



Homeownership Program Bulletin

September 7, 2010

Program Bulletin #2010-08

To: CalHFA Approved Lenders

CalHFA FHA Loan Program Effective: September 7, 2010

CalHFA is pleased to announce the CalHFA FHA loan program, available for loan reservations made on or after September 7, 2010. This program will enhance affordability and homeownership opportunities for low and moderate income first-time homebuyers.

Program Highlights

- FHA-insured loan
- 30-year fixed interest rate
- Maximum loan-to-value (LTV): 96.5% + Upfront Mortgage Insurance Premium
- Maximum combined loan-to-value (CLTV) as per FHA Guidelines
- Minimum 620 credit score
- Interest rate lock option
- Lower interest rates currently available when combined with CalHFA-eligible down payment and/or closing cost assistance program(s)

Today's interest rate for the CalHFA FHA program is 4.000%. Interest rates for all CalHFA loan programs are posted on the CalHFA web site at www.calhfa.ca.gov (visit Homeownership Partners under the Housing Partners section and "today's interest rates"). Rate updates will not be announced via Program Bulletin.

The current servicing release premium (SRP) for the CalHFA FHA program is 0.75% (75 bps). Bank of America, N.A. will act as the master servicer for the CalHFA FHA. Lenders will be required to release servicing to Bank of America, N.A., who will purchase loans directly on a daily basis, and pay the SRP at time of purchase. CalHFA's Conditional Approval will instruct lenders on the process for submitting purchase packages.

For questions about this bulletin, contact CalHFA Homeownership Programs Division by phone 916.324.8088; by fax 916.324.6589; by email at homeownership@calhfa.ca.gov. Plus you can always visit CalHFA's web site at: www.calhfa.ca.gov or Homeownership Programs division directly at www.calhfa.ca.gov/homeownership.

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

Attachment

CalHFA FHA Loan Program

The CalHFA FHA first mortgage features a fixed interest rate, 30-year fully amortized term, FHA-insured loan. This program has a maximum loan-to-value (LTV) and a maximum combined loan-to-value (CLTV) as per FHA guidelines. CalHFA and non-CalHFA down payment and closing cost assistance programs, when available and eligible, may be combined with this first mortgage program (see subordinate financing section).

Program Details	
INTEREST RATE	<ul style="list-style-type: none"> Fixed interest rate for the entire loan term Interest rates are available on the Interest Rate page
TERM	30 years
TRANSACTION TYPE	Purchase transactions only
LTV	Maximum LTV: 96.5% + Upfront Mortgage Insurance Premium (upfront MIP) as per FHA guidelines
CLTV	Maximum CLTV As per FHA guidelines
MAXIMUM LOAN AMOUNT	The maximum total loan amount (including Upfront MIP) cannot exceed the lesser of \$417,000 or FHA loan limit(s) for the county in which the property is located
MASTER SERVICER	Bank of America, N.A. will act as master servicer for this program. Lenders must release servicing to master servicer (see Service Release Premium section)
PARTICIPATING LENDERS	<ul style="list-style-type: none"> All lenders must be CalHFA-approved to participate Lender must also be approved by HUD and CalHFA's master servicer, bond correspondent department to be eligible to participate in this program To seek Bank of America, N.A. bond correspondent approval, call 800.669.6065, extension 8161
FEES	<p>Lender Allowable Fees (Origination & Processing)</p> <ul style="list-style-type: none"> Maximum 1.5% loan origination fee Maximum total processing fees of \$550 (\$350 for processing/underwriting, plus \$200 for document preparation) <p>Master Servicer Fees</p> <ul style="list-style-type: none"> The master servicer may charge lender a funding fee of \$150 per loan Funding fees paid by the borrower or seller must be disclosed documented on the final HUD disclosure Other customary master servicer fees may apply Lenders should refer to their legal/compliance department on how to

	disclose fees
SERVICE RELEASE PREMIUM	<ul style="list-style-type: none"> • Lenders will earn a Service Release Premium (SRP) to release servicing to master servicer • Master servicer will purchase loans directly from lender on a daily basis • Master servicer will pay the SRP to lender at time of purchase
HOMEBUYER EDUCATION	<p>Homebuyer education is required for each borrower. CalHFA will accept a homebuyer's education counseling certificate of completion issued through Fannie Mae or Freddie Mac counseling administration agencies, mortgage insurance companies, or HUD-approved homebuyer counselors. CalHFA accepts education completion via online, in-person, or by phone</p> <ul style="list-style-type: none"> • Fannie Mae Homebuyer Counseling Counselors/Administrators Search • Freddie Mac Homebuyer Counseling Counselors/Administrators Search • HUD-approved Housing Counselors

Underwriting Guidelines

BORROWER(S) ELIGIBILITY	<p>Borrower(s) must meet the following requirements:</p> <ul style="list-style-type: none"> • Be a first-time homebuyer* • Occupy the property as their primary residence; non-occupant co-borrowers are not allowed • Non-occupant co-signers are allowed per FHA guidelines • Be a U.S. citizen, permanent resident alien or qualified alien • Maximum of four (4) borrowers • Meet credit, income and loan requirements of CalHFA's program and Tax Act compliance, FHA, the lender, and master servicer (see Bank of America, N.A. MRB Manual) <p>*Exceptions to first-time homebuyer requirement:</p> <ul style="list-style-type: none"> • Qualified veterans pursuant to the Heroes Earnings Assistance and Relief Tax Act of 2008 • Home is located in a federally designated targeted area
INCOME LIMITS	<ul style="list-style-type: none"> • Borrower's income cannot exceed the published CalHFA income limits established for the county in which the property is located. Properties in federally designated targeted areas may have different income limits
QUALIFYING	<ul style="list-style-type: none"> • Total mortgage payment debt ratio cannot exceed 31%

RATIOS	<ul style="list-style-type: none"> • Total fixed payment debt ratio cannot exceed 43% • Exceptions as allowed per FHA guidelines: • Significant compensating factors are documented and recorded on FHA Loan Underwriting and Transmittal Summary (Form HUD 92900-LT), and • Approved/Eligible automated underwriting decision
MINIMUM CREDIT REQUIREMENT	Minimum 620 credit score
AUTOMATED UNDERWRITING	<ul style="list-style-type: none"> • Current version of Fannie Mae's Desktop Underwriter® (DU®) using the FHA Total Scorecard option with an Approve/Eligible recommendation • Manual Underwriting is not allowed for this program
MINIMUM DOWN PAYMENT/ BORROWER CONTRIBUTION	<ul style="list-style-type: none"> • The borrower is required to make a minimum down payment into the transaction of 3.5% of the lesser of the sales price or appraised value • Refer to FHA Handbook 4155.1 for a listing of acceptable sources for borrower funds
SELLER CONTRIBUTIONS	<p>Seller contributions are acceptable for non-recurring closing costs, up to 3% of the lesser of the sales price or appraised value</p> <p>Homeowner Association fee subsidies are not allowed</p>
CalHFA SUBORDINATE FINANCING	<p>This program may be combined with the following down payment and/or closing cost assistance financing option, when available:</p> <ul style="list-style-type: none"> • California Homebuyer's Downpayment Assistance Program (CHDAP) - The CHDAP can be used for closing cost or down payment assistance <ul style="list-style-type: none"> • Separate income limits will apply • A minimum contribution towards down payment of 1% of the sales price is required from the borrower(s) own funds. For full CHDAP underwriting guidelines and details see CHDAP program description • In the case of conflicting guidelines, the lender must follow the more restrictive
NON-CalHFA SUBORDINATE FINANCING	<p>This program may be combined with the following down payment and/or closing cost assistance financing options, when available:</p> <ul style="list-style-type: none"> • Affordable Housing Partnership Program (AHPP) – Eligible locality programs can be used for closing cost or down payment assistance as per individual requirements. Select programs from AHPP partners which are designated on the AHPP list as “CalHFA MBS Eligible”. (See the AHPP program description for details on adding additional programs) • To be eligible for the reduced interest rate, locality program(s) must provide down payment and/or closing cost assistance.

	<p>Program(s) must also be CalHFA MBS eligible on the CalHFA-approved AHPP list</p>
PROPERTY ELIGIBILITY	<p>Property must meet the following requirements:</p> <ul style="list-style-type: none"> • Sales price of the home cannot exceed CalHFA’s sales price limits established for the county in which the property is located • Be a single-family, one-unit residence, including approved condominium/PUDs <p>Additional Property Guidelines</p> <ul style="list-style-type: none"> • Condominium and attached PUDs must be FHA approved • Manufactured housing is not permitted • Leaseholds/Land Trusts and Co-ops are not permitted • Non-permitted additions are not allowed • FHA’s Energy Efficient Mortgage (EEM) program is allowed <ul style="list-style-type: none"> ○ The dollar amount of the EEM improvements cannot exceed 5% of the property’s value (not to exceed \$8,000) or \$4,000, which ever is greater • Properties sold at auction by the builder, developer or construction lender are not eligible • Properties owned less than 90 days in which the sales price is greater than a 20% increase over the seller’s acquisition cost are not permitted
SALES PRICE LIMITS	<p>Sales price of the home cannot exceed CalHFA’s sales price limits established for the county in which the property is located</p>
MORTGAGE INSURANCE	<p>Follow mortgage insurance requirements as regulated by FHA</p> <p>All loans must be insured within 90 days from the settlement date on the HUD-1 Settlement Statement</p>
MISCELLANEOUS UNDERWRITING GUIDELINES	<ul style="list-style-type: none"> • Temporary buydowns are permitted <ul style="list-style-type: none"> • Borrower must qualify at the Note rate • Maximum 2-1 buydown allowed • The maximum age of credit documents measured from the date of the documents to the date the Promissory Note is signed is 90 days for existing/resale properties or 120 days for new construction properties. • The age of the appraisal report is determined from the date the appraisal was completed to the date the loan is delivered to master servicer • Final IRS Transcripts and signed 4506 must be submitted to master servicer with purchase package • In the case of conflicting guidelines, the lender must follow the more restrictive to meet the credit, income limits, total debt-to-income ratio and loan and property requirements of CalHFA, FHA, the lender or the master servicer (see Bank of America, N.A. MRB Manual)

Reservation and Rate Lock Policy

SPECIAL INSTRUCTIONS

- All CalHFA FHA loans must be reserved with CalHFA prior to loan submission
- Reservations will be accepted from 6:00 a.m. to 11:59 p.m. Pacific Time seven days a week

RESERVATIONS

- A sales contract must be executed prior to reservation
- Lender reserves loan funds at no fee for 90 days on existing/resale properties, or 120 days on new construction properties
- Rate lock period will be the lesser of 60 days for existing/resale properties or 90 days for new construction properties from rate lock date or the remaining term of the reservation
- Reservation and rate lock period will run without interruption

RATE LOCKS

At time of reservation:

Lender has option to float or lock the interest rate

Lock Option Periods:

- 60 days for existing/resale properties
- 90 days for new construction properties

Float Option:

- Lender may lock the interest rate at any time during the reservation period
- Rate will be locked for the lesser of 60 days for resale properties and 90 days for new construction properties or for the remainder of the reservation period
- For the float option only, lender must complete the Rate Lock Request form when ready to lock the rate. Fax or telephone rate lock requests will not be accepted

Rate Lock Requests (Float Option Only):

- Rate Lock Requests will be accepted between the hours of 8:00 a.m. and 4:00 p.m. Pacific Time Monday thru Friday, excluding State-recognized holidays
- Files may be submitted without first locking the rate; however, when requesting a rate lock, the request must be at the same or lower interest rate than that of the previously submitted file
- Rate lock will not be accepted if the rate requested is higher than the rate of the submitted file
- The lender must re-submit all updated loan documents at the higher rate including Approved/Eligible DU[®] findings, lender-signed HUD 92900-LT, and final underwriting approval for CalHFA consideration and rate lock

<p>OTHER CONSIDERATIONS</p>	<ul style="list-style-type: none"> • The loan must be funded, delivered and purchased by master servicer prior to the rate lock expiration • A one-time rate lock extension of 30 days will automatically be granted on conditionally approved, locked loans at the cost of one-half point (0.50%) <ul style="list-style-type: none"> • This fee is to be net funded from the lender's proceeds at time of purchase and shown as a line item on the HUD-1 if charged to the borrower or seller • CalHFA subordinate loan(s), when approved, will receive the same reservation, lock and purchase periods as the first mortgage • Lender should factor in processing/underwriting time frames for CalHFA compliance, credit underwriting, when applicable, and master servicer review when submitting loan files • Aged loans having more than 90 days seasoning are ineligible for purchase
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<p>Documentation</p>	
<p>FILE TRANSMITTAL</p>	<p>To CalHFA:</p> <p>A lender makes reservations through CalHFA's Lender Access System (LAS). Only one loan package should be submitted to CalHFA. Refer to the Loan Submission Check List for minimum documentation requirements.</p> <p>The lender must submit a fully underwritten, lender-approved loan package to CalHFA for automated underwriting validation and Tax Act and program compliance review. After validation review, CalHFA will issue a Conditional Approval, Loan Suspension, or a denial. Once the loan is conditionally approved, the loan may be funded, closed and delivered for purchase.</p> <p>All closed first mortgages must meet FHA and Ginnie Mae standards. First mortgage loan submission packages and closed CalHFA subordinate loan files are to be sent to:</p> <p style="text-align: center;"> CalHFA Homeownership Programs 1121 L Street, 7th Floor Sacramento, CA 95814 877.922.5432 option 2 </p> <p>To Master Servicer:</p> <p>First mortgage CalHFA FHA Loan Program closed loan files and documents are to be sent to:</p> <p style="text-align: center;"> Bank of America, N.A. Attn: MRB Correspondent Lending </p>

	<p>31303 Agoura Road Westlake Village, CA 91361 Mail Code: CA6-917-02-05</p>
<p>NOTES AND DEEDS</p>	<p>Lender must use Mortgage Electronic Registration Systems (MERS) documents and register the Mortgage Identification Number (MIN#) on the MERS online system</p> <p>Lender must use the following forms :</p> <ul style="list-style-type: none"> • Most current version of standard FHA Fixed Rate Note • Most current version of standard FHA Deed of Trust • CalHFA Financing Rider to the Note and Deed of Trust <p>Lender must also use other applicable documents (e.g., PUD Rider, etc.)</p>

IMPORTANT DISCLOSURE INFORMATION:

Lender shall comply with the requirements of all federal, state and local laws applicable to the Loans.

CalHFA does not lend money directly to consumers. It uses approved private lenders to qualify consumers and make all mortgage loans. Rates can vary depending on loan program and income level.

The information provided in this program description is for guidance only. While CalHFA has taken care to provide accurate information, it cannot cover every circumstance or program nuance. This program description is subject to change from time to time without prior notice. CalHFA does not discriminate on any prohibited basis in employment or in the admission and access to its programs or activities.

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