



Homeownership Program Bulletin

July 16, 2007

Program Bulletin #2007-21

To: CalHFA Approved Lenders

CalHFA *interest only* PLUSSM CONFORMING LOANS TO BE FINANCED THROUGH MORTGAGE-BACKED SECURITIES

The California Housing Finance Agency (CalHFA) is pleased to announce that it will begin financing *interest only* PLUSSM (IOP) loans that conform to Fannie Mae loan limits (Conforming IOP Loans) through the purchase of Fannie Mae guaranteed mortgage-backed securities (MBS) backed by these loans. This new financing mechanism will allow borrowers to benefit from reduced mortgage insurance premiums that should allow more borrowers to qualify and lenders to more rapidly receive payment of loan purchase proceeds.

Effective with reservations made on or after August 1, 2007, CalHFA will no longer directly purchase Conforming IOP Loans. Instead, these loans will be purchased and serviced by a Fannie Mae approved master servicer, and securitized into MBS guaranteed by Fannie Mae. CalHFA will then purchase the securities backed by these loans. Loan maximums and credit standards published by Fannie Mae and CalHFA in their announcements, manuals and web sites are to be followed. However, only Conforming IOP Loans meeting all Fannie Mae requirements will be eligible for purchase and securitization. In addition, forward commitments under the Builder-Lock Program (BLOCK) are not available for IOP Loans. For additional information on CalHFA's BLOCK program, please refer to CalHFA Program Bulletin #2007-20, dated June 18, 2007.

CALHFA WILL NO LONGER DIRECTLY PURCHASE ANY IOP LOANS CONFORMING TO FANNIE MAE LOAN LIMITS. However, all Non-Conforming IOP Loans (those that exceed Fannie Mae loan limits, currently \$417,000), all 30 and 40 year conventional loans, all FHA, VA, USDA loans and all CalHFA subordinate loans will continue to be directly purchased by CalHFA on a whole loan basis. From time to time, CalHFA may offer separate interest rates for Conforming IOP Loans and Non-Conforming IOP Loans.

MASTER SERVICER

CalHFA has selected Countrywide Home Loans, Inc. (Countrywide) to act as master servicer to purchase, securitize and service all Conforming IOP Loans. As master servicer, Countrywide is responsible for ensuring that all loans purchased and securitized meet Fannie Mae, Countrywide and CalHFA requirements. Therefore, only lenders approved by Fannie Mae, Countrywide and CalHFA will be permitted to originate Conforming IOP Loans. Any approved CalHFA lender not currently approved to sell loans to Countrywide, but desiring to originate Conforming IOP Loans, must also receive approval from, and enter into a contract with Countrywide. To seek

Countrywide's approval to submit loans, please call (800) 669-6065. For clarification of Fannie Mae's policies please visit www.efanniemae.com.

PROCESSES & PROCEDURES

CalHFA will continue to perform Tax Law and program compliance reviews on all loans, underwrite all conventional mortgages for credit and mortgage insurance purposes and issue Conditional Approvals.

The process for reserving and submitting all CalHFA loans for Conditional Approval will remain essentially unchanged. Loans will continue to be reserved using CalHFA's Lender Access System (LAS) and loan packages will continue to be submitted to CalHFA's Homeownership Division in accordance with current procedures outlined in CalHFA's Lender Program Manual and published bulletins.

CalHFA Mortgage Insurance Services will review all conventional loans and issue credit approval and mortgage insurance certificates, where applicable. Once loans have been credit approved, and CalHFA's Homeownership Division completes a Tax Law and program compliance review, a Conditional Approval will be issued containing specific purchasing conditions and instructions. If a loan is not an IOP Loan, or is a Non-Conforming IOP Loan, a Conditional Approval will be issued instructing that the closed loan package to be submitted directly to CalHFA for purchase. However, if the loan qualifies as a Conforming IOP Loan, a Conditional Approval will be issued instructing the lender to submit the closed loan package, as defined by Countrywide's Stacking Sheet in Countrywide's Lender Manual and its web site, directly to:

Countrywide Home Loans
Attn: Bond Department
8501 Fallbrook Avenue
West Hills, CA 91304
MS: WH-50D

Upon receipt, Countrywide will review the closed loan package to ensure conformity with Countrywide, CalHFA and Fannie Mae guidelines. Countrywide will work with the originating lender to resolve any deficiencies and purchase the loan servicing released to Countrywide. Countrywide is prepared to purchase Conforming IOP Loans on a daily basis, and will collect applicable late delivery and re-reservation fees.

DOCUMENTATION

Fannie Mae/Freddie Mac Interest-Only Period Fixed Rate Note (Form 3271) and Fannie Mae/Freddie Mac California Deed of Trust (Form 3005) must be used to close these loans. Fannie Mae/Freddie Mac Condominium Rider (Form 3140) and Fannie Mae/Freddie Mac Planned Unit Development Rider (Form 3150) must also be used when appropriate. In addition, because these loans must comply with Tax Law, CalHFA's new CalHFA Financing Rider (see CalHFA Program Bulletin #2007-11, dated May 8, 2007) must also be attached to both the note and deed of trust. Original signatures are required on the riders attached to both documents.

SUBORDINATE LOANS

Although only Conforming IOP Loans will be purchased by Countrywide, all CalHFA subordinate loans will continue to be purchased by CalHFA on a whole loan basis. *ALL CalHFA SUBORDINATE LOAN CLOSING PACKAGES MUST BE SENT SEPARATELY TO CalHFA.* Upon receipt, the subordinate loan(s) will be reviewed for purchase. However, CalHFA will not

purchase any subordinate loan until it has received confirmation from Countrywide that the underlying Conforming IOP Loan has been purchased.

Subordinate financing approved under CalHFA's Affordable Housing Partnership Program (AHPP) may be utilized when originating a Conforming IOP Loan, only if the local agency or nonprofit program has been approved as a Fannie Mae Community Second by Countrywide. *NOT ALL CALHFA APPROVED AHPP PROGRAMS ARE ELIGIBLE.* Programs approved by Countrywide per Fannie Mae guidelines are identified as "CalHFA MBS Program Eligible" on CalHFA's web site which can be accessed at www.calhfa.ca.gov, select AHPP Program Description under Homeownership Programs. Programs without this notation will not be allowed to partner with Conforming IOP Loans, nor will the use of a non-eligible program with an otherwise Conforming IOP Loan make it purchasable as a whole loan by CalHFA. As master servicer, Countrywide will review approved CalHFA AHPP documents to determine conformity with Fannie Mae Community Second guidelines, and will do so on a continual basis.

UNDERWRITING STANDARDS

All Conforming IOP Loans must meet both Fannie Mae MyCommunityMortgage (MCM) underwriting standards as well as CalHFA's Conventional Loan Underwriting Guidelines: Updated as published in CalHFA Program Bulletin #2007-13, dated May 18, 2007. Loans must be credit and property underwritten either by Desktop Underwriter (DU) MCM Approved/Eligible (non-conforming loans may receive an Approve/Ineligible for the loan amount only), or manually underwritten within CalHFA Conventional Loan Underwriting Guidelines. CalHFA Mortgage Insurance provides credit underwriting on all CalHFA conventional loans and mortgage insurance coverage on all CalHFA conventional loans with a loan-to-value (LTV) ratio greater than 80%.

MORTGAGE INSURANCE PREMIUMS

As a result of Fannie Mae's credit securitization of Conforming IOP Loans, the mortgage insurance coverage requirement for Conforming IOP Loans will be reduced to the following fee schedule:

Conforming IOP Loans

<u>LTV:</u>	<u>Coverage:</u>	<u>Premium:</u>
97.01% - 100%	20%	.59%
95.01% - 97%	18%	.50%
90.01% - 95%	16%	.46%
85.01% - 90%	12%	.34%
80.01% - 85%	6%	.23%

SERVICE RELEASE FEE

All Conforming IOP Loans must be service released to Countrywide. The one time service release fee paid to lenders is 90 basis points paid upon purchase of the loan. Countrywide is prepared to purchase loans on a daily basis ensuring rapid payment of both loan proceeds and service release fees to participating lenders. All Non-Conforming IOP Loans may still be service released to any CalHFA-approved servicer on a negotiated basis.

CONTACT INFORMATION

For questions relevant to CalHFA's policies and procedures, call (916) 324-8088. For questions relevant to Countrywide's policies and procedures, call (800) 669-6065 (extension 5034). Additional information can be accessed at CalHFA's web site, www.calhfa.ca.gov.

Please send all loan packages for Conditional Approval, supplementary documents and subordinate closed loan files to:

CalHFA Homeownership Programs
1121 L Street, 7th Floor
Sacramento, CA 95814

Please send all Conforming IOP Loan closed loan files to:

Countrywide Home Loans
Attn: Bond Department
8501 Fallbrook Avenue
West Hills, CA 91304
MS WH-50D