



# Homeownership Program Bulletin

March 23, 2005

Program Bulletin #2005-09

To: CalHFA Approved Lenders

## *interest only* PLUS

***Thirty-Five Year, 100% LTV, Fixed Rate Loan. Interest Only for First Five Years.  
Effective March 23, 2005.***

CalHFA is pleased to announce the new *interest only* PLUS program. This conventional loan program is designed to expand the number of Californians able to purchase their first home. CalHFA's *interest only* PLUS requires no down payment and features a fixed rate that does not change during its thirty-five (35) year term. Payments during the first five years include only interest, taxes and hazard insurance, and could include mortgage insurance. At the beginning of the sixth year, payments are increased to amortize the then outstanding principal loan balance over the remaining thirty (30) years. THROUGHOUT THE ENTIRE THIRTY-FIVE (35) YEAR TERM THE INTEREST RATE REMAINS UNCHANGED.

Today's interest rate for this program is 5.25%. This rate will be in effect for any *interest only* PLUS loans originated throughout the state regardless of location or borrowers' income. Rates are, as with other CalHFA loans, subject to change without notice.

All subordinated debt currently approved by CalHFA, including the Affordable Housing Partnership Program (AHPP), may be funded behind an *interest only* PLUS loan, except that the CalHFA Housing Assistance Program (CHAP) MAY NOT BE USED WITH THE INTEREST ONLY PLUS LOAN.

Underwriting guidelines for the *interest only* PLUS loan are the same as the guidelines for CalHFA conventional loans. The reservation, submission, approval, funding and purchasing process for the *interest only* PLUS loan is the same as the process for all other CalHFA conventional loans.

All *interest only* PLUS loans must be documented using a special CalHFA *interest only* PLUS promissory Note. A copy of this Note, a program description and a list of frequently-asked questions and answers about the program are attached to this Bulletin. The Note and CalHFA's standard conventional Deed of Trust are available on CalHFA's web site. Electronic versions are also available via email or on disk. CalHFA-approved Lenders originating the *interest only* PLUS loans are responsible for providing all required Truth-In-Lending and other required disclosures, as they are with any other loans.

**How CalHFA *interest only* PLUS Works:  
Loan Comparison**

**Example:** \$300,000 Sales Price and \$300,000 Loan Amount  
Assume 100% LTV

<b>Conventional 30-Year Loan</b>			<b>CalHFA <i>interest only</i> PLUS</b>		
Interest Rate*	5.25%	(6.410% APR*)	Interest Rate*	5.25%	(6.659% APR*)
Initial Payment*	\$1,656.61	Years 1-30	Initial Payment*	\$1,312.50	1 <sup>st</sup> 5 years
			Monthly Savings	\$344.11	
			6 <sup>th</sup> Year Payment	\$1,656.61	Years 6-35

\*Interest rate is for comparison only. Contact CalHFA at [www.calhfa.ca.gov](http://www.calhfa.ca.gov) for current rates and a list of CalHFA-approved Lenders. Payment comparisons include only principal and interest. Taxes, hazard insurance, and mortgage insurance are often also required and included in the monthly payment. Sample APRs include typical finance charges, such as lender fees and mortgage insurance.

*This sample is for illustrative purposes only. It does not reflect any specific loan's terms.*

The servicer, whether the originating Lender or its assignee, of the *interest only* PLUS loans must provide annual notices that the payment due in the 61<sup>st</sup> month will be increased to include principal and interest. The annual notice need not include the exact new payment amount; however, the servicer must notify the borrower of the new payment amount at least 45 days before it is due. CalHFA will accept the assignment of servicing of *interest only* PLUS loans and will pay the standard conventional Service Release Premium (SRP) of 90 basis points. The *interest only* PLUS loan is available immediately.

For questions about this bulletin, contact CalHFA Homeownership Programs by phone 916.324.8088; by fax 916.324.6589; by email at [homeownership@calhfa.ca.gov](mailto:homeownership@calhfa.ca.gov) and you can always visit CalHFA's web site at: [www.calhfa.ca.gov](http://www.calhfa.ca.gov)

Please send all loan files and documents to:  
CalHFA Homeownership Programs  
1121 L Street, 7<sup>th</sup> Floor  
Sacramento, CA 95814

Attachments



# interest only PLUS

## Mortgage Loan Program Lender Use Only

The program features a below market interest rate, 35 year term, and interest-only payments for the first five years. The interest rate does not change for the entire 35 year term. (See comparison example at the end of this description.) The *interest only* PLUS loan has a maximum Loan-to-Value limit of 100% and can be used together with CalHFA approved down payment and/or closing cost assistance options for a total CLTV of 107%. The borrowers qualify at the interest-only payment plus impounds.

### I. PROGRAM SUMMARY

<b>INTEREST RATE</b>	Fixed rate for the entire loan term Current rates are available at <a href="http://www.calhfa.ca.gov">http://www.calhfa.ca.gov</a>				
<b>TERM</b>	Interest-only payments for the first five years, followed by a 30 year fully amortized loan for a total of 35 year term				
<b>LTV</b>	Maximum LTV: 100%				
<b>CLTV</b>	Maximum CLTV: 107%				
<b>ORIGINATION FEES</b>	1.5% origination fee No discount fees allowed				
<b>PROPERTY ELIGIBILITY</b>	Property must meet all of the following requirements: <ul style="list-style-type: none"> <li>• Be within CalHFA-defined sales price limits</li> <li>• Be a single-family, one-unit residence, including approved condo/PUDs</li> <li>• Manufactured housing is allowed if permanently attached, fee simple title. Cannot exceed a 90% LTV and CLTV Limit</li> </ul>				
<b>MORTGAGE INSURANCE</b>	<p>The Zero Upfront Monthly Mortgage Insurance (ZUMMI) is provided by CalHFA Mortgage Insurance Services and is required on the first loan as follows:</p> <table border="0"> <tr> <td> <u>First Loan LTV:</u>  <u>95.01% — 100%</u>            Coverage: 35%            Cost: .85%            Due: Monthly         </td> <td> <u>First Loan LTV:</u>  <u>90.01% — 95%</u>            Coverage: 35%            Cost: .75%            Due: Monthly         </td> </tr> <tr> <td> <u>85.01% — 90%</u>            Coverage: 35%            Cost: .55%            Due: Monthly         </td> <td> <u>80.01% — 85%</u>            Coverage: 35%            Cost: .40%            Due: Monthly         </td> </tr> </table>	<u>First Loan LTV:</u> <u>95.01% — 100%</u> Coverage: 35% Cost: .85% Due: Monthly	<u>First Loan LTV:</u> <u>90.01% — 95%</u> Coverage: 35% Cost: .75% Due: Monthly	<u>85.01% — 90%</u> Coverage: 35% Cost: .55% Due: Monthly	<u>80.01% — 85%</u> Coverage: 35% Cost: .40% Due: Monthly
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<b>BORROWER ELIGIBILITY</b>	<p>Borrowers must meet the following requirements:</p> <ul style="list-style-type: none"> <li>• Be a U.S. citizen, permanent resident alien or qualified alien</li> <li>• Be a first-time homebuyer, unless home is located in a federally designated Targeted Area</li> <li>• Occupy the property as their primary residence; non-occupant co-borrowers are not allowed</li> <li>• Meet CalHFA-defined income limits</li> <li>• Meet credit, income and loan requirements of the CalHFA Lender and the mortgage insurer</li> </ul> <p><a href="http://www.calhfa.ca.gov/homeownership/information/borrower-requirements.htm">www.calhfa.ca.gov/homeownership/information/borrower-requirements.htm</a></p>
<b>TRANSACTION TYPE</b>	Purchase transactions only
<b>PARTICIPATING LENDERS</b>	All CalHFA-approved Lenders
<b>MAXIMUM SALES PRICE</b>	Sales prices limits by county are published twice each year. Refer to the web site at <a href="http://www.calhfa.ca.gov">www.calhfa.ca.gov</a> for current county limits
<b>MAXIMUM LOAN AMOUNT</b>	Loan limits are based upon sales price and income according to the county in which the property is located
<b>INCOME LIMITS</b>	Income limits by county are published each year. Refer to the web site at <a href="http://www.calhfa.ca.gov">www.calhfa.ca.gov</a> for current county limits
<b>SUBORDINATE FINANCING</b>	<p>CalHFA-approved subordinate financing programs that can be used in conjunction with this loan program for down payment or closing cost assistance include:</p> <ul style="list-style-type: none"> <li>• <u>HiCAP</u> can only be utilized in certain high cost counties</li> <li>• <u>CHDAP</u> has its own income limits. Does not have to be in second position. Cannot be used with ECTP or HIRAP program</li> <li>• <u>HIRAP</u> cannot be used with CHDAP or ECTP</li> <li>• <u>ECTP</u> borrowers must be employed in a high priority school district. Cannot be used with HIRAP or CHDAP</li> <li>• <u>SFF</u> offers grants to buyers of new homes</li> <li>• <u>AHPP</u> in conjunction with local housing programs</li> </ul> <p>Details on the above programs can be found on our web site at <a href="http://www.calhfa.ca.gov/homeownership">www.calhfa.ca.gov/homeownership</a></p> <p>Note: The CHAP down payment assistance program is not available on the <i>interest only PLUS</i> program</p>
<b>SELLER CONTRIBUTIONS</b>	<p>Seller contributions are acceptable for non-recurring closing costs only, as follows:</p> <ul style="list-style-type: none"> <li>• 90.01% LTV or higher: 3%</li> <li>• 90% LTV or lower: 6%</li> </ul>
<b>INTEREST ONLY PERIOD PAYMENT</b>	During the interest only period (first five years), the required monthly payment will consist of interest, taxes and hazard insurance. Flood and mortgage insurance and homeowners association dues may also be included if required

<b>PREPAYMENTS</b>	No prepayment penalty. If principal prepayments are made during the interest-only period, the required monthly payment will adjust downward to reflect the principal reduction. Additional principal payments made after the interest-only period will be applied to decrease the outstanding principal balance
<b>PAYMENT INCREASE NOTICES</b>	Servicers must give Borrowers a reminder notice each year that their payments will increase beginning in year six, as well as a final payment increase reminder 45 days prior to the actual adjustment
<b>BUYDOWNS</b>	Permanent buydowns are not allowed. Temporary buydowns are allowed. The borrower will be qualified at the note rate not the buydown rate
<b>SERVICE RELEASE PREMIUM (SRP)</b>	Currently 90 basis points if servicing released to CalHFA
<b>REPAYMENT OF CALHFA SUBORDINATE FINANCING</b>	Upon the occurrence of any of the following, the entire principal and interest on the loan is due and payable: <ul style="list-style-type: none"> <li>• The first Note and Deed of Trust become due and payable;</li> <li>• The first Note and Deed of Trust loan is paid in full;</li> <li>• The first Note and Deed of Trust is refinanced;</li> <li>• The property is sold;</li> <li>• A formal filing and recording of a notice of default, unless rescinded; or,</li> <li>• The property is no longer occupied as a principal residence by the borrower</li> </ul>

## II. UNDERWRITING GUIDELINES\*

<b>MINIMUM CREDIT SCORE</b>	A minimum credit score of 620 is required. This minimum score is not applicable if the loan is approved via an approved automated underwriting system. If the score is unusable or the borrower has a lack of credit history, alternative documentation may be used to demonstrate credit worthiness
<b>AUTOMATED UNDERWRITING</b>	CalHFA will accept loans that have received an Approve/Eligible or Approve/Ineligible approval from Fannie Mae's Desktop Underwriter (DU), or an Accept credit risk rating from Freddie Mac's Loan Prospector (LP). Approvals based on a Lender's proprietary system will be considered only after the system has been approved by CalHFA
<b>RATIOS</b>	An overall ratio of 45% based on the interest only payment (interest, taxes, hazard insurance, and flood and mortgage insurance and homeowners association dues if applicable) is acceptable when supported by sufficient income. Ratios in excess of 45% will be considered on an exception basis depending upon the overall strength of the application or as specified by a approved automated underwriting system

<b>ADVERSE CREDIT ISSUES</b>	Bankruptcies must be discharged two years prior to loan application; bankruptcies discharged less than two years may be allowed if extenuating circumstances exist. Judgments, Tax Liens, Collections, Repossessions and Charge-offs must be paid in full at time of application or as a condition of funding
<b>CASH RESERVES</b>	Borrower is required to have two months cash reserves to cover the interest only period payment or as specified by an approved automated underwriting system

### III. DOCUMENTATION

<b>FILE TRANSMITTAL</b>	Only one package is necessary for CalHFA conventional loan files. For a list of required documents, refer to <a href="http://www.calhfa.ca.gov/homeownership/loan-checklist.pdf">http://www.calhfa.ca.gov/homeownership/loan-checklist.pdf</a> . In addition, a Mortgage Insurance Application is required for loans requiring mortgage insurance coverage. Send all package loan files and documents to: CalHFA Homeownership Programs 1121 L Street, 7 <sup>th</sup> floor Sacramento, CA 95814
<b>NOTES AND DEEDS</b>	Use CalHFA <i>interest only</i> PLUS Note and CalHFA Conventional Deed of Trust. Documents are available at <a href="http://www.calhfa.ca.gov">www.calhfa.ca.gov</a>

\*Complete information about underwriting and its guidelines is available at [www.calhfa.ca.gov](http://www.calhfa.ca.gov)

**NOTE:** The information provided in this program description is for guidance and discussion with Lenders only, and not intended as a consumer disclosure. **See loan comparison example below.** Interest rate information is only an indication of a possible rate that could be charged. This program description and all of its terms, including interest rates, are subject to change without notice.

<b>How CalHFA <i>interest only</i> PLUS Works: Loan Comparison</b>					
<b>Example: \$300,000 Sales Price and \$300,000 Loan Amount Assume 100% LTV</b>					
<b>Conventional 30-Year Loan</b>			<b>CalHFA <i>interest only</i> PLUS</b>		
Interest Rate*	5.25%	(6.410% APR*)	Interest Rate*	5.25%	(6.659% APR*)
Initial Payment*	\$1,656.61	Years 1-30	Initial Payment*	\$1,312.50	1 <sup>st</sup> 5 years
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## Frequently Asked Questions

Q: How does *interest only* PLUS differ from other loans?

A: CalHFA's *interest only* PLUS allows first-time homebuyers to qualify for a larger loan, expanding their buying power. For a comparison, see the example on Page Two. It also may give borrowers a lower initial payment. Buyers will have more choices within their reach. Some borrowers will buy a bigger house or one in a more convenient location. The *interest only* PLUS has a 35 year term compared with other loans of 30 years. The longer term helps lower the monthly loan payment, however you will be paying interest for an additional five years. Unlike adjustable rate loans, the interest rate is fixed for the entire term of the loan.

Q: Who qualifies for *interest only* PLUS?

A: CalHFA's *interest only* PLUS is similar to CalHFA's conventional Homeownership Mortgage Loan. The income limits, purchase price limits and first-time homebuyer requirements are the same. *interest only* PLUS works best, however, for those who may not qualify for other CalHFA loan programs.

Q: How does it work?

A: Borrowers receive a fixed interest rate loan, but the term of the loan is extended to 35 years. During the first five years, borrowers make interest-only payments. Beginning in year six (Month 61), the interest rate remains the same and the remaining principal balance amortizes over the remaining 30 years as borrowers begin repaying the principal.

Borrowers will receive a rate special to *interest only* PLUS. If the loan is kept for the full 35 years, borrowers will pay more interest than with a 30 year loan. In exchange, borrowers have more buying power up front. All buyers are encouraged to seek homebuyer education and counseling to find the financing option best for them.

A: Will this loan help build equity?

Q: Because no principal payments are required during the first five years, outstanding principal debt doesn't start to shrink until the sixth year. Homeowners, however, can always accumulate wealth through their home investment if property values rise, if they make improvements to the property or if they make voluntary additional principal payments.

Q: What kinds of down payment assistance are available with this loan?

A: The following CalHFA assistance program can be used with *interest only PLUS*: HiCAP, ECTP, CHDAP, SFF and AHPP programs are all available with the *interest only PLUS* loan. (see [www.calhfa.ca.gov](http://www.calhfa.ca.gov) for more info). Please note that the interest rate remains the same when *interest only PLUS* is used in conjunction with another program. Keep in mind that this is a 100% loan, so borrowers will already have most of the purchasing power they need.

Q: During the first five years, do I really only pay interest?

A: No. In addition to the interest on the remaining loan balance, you will be required to real estate taxes, hazard insurance and possibly private mortgage insurance.

<b>How <i>interest only PLUS</i> Works: Loan Comparison</b>					
<b>Example: \$300,000 Sales Price and \$300,000 Loan Amount Assume 100% LTV</b>					
<b>Conventional 30-year Loan</b>			<b>CalHFA <i>interest only PLUS</i></b>		
Interest Rate*	5.25%	(6.410% APR*)	Interest Rate*	5.25%	(6.659% APR*)
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03/05

NOTICE TO BORROWER:  
THIS DOCUMENT CONTAINS PROVISIONS RESTRICTING ASSUMPTIONS

**PROMISSORY NOTE**

**Property Address:** \_\_\_\_\_

\$ \_\_\_\_\_, 20 \_\_\_\_\_

FOR VALUE RECEIVED, the undersigned \_\_\_\_\_  
\_\_\_\_\_ (“Borrower”) promise(s) to pay to \_\_\_\_\_  
\_\_\_\_\_ (together with its successors in interest herein referred to as “Lender” or  
“Holder”), the principal sum of \_\_\_\_\_  
Dollars (\$ \_\_\_\_\_), with interest on the unpaid principal balance from the date of this Promissory Note  
 (“Note”) until paid, at the rate of \_\_\_\_\_ percent ( \_\_\_\_\_ %) per annum.

PAYMENTS

Time and Place of Payments

Borrower will make a payment every month. This payment will be for interest only for the first sixty (60) months (the “Interest Only Period”), and then will consist of principal and interest during the remaining three hundred sixty (360) months of the term (the “Principal and Interest Period”).

Borrower will make a monthly payment on the first day of each month beginning on \_\_\_\_\_, 20\_\_\_\_. Borrower will make these payments every month until Borrower has paid all of the principal and interest and any other charges described below that Borrower may owe under this Note. Each monthly payment will be applied as of its scheduled due date, and if the payment includes both principal and interest it will be applied to interest before principal. If, on \_\_\_\_\_, 20\_\_\_\_, Borrower still owes amounts under this Note, Borrower will pay those amounts in full on that date, which is called the “Maturity Date.”

Payments shall be made at the principal office of the Holder at \_\_\_\_\_  
\_\_\_\_\_, or such other place as the Holder may designate.

Amount of Monthly Payments

The monthly payment will be in the amount of \$ \_\_\_\_\_ for the Interest Only Period of this Note, then, for the Principal and Interest Period, the payment will be in the amount of \$ \_\_\_\_\_. The Holder will notify Borrower prior to the date of change in monthly payment. See also “Borrower’s Right to Prepay” below.

In addition to the sums described in the previous paragraph, each month Borrower shall pay into an impound account to be maintained by the Holder, or the Holder’s agent, for taxes and any required insurance. Those sums will change from time to time. The Holder will inform Borrower of the total monthly payment required to be paid.

Late Charges

Borrower shall pay to the Holder a late charge of five percent (5%) of any monthly installment not received by the Holder within fifteen (15) days after the installment is due. Should a default be made in payment of any installment when due, or in the performance of any of the agreements contained in the Deed of Trust securing this Note, the whole sum of principal and interest then outstanding shall become immediately due and payable at the Holder’s option. Failure by the Holder to exercise this option shall not constitute a waiver of the right to exercise it in the event of any subsequent default.

### Borrower's Right to Prepay

Borrower has the right to make payments of principal at any time before they are due. A payment of principal in excess of what is then due is known as a "Prepayment." When Borrower makes a Prepayment, Borrower will tell the Holder in writing that Borrower is doing so. Borrower may not designate a payment as a Prepayment if Borrower has not made all of the monthly payments then due under the Note. A partial Prepayment may only be made with the regular monthly payment.

Borrower may make a full Prepayment or partial Prepayments without paying a Prepayment charge. The Holder will use the Prepayments to reduce the amount of principal that Borrower owes under this Note. However, the Holder may apply any Prepayment to the accrued and unpaid interest on the Prepayment amount, or to late charges, or other required payments or impounds before applying the Prepayment to reduce the principal amount of the Note. If Borrower makes a partial Prepayment, there will be no changes in the due dates of the monthly payments unless the Holder agrees in writing to those changes. However, if a sufficiently large partial Prepayment is made during the Interest Only Period, the amount of the monthly payment will decrease for the remainder of the Interest Only Period, as well as during the Principal and Interest Period. Further, if a sufficiently large partial Prepayment is made with or before the fifty-eighth monthly payment of the Interest Only Period, the amount of the monthly payment required for the Principal and Interest Period will decrease. In the event a monthly payment amount changes, the Holder will inform Borrower of the revised amount of the required payment. If partial Prepayments are made during the Principal and Interest Period, the amount of the required monthly payment will not decrease; however, if the partial Prepayment is sufficiently large, and if all required payments are timely made, the principal and the interest required under this Note will be paid prior to the Maturity Date.

### OTHER PROVISIONS

#### Tax Code Matters

This Note evidences funds loaned to Borrower to finance the acquisition of certain real property and improvements thereon ("Property") described in that Deed of Trust securing this indebtedness, dated of even date herewith ("Deed of Trust").

Borrower understands that the interest rate on this Note is a below market interest rate because Lender intends to transfer the loan evidenced by this Note to the California Housing Finance Agency, a public instrumentality and political subdivision of the State of California ("Agency"). The Agency will finance the acquisition of said loan and this Note in whole or in part with funds from the sale of tax exempt municipal securities. Accordingly, the terms of this Note are subject to the applicable requirements of the Internal Revenue Code ("Tax Code").

Borrower further understands that the Agency and the Tax Code require that borrowers of funds originated by the sale of said tax exempt municipal securities, and the property securing said loans, meet certain specific criteria, including, but not limited to, intent to occupy the Property as his/her principal place of residence during the term of this Note. Borrower acknowledges that Lender has explained the requirements of the Tax Code and the requirements of the Agency, and that the Borrower has made certain representations regarding the Borrower's, and the Property's, compliance therewith. Borrower covenants that said representations were and are true and correct. UPON DISCOVERY BY LENDER OR THE AGENCY OF ANY MISSTATEMENT MADE BY BORROWER PURSUANT TO SAID REPRESENTATIONS, BORROWER MAY BE SUBJECT TO THE FOLLOWING ACTIONS:

- (A) Acceleration of the indebtedness and the exercise of the power of sale as stated in paragraph 22 of the Deed of Trust; or
- (B) Adjustment of the interest rate payable on the unpaid principal balance to the highest rate permitted by law. Such interest rate adjustment will be effective immediately upon written notice by certified mail to Borrower.

#### Acceleration of Unpaid Principal Balance Upon Default

If any monthly installment under this Note is not paid when due and remains unpaid after a date specified by a notice to Borrower, the entire principal amount outstanding and accrued interest thereon will immediately become due and payable at the option of the Holder. The date specified will be not less than thirty (30) days from the date such notice is mailed. The Holder may exercise this option to accelerate during any default by Borrower regardless of any prior forbearance. If a judicial or non-judicial action is brought to collect on this Note, the Borrower agrees to pay all reasonable costs and expenses of such actions or costs of collection, including, but not limited to, any trustees fees and reasonable attorney's fees.

#### Waivers

Presentment, notice of dishonor, and protest are hereby waived by all makers, sureties, guarantors and endorsers hereof. This Note is the joint and several obligation of all makers, sureties, guarantors and endorsers, and shall be binding upon them and their successors and assigns.

#### Notices

Any notice to Borrower provided for in this Note will be given by mailing such notice by certified mail addressed to Borrower at the Property Address stated above, or at such other address as Borrower may designate by notice to the Holder. Any notice to the Holder will be given by mailing such notice by certified mail, return receipt requested, to the Holder at the address stated on the first page of this Note, or at such other address as may have been designated by notice to Borrower.

#### Transfer of Property; Assumptions

Incorporation by reference is made of all provisions of the Deed of Trust regarding rights, including but not limited to, the right of acceleration upon prohibited transfer of said Property, set forth and defined in Section 21 of said Deed of Trust which provides as follows:

21. *Transfer of Property; Assumptions.* THE PROPERTY WILL NOT BE TRANSFERABLE WITHOUT THE WRITTEN APPROVAL OF THE AGENCY.

"Transfer" means any sale, assignment or transfer, voluntary or involuntary, or by operation of Law, of any interest in the Property, including but not limited to a fee simple interest, a joint tenancy interest, a life estate, leasehold interest, or an interest evidenced by a land contract by which possession of the Property is transferred and Borrower retains title, whether or not any such transfer is made subject to this Deed of Trust. Any such transfer without the Agency's written approval shall be a "Prohibited Transfer", and if Borrower fails to cure the Prohibited Transfer, the Agency shall have all rights and remedies permitted by the Deed of Trust or California law, including but not limited to, the exercise of the power of sale as described in the Deed of Trust.

The Agency's approval will not be given unless Borrower's successor(s) in interest ("Purchaser") meets all of the following conditions:

- (a) Purchaser occupies the residence at the Property address as Purchaser's principal place of residence within sixty (60) days after the date of transfer and continues to so occupy the Property until the Note is paid in full or Purchaser properly transfers to a successor in interest meeting all of the requirements of the Tax Code, and requirements of the Agency;
- (b) Purchaser has not had an ownership interest in a principal residence at any time during the three years preceding the date of transfer unless at the time of transfer the Agency gives written approval that the Property is in a "Targeted Area" or this Deed of Trust indicates that Property was in a "Targeted Area" at the time of recording this Deed of Trust;

- (c) Purchaser has a household income within the income limits as established at the time of this transfer;
- (d) Purchaser has purchased the Property at a purchase price within the price limits established;
- (e) Purchaser's indebtedness is eligible for mortgage guaranty insurance covering a loss of up to fifty percent (50%) of the outstanding principal amount of the Note, issued by an insurer licensed to do business in the State of California, and approved by the Agency;
- (f) Purchaser meets all other conditions applicable to the Agency's financing in effect at the time of transfer including, but not limited to, the Agency's loan underwriting standards; and
- (g) Purchaser meets the conditions of the Tax Code and regulations thereunder, both as amended from time to time.
- (h) Purchaser meets the conditions of the Agency's citizenship and alien verification regulations as set forth in Title 25 of the California Code of Regulations, Division Z, Chapter 3 (Sections 12001, *et seq.*) which implement federal legislation known as Title IV of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Pub. L. No. 104-193, 8 U.S.C. Section 1601, *et seq.*).

Borrower	Borrower
Borrower	Borrower
Borrower	Borrower