



# Homeownership Program Bulletin

December 19, 2007

Program Bulletin #2007-41

To: CalHFA Approved Lenders

## PROGRAM REQUIREMENTS UPDATE

From time to time, CalHFA issues Program Bulletins to update Lenders on homeownership program requirements. The following are current and/or updated requirements of which Lenders should be aware when submitting loans to CalHFA.

1. CalHFA issued Program Bulletin #2007-11 on May 8, 2007, that contained some erroneous information. The Bulletin required that government loans (HUD, VA and RHS) use the following:
  - CalHFA Condominium Rider (12/15/02)
  - CalHFA Planned Unit Development Rider (12/15/02)
  - CalHFA Tax-Exempt Financing Rider (12/15/02)

This information is incorrect and this practice should be discontinued immediately.

Lenders should only use Condominium and Planned Unit Development Riders that are required by the applicable government insurer/guarantor (HUD, VA or RHS).

For all CalHFA first mortgage loans (including conventional and government loans), Lenders must attach to the note AND to the deed of trust, the California Housing Finance Agency Financing Rider (05/01/07), which outlines the borrower's requirements under Section 143 (c) and (i) (2) of the Internal Revenue Code.

2. New Appraiser Requirements for CalHFA Loans were effective on October 15, 2007. See Program Bulletin 2007-34 for these new requirements for selecting, reviewing and retaining appraisers.
3. CalHFA requires that lenders submit a fully underwritten, Lender-approved loan package. This loan package is used to confirm that the loan meets an acceptable credit risk as well as the Tax Act compliance requirements. A fully documented and approved conventional loan file is first reviewed by credit risk underwriters working in the Mortgage Insurance Division to confirm compliance with CalHFA's Conventional Loan Underwriting Guidelines.

Lenders are to underwrite conventional loans in accordance with CalHFA Conventional Loan Underwriting Guidelines, which provide details of acceptable underwriting practices together with valuable guidance on how to document an underwriting file. Lenders can access these guidelines on our web site.

To speed processing and avoid receiving a credit underwriting suspense, rejection or returned incomplete loan submission file, Lender's should be familiar with CalHFA loan submission requirements. CalHFA's Loan Submission Check List can be found on its web site.

4. Program Bulletin #2007-33 suspended the use of the Reformation of Permanent Deed of Trust (MERS and non-MERS). Attached is a "Modification of Permanent Deed of Trust" (MERS and non-MERS) for use in place of the Reformation. Lenders may begin using the appropriate MERS or non-MERS "Modification of Permanent Deed of Trust" to correct minor errors to CalHFA's deeds of trust.
5. Lenders must notify CalHFA Lender Services as soon as possible when pursuing any changes in their business structure and/or operations (i.e. closures, mergers, acquisitions, branch additions/closures, etc.) Failure to do so will result in delays in loans being purchased and/or cancellation of reservations.
6. Combined Loan-To-Value (CLTV) requirements:
  - CLTV on transactions using CalHFA CHAP, HiCAP and ECTP subordinate loans: The maximum CLTV for transactions involving CalHFA CHAP, HiCAP and ECTP subordinate loans is 100%. These loans can only be used for down payment assistance; they cannot be used for closing costs. If multiple CalHFA loans are being layered to complete the transaction, the mortgages must be reduced appropriately so that the total CLTV of the first mortgage and CalHFA CHAP, HiCAP and ECTP subordinate loans does not exceed 100%.
  - CLTV on transactions using CalHFA CHDAP and School Facility Fee subordinate loans: The maximum CLTV for transactions involving CalHFA CHDAP and School Facility Fee subordinate loans is 107%. These are the only CalHFA subordinate loans that can be used for down payment and/or closing costs.
  - CLTV on transaction involving approved Affordable Housing Partnership Program (AHPP) subordinate loans: When AHPP subordinate loans are being used in conjunction with a CalHFA first mortgage and/or other CalHFA subordinate loans, the CLTV cannot exceed 107% and must be within the above stated CalHFA subordinate loan CLTV requirements for CHAP, HiCAP, ECTP, CHDAP and School Facility Fee.
7. Pursuant to CalHFA regulations – "Restrictions on Agency Public Benefits to Aliens", CalHFA requires all borrowers to be either a citizen or a national of the United States or a qualified alien as defined by the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA). Borrowers must declare their status on a Statement of Citizenship, Alienage, and Immigration Status for State Public Benefits form and provide the Lender with photo identification and documentation to support their declared status. Acceptable supporting documentation is listed on the Statement and the accompanying lists A and B attached thereto. Lenders must review and verify the supporting documents and retain a copy for the term of the loan in the loan servicing file. *Please Note:* These supporting documents must be included in loan servicing files for Loans that are service-released to another CalHFA-approved servicer, including Countrywide Home Loans, which will require these supporting documents prior to its funding any Conforming IOP/MBS loan.
8. CalHFA reservation periods are as follows:
  - Resale Homes 90 days
  - Newly constructed homes 180 days

Each reservation automatically receives a 30-day extension at a cost of one percent (1%) late delivery fee. No action by the Lender is needed to receive this 30-day extension. In the past, CalHFA purchased loans after the 30-day extension period by assessing higher late delivery fee; however, CalHFA may no longer purchase loans once this 30-day late delivery period has expired and the reservation has been cancelled.

9. All subordinate loans and/or resale controls offered through localities must have prior approval from CalHFA Special Programs prior to a Lender making a loan reservation. For all reservations under the 35-year *interest only* PLUS<sup>SM</sup>, prior approval must also be obtained from our Master Servicer, Countrywide Home Loans, Inc. To obtain these approvals, the entity must submit to CalHFA either a sample copy of all of the legal documents that the borrowers will be required to sign in escrow or a complete copy of the document(s) (such as resale restrictions) that have been, or will be recorded on the property. These documents should be forwarded to CalHFA, Special Programs, 1121 L Street, 7<sup>th</sup> Floor, Sacramento, CA 95814, or faxed to 916.327.8452 for CalHFA Bond Counsel review. The CalHFA review and approval process is a lengthy one taking a minimum of six to eight weeks to complete. Lenders should plan accordingly. Making a reservation with an unapproved locality program involved frequently results in lengthy delays which jeopardize closings.
10. CalHFA training is offered throughout the State. Only approved CalHFA Lenders can request admittance for any attendees, including brokers. Attendees must obtain confirmation of reservation from CalHFA prior to arrival at the training. Due to limited space and class materials, CalHFA cannot permit entrance to anyone who does not have a confirmed class reservation. See a list of upcoming training dates & locations on our web site at [www.calhfa.ca.gov/homeownership/training/](http://www.calhfa.ca.gov/homeownership/training/).
11. CalHFA is amending the handling of collection accounts as follows:
  - For conventionally insured loans using Manual Underwriting: if an individual collection account balance is less than \$250, or the total of all such accounts is \$1,000 or less, CalHFA does not require that such accounts be paid. Higher balances must be paid off at, or prior to, closing.
  - For conventionally insured loans using approved Automated Underwriting: Lenders may follow the automated underwriting requirements for loans approved through DU and MCM DU that do not require payoff of collection accounts, provided collections that are not paid off will not affect the security of the first loan.
  - For governmentally insured loans (FHA/VA/USDA), Lenders must follow the requirements of the insuring/guaranteeing governmental agency.

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  
1121 L Street, 7<sup>th</sup> Floor  
Sacramento, CA 95814

Attachments



NOW THEREFORE, in consideration of the foregoing, the parties hereto do hereby modify said Deed of Trust as follows:

IT IS FURTHER AGREED, by and between the parties hereto, that in all other respects not inconsistent herewith, the terms of said Deed of Trust which are incorporated herein by referenced thereto shall remain in full force and effect and be binding hereon. Said Deed of Trust as herein modified shall constitute one Deed of Trust.

This agreement shall inure to the benefit of and be binding upon the heirs, devisees, successors and assigns of the parties hereto.

By signing below, the parties accept and agree to the terms and covenants contained in this Modification Agreement.

**TRUSTOR:**

\_\_\_\_\_  
\_\_\_\_\_

**BENEFICIARY:**

By: \_\_\_\_\_

(All signatures must be notarized)



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**TRUSTOR:**

\_\_\_\_\_  
\_\_\_\_\_

**BENEFICIARY:**

MORTGAGE ELECTRONIC REGISTRATION SYSTEMS, INC. (MERS)

By: \_\_\_\_\_

(All signatures must be notarized)