



Homeownership Program Bulletin

May 9, 2008

Program Bulletin #2008-21

To: CalHFA Approved Lenders

NEW UNDERWRITING PROCEDURES FOR GOVERNMENT INSURED/GUARANTEED LOANS WITH CalHFA SUBORDINATE FINANCING

One of CalHFA's primary goals is to assist low and moderate income, first-time buyers succeed in the purchase of their first home. For many homebuyers, down payment assistance is critical to achieving their dream of ownership. For several years CalHFA has provided and administered down payment assistance funded by voter-approved bond programs and by Agency reserves.

Current financial market conditions have changed since the introduction of the various down payment assistance programs offered by CalHFA. Repayment of these loans is critical to the ability to recycle these funds to assist future first-time homebuyers. Therefore, to insure the continued success and funding of these down payment assistance programs, CalHFA is amending the underwriting requirements on all financing using a CalHFA subordinate loan.

The following changes are effective on reservations made on or after May 24, 2008:

- All first mortgage loans combined with CalHFA subordinate financing must meet CalHFA Conventional Loan Underwriting Guidelines and be reviewed by CalHFA's credit underwriters prior to issuance of Conditional Loan Approval. These loans include:
 1. Government insured/guaranteed first mortgage loans (FHA, VA, USDA)
 2. All Conventional loans
 3. All California Homebuyer's Downpayment Assistance Program (CHDAP) loans regardless of first mortgage insurer
- On government insured/guaranteed loans, lenders may follow the governing agency's loan limits, methods for calculating the loan amount, and loan-to-value (LTV) guidelines; however, the combined loan-to-value (CLTV) cannot exceed 102% on any loan.

CalHFA Conventional Loan Underwriting Guidelines have requirements for first and subordinate loan structures, borrower qualification, credit score, credit history, and debt ratio limits. These guidelines vary from government loan and Non-CalHFA loan criteria and must be applied to those loans with CalHFA subordinate financing. (For example, a minimum FICO Score of 620 on loans up to 95% LTV; minimum 680 on loans over 95% LTV; a maximum total debt to income on manually underwritten loans of 45%; and on automated underwritten loans of 55%).

CalHFA Conventional Loan Underwriting Guidelines can be found on CalHFA's website at:
<http://www.calhfa.ca.gov/homeownership/insurance/underwriting.htm>

Government insured/guaranteed loans without CalHFA subordinate financing are not required to meet the CalHFA Conventional Loan Underwriting Guidelines. However, lenders must continue to underwrite these loans to the applicable governmental agency's underwriting standards.

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 and you can always visit CalHFA's web site at: www.calhfa.ca.gov

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