



Homeownership Program Bulletin

March 1, 2004

Program Bulletin #2004-05

To: CalHFA Approved Lenders and Servicers

PAYMENT OF REAL ESTATE TAXES ON FIRST DEED OF TRUST LOANS SERVICE RELEASED TO CALHFA

This Program Bulletin clarifies the California Housing Finance Agency's (CalHFA) position on who is responsible for the payment of real estate taxes on First Deed of Trust (First Deed) loans that are purchased servicing released by CalHFA. The following conditions have been, and will continue to be, the procedures CalHFA expects regarding the responsibility of payment of real estate taxes for servicing released First Deed loans.

- There are two conditions under which a First Deed loan can be servicing released to CalHFA upon purchase.
 - First, the loan program may require that the First Deed loan be servicing released to CalHFA. Two programs currently require that First Deed loans be servicing released to CalHFA, the Extra Credit Teacher Home Purchase Program (ECTP) and the High Cost Area Home Purchase Assistance Program (HiCAP).
 - Second, the lender may service release First Deed loans to CalHFA upon purchase, after entering into a servicing release agreement.
- In November 2003 there were a number of questions as to who is responsible for paying the first installment of real estate taxes for the 2003/2004 tax year, especially because the escrow (impound) balance information provided by the lender is deducted upon purchase by CalHFA. (NOTE: CalHFA requires annual real estate taxes to be estimated at 1.25% of the purchase price unless lender provides, in the loan file, documentation to the contrary for that individual or that county.)
- The standard in the industry is that any escrow item due within one month of the servicing release date of a loan is the responsibility of the releasing servicer. The servicing release date on loans servicing released to CalHFA upon purchase can be no earlier than the purchase date.
 - On California loans, taxes are due on November 1 and February 1 of each year; with the delinquency dates of December 10 and April 10.
 - First Deed loans purchased servicing released on or after November 10 of any given year must have the first installment of taxes paid by the releasing servicer regardless of the escrow balance.

- First Deed loans purchased servicing released on or after March 10 of any given year must have the second installment of taxes paid by the releasing servicer regardless of the escrow balance.
 - If a penalty is assessed because the releasing servicer did not pay the taxes for which they were responsible, CalHFA will hold the releasing servicer responsible for those penalties.
- CalHFA wishes to prevent deducting the incorrect amount of escrows whenever possible. Not only is it a problem for the releasing servicer by requiring that a claim be processed, it is also a problem for CalHFA because we must reconcile the claim and issue a refund. The following procedures should be followed when it becomes necessary to pay a tax installment (this procedure should not be used for the payment of monthly mortgage insurance; however, it may be used on late delivered loans that have a second year hazard insurance premium due).
 - Once the taxes are paid, print a new loan history.
 - Check the LAS (Lender Access System) to determine the current status of the loan.
 - If the current status is less than 45, immediately fax the new loan history to 916-324-6589, to the attention of “Second Half Loan Review Manager” with a subject of “Rush, Loan History Update”. Once received, the new loan history will be placed in your loan file to be used when purchasing the loan, if possible. CalHFA will make every effort to use the new history, but timing may prevent its use.
 - If the current status is 45, immediately fax the new loan history to 916-445-3961, to the attention of “Purchasing Unit” with a subject of “Rush, Loan History Update”. Once received, the new loan history will be placed in your loan file to be used when purchasing the loan, if possible. CalHFA will make every effort to use the new history, but timing may prevent its use.
 - If the current status is greater than 45, the purchase has been processed and CalHFA will not be able to update the information.
 - Should the escrow balance that CalHFA deducts at purchase on a servicing released First Deed loan be greater than the remaining escrow balance when the loan is finally service released, a claim must be filed with CalHFA’s Loan Servicing department. The releasing servicer must provide a brief explanation of the issue, the amount requested, a copy of the HUD-1 Settlement Statement, and a complete loan history from the initiation of the loan. The claim should be mailed to CalHFA, Attn: Loan Servicing Management, 1121 L Street, Suite 103, Sacramento, CA 95814; or faxed to the attention of Loan Servicing Management at 916-324-1050. CalHFA Loan Servicing will make every effort to refund your claim as soon as possible once the loan is set up on CalHFA’s loan servicing system. Due to year end issues, claims received in December and January may take longer than during other months.

The primary consideration in the tax payment issue is to ensure that the borrower’s real estate taxes are paid timely and that penalties are avoided. Additionally, the cutoff dates better assure both the lender and CalHFA as to who will take responsibility and help avoid double payments.

If a double payment is made, CalHFA Loan Servicing will pay a lender's claim upon verification that the refund from the county will be returned to CalHFA.

Questions regarding this bulletin should be directed to CalHFA Loan Servicing at 1121 L Street, Suite 103, Sacramento, CA 95814; by phone (916) 323-1086; by fax (916) 324-1050; by email at servicing@calhfa.ca.gov; and you can always visit CalHFA's web site at: www.calhfa.ca.gov.

Please provide a copy of this Bulletin to your loan servicing department or servicing provider.