Trust is intended to be subject and subordinate to the First Note and Deed of Trust to Lender, as beneficiary, recorded concurrently herewith. Except for the aforementioned subordination, this Deed of Trust is intended to be and remain at all times prior and superior to any other deeds of trust on the Property.

9.10 *HUD Insurance.* Notwithstanding any provision in this Deed of Trust to the contrary, in the event the first deed of trust is insured by HUD, the provisions of said HUD deed of trust shall control and any restrictions contained herein which are in conflict with HUD's mortgage insurance program shall automatically terminate if title to the Property is transferred by foreclosure or deed-in-lieu of foreclosure, or if the Deed of Trust is assigned to HUD.

IN WITNESS WHEREOF, Borrower has executed this Deed of Trust on the day and year set forth above. If a mailing address is set forth opposite its signature below, and not otherwise, the Borrower shall be deemed to have requested that a copy of any notice of default and of any notice sale hereunder be mailed to it at such address.

Borrower

Borrower

Borrower

Borrower

Borrower

MAILING ADDRESS FOR NOTICES

(Street)

(City) (State) (Zip)

State of California |
County of _____ | S.S.

On _____ before me, _____, notary public
DATE NAME
in and for said County and State, personally appeared _____
NAME OF SIGNOR(S)

personally known to me - OR - proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s) executed the instrument.

Witness my hand and official seal

Signature _____