



# Homeownership Program Bulletin

July 21, 2008

Program Bulletin #2008-24

To: CalHFA Approved Lenders

## **CalHFA Community Stabilization Home Loan Program (CSHLP) TO BE FINANCED THROUGH MORTGAGE-BACKED SECURITIES Effective: July 22, 2008**

The California Housing Finance Agency (CalHFA) is pleased to announce the availability of the **CalHFA Community Stabilization Home Loan Program (CSHLP)**. The Program has limited funding availability of \$200 million in tax-exempt bond issuance authority. CalHFA intends to use these funds to help stimulate and stabilize communities hit hard with real estate owned (REO) inventory and at the same time provide affordable housing for first-time homebuyers in California.

CalHFA has secured special arrangements from participating financial institutions (FI) and seller/servicers (SS) who have agreed to participate in this program by providing a special sales price (SSP) on eligible REO properties that are located in selected counties and Zip codes in California. These counties and Zip codes were selected after extensive research based on, but not limited to, the number of subprime loans in each county compared to the number of housing units in existence in that same county, and the number of REO's to the number of housing units per county. These are examples of some of the criteria used to determine highest and best use of the limited funding available for this program.

The SSP that the FI and SS have agreed to is at least a 12% special reduction off the estimated value of the property. CalHFA is reciprocating by offering a reduced interest rate on a 30-year fixed rate conventional loan to first-time homebuyers purchasing these properties. The current interest rate for this program will be announced by Program Bulletin #2008-25, which will be released simultaneously with this bulletin.

CalHFA financing will be available up to 100% of the final contracted sales price or current appraised value, whichever is less, at the time the originating lender submits a complete loan application file to CalHFA. The maximum loan amount cannot exceed the lesser of the CalHFA Sales Price limit for the county in which the property is located or the maximum Fannie Mae loan limit for the area in which the property is located. To be eligible, properties must be located within designated locations, must be vacant, and must be a REO from a participating FI or SS. Current participating FI and SS include Fannie Mae, CitiMortgage, Inc. and its affiliates, Wells Fargo Premiere Asset Services and HomeEq Servicing. On the effective date of this program, an active list of eligible properties along with a list of program-eligible counties and Zip codes will be available for viewing on CalHFA's web site at [www.calhfa.ca.gov/homeownership/programs/](http://www.calhfa.ca.gov/homeownership/programs/).

Effective with reservations made on or after July 22, 2008, instead of purchasing loans reserved under this program on a whole loan basis, CalHFA has elected to have these loans purchased and serviced by a Fannie Mae-approved master servicer and securitized into mortgage-backed

securities (MBS) guaranteed by Fannie Mae. This 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.

All lenders currently approved by Fannie Mae, CalHFA and the master servicer are eligible to originate these loans. Loan maximums, property and credit standards published by Fannie Mae, CalHFA and the master servicer in their announcements, manuals and web sites are to be followed. However, manufactured homes are not eligible.

## **MASTER SERVICER**

CalHFA has selected Countrywide Bank, FSB (Countrywide) to act as master servicer to purchase, securitize and service these 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 CSHLP loans. Any approved CalHFA lender not currently approved to sell loans to Countrywide, but desiring to originate CSHLP 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, or visit Countrywide's web site at [www.chl-mrb.com](http://www.chl-mrb.com). For clarification of Fannie Mae's policies, visit [www.efanniemae.com](http://www.efanniemae.com).

## **HANDLING OF FEES**

CSHLP includes some features and guidelines from Fannie Mae's MyCommunityMortgage<sup>®</sup> (MCM<sup>®</sup>) Product. CSHLP has special handling and/or adjustments as it applies to the Adverse Market Delivery Charge, loan level price adjustments (LLPA) (see below), and homebuyer education counseling (see documentation section).

For CSHLP any Adverse Market Delivery Charge will be paid by CalHFA up to 25 basis points (.25%). Any Adverse Market Delivery Charge greater than 25 basis points (.25%) must be paid by the lender/borrower. The current Adverse Market Delivery Charge is 25 basis points (.25%). CalHFA will pay 15 basis points (.15%) of any LLPA. The current LLPA is 56.25 basis points (.5625%) (hence, the lender or borrower paid portion will be 41.25 basis points [.4125%]). The balance will be paid by the lender, which may charge that amount to the borrower as discount points. If lender charges this portion as discount points, it will not count toward the lender's restricted earning of a maximum 1.5% origination fee (origination fee and discount points). The lender will sell the loan to Countrywide, who is acting as master servicer for CalHFA, at par less the discount points.

## **SERVICE RELEASE FEE**

CSHLP loans must be service released to Countrywide. The one-time service release fee to lenders is 90 basis points (.90%) 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 lenders.

## **PROCESSES & PROCEDURES**

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

The process for reserving and submitting CSHLP loans for Conditional Approval will remain essentially unchanged from the current reservation process. Loans will continue to be reserved

utilizing 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. In addition to the standard reservation process, when reserving CSHLP loans on the LAS, the originating lender will use additional information from the Legal Owner-Investor-Seller/Service Certification (CSHLP Certification) (see Documentation section) that is provided by the participating FI or SS specific for this program. For example the originating lender must enter both the SSP, an estimate of the then-fair market value of the property (Estimated Value or EV), the estimated value date (EVD) and the property eligibility date (PED). Only reservations reflecting a 12% or greater special reduction off of the EV will be accepted by the LAS. Conditional Approval by CalHFA is contingent upon receipt of a complete loan package containing a valid purchase contract and a current appraisal, and completed CSHLP Certification (see Documentation section).

For purposes of the CSHLP, FI or SS will certify EV based off a Broker Price Opinion (BPO) or an independent appraisal, neither of which are older than ninety (90) days at the "start date" of the program. If more than one (1) BPO has been obtained, the most recent BPO will govern. The start date of the program is the effective date of this program bulletin and will establish the property eligibility date (PED) for properties available at that time. As additional properties are added after the start date of the program, the date added will become the PED and the BPO or independent appraisal can not be older than 90 days from the PED. As stated above, this information will be from the CSHLP Certification provided by the FI or SS to the originating CalHFA-approved lender to be submitted to CalHFA with the originating loan file. The selected properties for this program will be specially reduced by at least 12% based off a BPO or independent appraisal as the special sales price.

Notwithstanding any contrary provisions of the CalHFA Lender Program Manual, all first mortgage loans must be delivered to Countrywide for purchase within ninety (90) days after reservation. There will be no extensions. There will be no exceptions. No loan delivered after that time period will be purchased by Countrywide or CalHFA. Any California Homebuyer's Downpayment Assistant Program (CHDAP) subordinate loan associated with a CSHLP first mortgage loan must be delivered to CalHFA for purchase within that same time period. CalHFA will not purchase any CHDAP loan associated with a CSHLP first mortgage loan unless the CSHLP first mortgage loan has been purchased by Countrywide. No relocks will be allowed for this program.

CalHFA Mortgage Insurance Services will review all CSHLP loan applications, issue credit approval and, when applicable, mortgage insurance certificates. Once applications have been credit approved, and the 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 qualifies as a CSHLP 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 web site, directly to Countrywide at the address below:

Countrywide Bank, FSB  
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 with servicing released to Countrywide. Countrywide is prepared to purchase CSHLP loans on a daily basis.

As stated above, there is limited funding availability for this Program. CalHFA will monitor reservations on a daily basis and announce by separate program bulletin when funds are nearing completion and provide an effective date when new reservations on LAS will discontinue.

## DOCUMENTATION

Originating lenders should use the same documents to originate CSHLP loans as are currently used to originate CalHFA's standard 30-year Fixed Mortgage conventional first mortgage loans and CHDAP subordinate loans. Three (3) additional documents are required (two new documents and one revised standard document):

1. Homebuyer education counseling is required for all borrowers using the CSHLP. CalHFA will accept a homebuyer education counseling certificate of completion issued through a Fannie Mae or Freddie Mac-identified counseling administration agencies, mortgage insurance companies, Countrywide, or a HUD-approved Housing Counselor. Homebuyer education counseling completed online, face-to-face or by telephone is acceptable. Certificates of completion must be included in the original loan package submitted to CalHFA in order to receive Conditional Approval.
2. A CSHLP Certification (see attached) must be completed and included in the original loan package submitted to CalHFA in order to receive Conditional Approval,
3. CalHFA's revised Seller's Affidavit (REO) (see attached).

A current appraisal performed by a lender-approved appraiser must be submitted to CalHFA for Conditional Approval. Any repairs conditioned by either the appraisal or CalHFA's Conditional Approval must be completed before the loan is purchased.

## SUBORDINATE LOANS

The CHDAP is the only CalHFA subordinate loan eligible to be used when originating CSHLP loans. Although all CSHLP first mortgage loans will be purchased by Countrywide, all CHDAP subordinate loans will continue to be purchased directly by CalHFA on a whole loan basis. All CalHFA subordinate loan closing packages must be sent separately to CalHFA. Upon receipt, CHDAP loan(s) will be reviewed for purchase. However, CalHFA will not purchase any CHDAP loan until it has received confirmation from Countrywide that the underlying conforming CSHLP first mortgage loan has been purchased.

Subordinate financing approved under CalHFA's Affordable Housing Partnership Program (AHPP), as defined by CalHFA Program Bulletin #2002-18 may be used when originating a CSHLP loan only if the local agency or nonprofit program has been approved as a Fannie Mae Community Seconds<sup>®</sup> program 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 approved AHPP list, which can be accessed at [www.calhfa.ca.gov/homeownership/programs/ahpp.htm](http://www.calhfa.ca.gov/homeownership/programs/ahpp.htm). Programs without this notation will not be allowed to partner with CSHLP loans. As master servicer, Countrywide will review approved CalHFA AHPP documents to determine conformity with Fannie Mae Community Seconds guidelines.

## UNDERWRITING STANDARDS

All CSHLP loans must meet both Fannie Mae MCM underwriting standards as well as CalHFA's Conventional Loan Underwriting Guidelines. Loans must be credit and property underwritten either by Desktop Underwriter<sup>®</sup> (DU<sup>®</sup>) MCM Approved/Eligible, or manually underwritten within CalHFA Conventional Loan Underwriting Guidelines. Loans in excess of 95% LTV require a minimum representative credit score of 680 and loans 95% LTV and below require a minimum credit score of 660. CalHFA Mortgage Insurance Services 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 securitization of CSHLP loans the mortgage insurance coverage requirement for CSHLP will be different than CalHFA's standard conventional loan programs. The mortgage insurance premiums on CSHLP loans will be in conformance with the following fee schedule:

<u>Loan to Purchase Price:</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%

## 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 ext. 5033.

Additional information can be accessed on CalHFA's web site at [www.calhfa.ca.gov](http://www.calhfa.ca.gov) and Countrywide's web site at [www.chl-mrb.com](http://www.chl-mrb.com).

### Attachments

CSHLP Certification  
CalHFA Seller's Affidavit (REO)  
CalHFA Loan Submission Check List



## CalHFA Community Stabilization Home Loan “Program” (CSHLP)

### LEGAL OWNER - INVESTOR - SELLER/SERVICER CERTIFICATION (CSHLP CERTIFICATION)

Property Street Address \_\_\_\_\_

Property City, State \_\_\_\_\_

Property Zip, County \_\_\_\_\_

Participating Financial Institution or Participating Seller/Service of the CalHFA Community Stabilization Home Loan Program hereby provides and certifies that the following information on the above referenced property is true and correct.

#### **Please complete and provide to originating lender**

Name of Legal Owner \_\_\_\_\_

Investor Name \_\_\_\_\_

Authorized Seller/Service \_\_\_\_\_

Property Eligibility Date “PED”: (the date the property was listed for this Program to CalHFA on or after the start date of the Program) \_\_\_\_\_

Estimated Value “EV” (based off of an Appraisal or one Broker Price Opinion [BPO])\* \$ \_\_\_\_\_

Estimated Value Date “EVD” (appraisal date or BPO date) \_\_\_\_\_  
(must not be greater than 90 days at “PED”)

Special Sales Price “SSP” \$ \_\_\_\_\_

\*If more than one (1) BPO is used, the most current BPO must be used and must be within 90 days old.

Dated: \_\_\_\_\_

**(May be signed by Legal Owner OR authorized Seller/Service)**

\_\_\_\_\_  
Legal Owner (Name)

\_\_\_\_\_  
Seller/Service (Name)

\_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Title)



**SELLER'S AFFIDAVIT  
(For Use with REO Only)**

I, \_\_\_\_\_, \_\_\_\_\_  
(Title)  
of \_\_\_\_\_ (the "Seller"), in the sale of a residence to  
(Seller's Name)  
\_\_\_\_\_ (the "Purchaser(s)"), do hereby  
represent and warrant to the best of my knowledge as follows:

1. The residence is located within the County of \_\_\_\_\_, at \_\_\_\_\_  
(County) (Address)  
\_\_\_\_\_, California (the "Residence").  
(City/Town)

2. The Residence is improved with a single family residence.

3. All of the land being sold with the Residence reasonably maintains the basic livability of the Residence, and to the best of my knowledge the Purchaser(s) do(es) not intend to subdivide such land.

4. a. The purchase price of the Residence as shown in the purchase contract is \$\_\_\_\_\_.

b. Neither the Purchaser(s) nor anyone else on their behalf has made any payment other than the amount shown in "a" to me or to any other person on my behalf, nor have they canceled any debt owed by me or by any person related to me in connection with this transaction.

c. I have not entered into any agreement with the Purchaser(s) of the Residence pursuant to which any portion of the Residence has been left unfinished or any fixtures have been omitted or removed from the Residence in order to reduce the acquisition cost, and the Residence is sold "as is" to the Purchaser(s).

**I declare under penalty of perjury that the foregoing representations are true and correct.**

Date: \_\_\_\_\_ Place: \_\_\_\_\_ Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_



California Housing Finance Agency

**CalHFA Loan Submission Check List**  
**First Mortgage AND CHDAP Stand Alone**  
*Submit Copies Only*

**\* Not Required on CHDAP Stand Alone**

√	LEFT SIDE OF FILE - <b>Mandatory CalHFA Forms</b>
*	1. Borrower's Affidavit – Rev. 12/15/02 (4 pages) All fields completed, including 1, 8a, 12, 13, 14, 15 and 16, Borrowers and Lender to date and sign page 4
*	2. Seller's Affidavit – Rev. 12/15/02 (2 pages) All fields completed, including 1, 3a, and 4; Sellers to date and sign page 2
*	3. CalHFA Notice and Borrower Representations Affidavit – Rev. 12/15/02 (2 pages) Borrowers to date and sign page 2
*	4. Statement of Citizenship, Alienage, and Immigration Status for State Public Benefits – Rev. 12/15/02 (10 pages; submit only first 4 pages) Each Borrower to complete applicable Section A or B and sign a separate statement form on page 4
*	5. Lender Verification of Citizenship/Qualified Alien Status – Rev. 12/15/02 (1 page) Lender to fully complete, date and sign
	6. Military Service Questionnaire – Rev. 8/15/06 (1 page) Borrowers to sign and date
*	7. Legal Owner-Investor-Seller/Service Certification ( <b>CSHLP Certification</b> )

**\* Not Required on CHDAP Stand Alone**

√	RIGHT SIDE OF FILE - <b>Loan Documents</b>
*	8. Mortgage Insurance Services Application, all fields completed (conventional loans only)
	9. MCAW/Loan Analysis/Transmittal Summary (1008). Must be approved and signed by Lender's delegated underwriter.
	10. Lender's final in-house underwriting approval with list of conditions
	11. Automated Underwriting findings report, as applicable
	12. Final Typed Loan Application (1003) Borrowers' (and co-signers, if applicable)
	13. Loan Application (1003) Initial application signed by borrowers (and co-signers, if applicable)
	14. Credit Report (CR) If mortgage appears in last three years, provide (a) address of property on credit report, (b) explanation from Borrowers, (c) three-year landlord rating, and (d) evidence of Borrower's first-time homebuyer status
	15. All applicable Explanation Letters, if any
	16. Verification of Employment – written or verbal (must verify start date)
	17. Pay stubs for one (1) month – no more than 60 days old
	18. W-2's – most current year
	19. Year-to-Date Profit & Loss on any Schedule C Business, if applicable
	20. Federal Income Tax Returns (1040s) Full copies; last three consecutive years
	21. CalHFA Tax Return Affidavit – ONLY if Borrower was not required to file 1040 returns
	22. IRS Form 4506 (Item #5 to be left blank) signed by Borrowers
	23. Verification of Funds to close, i.e., bank statements, gift letter/funds, etc.
	24. Verification of required cash reserves, i.e., bank statements, etc.
	25. Purchase Contract or Escrow Instructions – full copy signed by Buyers and Sellers
	26. Appraisal (URAR) with photos, sketch and map
	27. Standard Flood Hazard Determination, FEMA Form 81-93, Dec. 05
	28. Verification of Condominium Approval per program guidelines
	29. Preliminary Title Report with address supplement and map
*	30. Subordinate Financing – provide sample of all DPA or closing cost assistance loan-closing documents from entity, as applicable
*	31. Resale Controls/BMR/Inclusionary Housing, Locality Liens, etc. - provide copy of all documents recorded or to be recorded, as applicable
	32. VA Certificate of Eligibility – Form 1880
*	33. Homebuyer Education Certificate ( <b>Community Stabilization Home Loans only [CSHLP]</b> )

Note: This check list represents the minimum documents required for CalHFA approval. Other documents may be required to be submitted by underwriter/reviewer.