



Homeownership Program Bulletin

July 7, 2010

Program Bulletin #2010-05

To: CalHFA Approved Lenders and Servicers

Foreclosure Avoidance and Loss Mitigation - *interest only PLUSSM (IOP) Payment Change Extension*

CalHFA has heard from many borrowers regarding their concerns about upcoming payment changes on their *interest only PLUS* loans. To assist these borrowers, CalHFA will now allow servicers to extend the interest only period on IOP loans for up to an additional six (6) months on loans scheduled to begin their principal and interest payment between July 1, 2010 and December 31, 2010. This Bulletin adds an additional loss mitigation option to those promulgated in CalHFA Program Bulletin # 2009-14 – Foreclosure Avoidance and Loss Mitigation Program dated May 28, 2009 in Section 6: Special Forbearance.

To be eligible for an interest only period extension, the loan must be either current or no more than thirty (30) days past due. The borrower must also be facing a financial hardship and in danger of an imminent default on the loan as a result of the impending payment change. The extension allows the borrower's monthly payment to remain at the interest only level for up to an additional six (6) months before it converts to the principal and interest payment level. The loan will then amortize over the next 360 months.

Borrowers who have already signed a Loan Modification Agreement or have been approved for a short sale are not eligible for this extension. As a reminder, those borrowers sixty (60) days delinquent or more are to be reviewed for eligibility for the CalHFA Loan Modification Program (CMP) as outlined in Program Bulletin #2009-12, dated May 8, 2009.

Borrowers who do not enter into an agreement to extend the interest only period of their loan will still have the principal and interest period begin as originally stated in their promissory note or may pursue other loss mitigation or loan modification remedies currently available. For more information on CalHFA's Loan Modification Program and other loss mitigation options see CalHFA's Program Bulletin 2009-12 CalHFA Loan Modification Program dated May 8, 2009, Program Bulletin 2009-14 Foreclosure Avoidance and Loss Mitigation Program dated May 28, 2009 and Program Bulletin 2010-04 Foreclosure Avoidance and Loss Mitigation Program Additional Guidance for Short Sales dated June 3, 2010 by visiting <http://www.calhfa.ca.gov/homeownership/bulletins/index.htm>.

The interest only period extension criteria are as follows:

- *interest only* PLUS loans which have principal and interest periods beginning between July 1, 2010 and December 31, 2010.
- The loan must be either current or no more than thirty (30) days past due.
- The borrower is facing a financial hardship and in danger of an imminent default on the loan as a result of the impending payment change.
- The property must be owner-occupied.
- The interest only period extension will end at the sixty-sixth (66) month from the original loan closing date [a six (6) month extension] and the principal and interest period will commence on the sixty-seventh (67) month and amortize over 360 months, thereby extending the loan term to a total of 426 months.
- Borrowers must elect to accept the interest only period extension by signing and returning a Loan Modification and Amendment to IOP Loan Promissory Note (attached) to their servicer.
- The Modification does not constitute a waiver of any default under the terms of the promissory Note.

Servicers must obtain the signed Loan Modification and Amendment to IOP Loan Promissory Note from the borrower and mail the original executed Loan Modification and Amendment to IOP Loan Promissory Note to CalHFA to ensure the loan terms will be adjusted at CalHFA. Borrower executed agreements are to be mailed to:

CalHFA Portfolio Management
1121 L Street, 7th Floor
Sacramento, CA 95814

Servicers must change the interest only period, principal and interest period, and loan term dates within their own loan servicing systems to avoid delinquency report errors or interruptions to loan payment remittance to CalHFA.

As stated in CalHFA Program Bulletin #2005-09 - *interest only* PLUS, dated March 23, 2005, servicers must notify the borrower of the new payment amount at least 45 days before it is due. Therefore, should borrowers elect to accept the interest only period extension, servicers will be required to notify borrowers of the new principal and interest change dates at least 45 days before the first full principal and interest payment is due.

For questions about this bulletin, contact CalHFA Portfolio Management Unit by phone 916.322.0651; by fax 916.449.5719; by email at PortfolioManagement@calhfa.ca.gov or visit CalHFA's web site www.calhfa.ca.gov for additional information.

CalHFA thanks you for your business and we look forward to continuing to support your affordable housing loan needs.

Attachment

**LOAN MODIFICATION AND AMENDMENT TO
IOP LOAN PROMISSORY NOTE**

This Loan Modification and Amendment to Promissory Note (the "**Modification**") dated as of _____, 2010 is entered into by and between _____ (the "**Borrower**") and the California Housing Finance Agency, a public instrumentality and political subdivision of the State of California, (the "**Agency**") who is the assignee and current holder of Borrower's IOP promissory note, dated _____, 20__ in the face amount of _____ Dollars (\$_____) (the "**IOP Note**").

Borrower and Agency are entering into this Modification for the purpose of amending the IOP Note by: a) extending for six (6) months the interest-only payment period provided under the terms of the Note from sixty (60) months to sixty-six (66) months; and, b), extending for six (6) months the Maturity Date of the Note to _____.

All other terms and conditions of the original Note remain in full force and effect for the life of this loan, including Borrower's duty to keep all mortgage insurance, hazard insurance and taxes current and paid. Nothing contained in this Modification shall constitute a waiver of any default on the part of the Borrower.

IN WITNESS WHEREOF, the parties hereto have executed this Modification as of the date first above written.

BORROWER:

BORROWER:

AGENCY:

California Housing Finance Agency,
a public instrumentality and political
subdivision of the State of California

By: _____
Name: _____
Title: _____