



# Homeownership Program Bulletin

July 20, 2007

Program Bulletin #2007-23

To: CalHFA Approved Lenders

## PROGRAM REQUIREMENTS REMINDER

CalHFA is issuing this Bulletin as a reminder to lenders of some of the program requirements currently in effect.

1. Property addresses on the Purchase Contract, Appraisal, Promissory Note, and Preliminary Title Report should match the mailing address assigned by the United States Postal Service.
2. Lenders may (and should) immediately begin using Fannie Mae/Freddie Mac uniform documents, i.e. Promissory Note and Deed of Trust, for all conventional loans to be purchased by CalHFA. (Mandatory use date is September 1, 2007.) The new CalHFA Financing Rider must be signed by the borrower(s) and must only be used in conjunction with Fannie Mae/Freddie Mac uniform documents. Lenders must continue to use CalHFA's Tax Exempt Financing Rider for FHA/VA and RDA loans. A copy of the two riders may be found on our web site. The rider for use with Conventional loans can be found at: <http://www.calhfa.ca.gov/homeownership/forms/doc-riders/financing-rider.pdf>; The Rider for use with Government insured/guaranteed loans can be found at: <http://www.calhfa.ca.gov/homeownership/forms/doc-riders/tax-exempt-financing-rider.pdf> (See Program Bulletin #2007-11 for more details)
3. The Mortgage Electronic Registration Systems (MERS) is required to be used on all CalHFA first loans. Lenders must use the appropriate Deed of Trust that incorporates the MERS language and must transfer the beneficial interest to CalHFA (MERS Org I.D. 1000645) via MERS web site within seven (7) business days of closing. (See Program Bulletins #2002-36 and #2001-04 for all MERS requirements)
4. Lenders are responsible for issuing all required disclosures, including the following:
  - o RESPA requires that the lender provide the borrower with a Good Faith Estimate of anticipated closing costs.
  - o Borrowers of loans subject to RESPA are also entitled to receive a Truth-In-Lending Act (TILA) disclosure from the creditor/lender concurrently with the RESPA Good Faith Estimate. The purpose of the early TILA disclosure and of the RESPA Good Faith Estimate is to give the borrowers an opportunity to compare the loan terms being offered to the terms available from other creditors/lenders.

Both early disclosures must be delivered to the borrowers within the time frame established by law.

5. High Cost Area Home Purchase Assistance Program (HiCAP) loans are no longer available for San Diego and Santa Clara counties. The maximum HiCAP loan amount is \$7,500 for the following counties: Alameda, Contra Costa, Los Angeles (except Palmdale/Lancaster areas), Marin, Monterey, Napa, Orange, San Benito, San Francisco, San Luis Obispo, San Mateo, Santa Barbara, Santa Cruz, Solano, Sonoma and Ventura. (See Program Bulletin #2007-16)
6. All non-CalHFA first mortgage loans combined with a California Homebuyer's Downpayment Assistance Program (CHDAP) or Homeownership In Revitalization Areas Program (HIRAP) subordinate loan must be underwritten to CalHFA Conventional Loan Underwriting Guidelines. (See Program Bulletin #2007-15)
7. Declaration of hazard insurance must be provided with each loan, including subordinate loans that are service released to CalHFA. Insurance must be current and valid with the first year's premium paid in escrow.
8. A Standard Flood Hazard Determination, FEMA Form 81-93, Dec. 05, is required for all loans. When flood insurance is required, a Certificate of Flood Insurance must be provided with each loan, including CalHFA subordinate loans. Insurance must be current and valid with the first year's premium paid in escrow.
9. CalHFA requires a signed Loan Application (1003) for each loan prior to purchase. Lenders can submit either the initial, signed Loan Application (1003) with the file submitted for Conditional Approval, or the final, signed Loan Application (1003) with the package submitted for purchase.
10. For ease in submitting packages to CalHFA, lenders should continue to use CalHFA's Loan Submission Checklist when sending in loans for conditional approval and CalHFA's Loan Purchase Submission Checklists when sending in loans for purchase. Both checklists can be found on our web site at: <http://www.calhfa.ca.gov/homeownership/>
11. Credit Underwriting - Collection and Judgment Requirements: For government insured loans (FHA/VA/USDA) lenders must follow the respective mortgage insurer's/guarantor's guidelines. For Conforming IOP loans financed through the purchase of Fannie Mae guaranteed mortgage-backed securities lenders must meet Fannie Mae MyCommunityMortgage (MCM) guidelines. For all other CalHFA conventional loans, lenders must meet CalHFA's Conventional Loan Underwriting Guidelines as published in Program Bulletin #2007-13 including the requirement that all liens and/or judgments must be satisfied in full at closing.
12. The *interest only* PLUS<sup>SM</sup> (IOP) loan is no longer available for reservations made under the BLOCK Forward Commitment Program. (See Program Bulletin #2007-20)
13. Effective for reservations dated on or after August 1, 2007, the *interest only* PLUS<sup>SM</sup> (IOP) loan cannot be used to finance Manufactured Housing properties.
14. Effective for reservations dated on or after August 1, 2007, CalHFA will no longer directly purchase any *interest only* PLUS<sup>SM</sup> (IOP) loans conforming to Fannie Mae loan limits. Only non-conforming *interest only* PLUS<sup>SM</sup> (IOP) loans (those that exceed Fannie Mae loan limits, currently \$417,000), 30 and 40 year conventional loans, FHA, VA, USDA and CalHFA subordinate loans will continue to be directly purchased by CalHFA. (See Program Bulletin #2007-21)
15. Effective for reservations dated on or after August 1, 2007, all Conforming IOP Loans (loans that conform to Fannie Mae loan limits, currently \$417,000) will be financed through the purchase of Fannie Mae guaranteed mortgage-backed securities (MBS). Full details regarding this new financing mechanism are detailed in Program Bulletin #2007-21: however, some of the major program changes are as follows:
  - o As a result of Fannie Mae's securitization of Conforming IOP Loans, the mortgage insurance coverage requirements and premiums are reduced.

- CalHFA IOP Conforming Loans cannot exceed Fannie Mae loan limits, currently \$417,000.
- Countrywide Home Loans, Inc. (Countrywide) will act as servicer to purchase, securitize and service all Conforming IOP Loans, and CalHFA will no longer directly purchase a Conforming IOP Loan.
- Conforming IOP Loans must meet Fannie Mae MyCommunityMortgage (MCM) underwriting standards as well as CalHFA's Conventional Loan Underwriting Guidelines (See Program Bulletin #2007-13).
- 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 a Conforming IOP Loan. 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, the new CalHFA Financing Rider must also be attached to both the note and deed of trust. (See Program Bulletin #2007-11)
- Subordinate financing approved under CalHFA's Affordable Housing Partnership Program (AHPP) may be utilized with a Conforming IOP Loan if the local agency or nonprofit program has been approved as a Fannie Mae Community Second program by Countrywide. Programs approved by Countrywide per Fannie Mae guidelines are identified as "CalHFA MBS Program Eligible" on CalHFA's web site.

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)

Unless otherwise directed, please send all loan files and documents to:  
CalHFA Homeownership Programs  
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