

Single Family Lending Program Bulletin

September 09, 2013

Program Bulletin #2013-10

To: CalHFA Approved Lenders and Servicers

Revision(s) to CalHFA's Conventional Loan Modification/Recast Processes When Using Keep Your Home California's Principal Reduction Program- Recast Funds

Effective immediately this Program Bulletin revises and/or updates the Loan Modification/Recast processes on conventional loans when combined with Keep Your Home California (KYHC) Principal Reduction Program-Recast (PRP-Recast) funds. This Program Bulletin also supersedes guidance in whole, or in part, of the following documented CalHFA policies and/or procedures:

- Program Bulletin #2012-10, Replacement of CalHFA Loan Modification Program (CMP) with CMP 2.0 dated October 2, 2012
- Program Bulletin #2012-08, CalHFA Approves Federal Home Affordable Modification Program (HAMP) for Use by Outside Servicers, dated September 11, 2012
- Program Bulletin #2011-07, CalHFA Loan Modification Program – Update Using Keep Your Home California, dated February 14, 2011
- Program Bulletin #2009-12, CalHFA Loan Modification Program, dated May 8, 2009
- CalHFA Servicer's Guide (Rev. 3/00), Section 10-E, page 3, Modification of Trust Deed Instruments, Loan Modification (Recasting, Extending or Re-amortizing)

Recast of an Existing Unmodified Conventional Loan:

The servicer is responsible for processing and applying funds in accordance with KYHC's PRP-Recast, which will result in a new payment for the CalHFA conventional loan. PRP-Recast funds are applied to the borrower's loan, resulting in a new loan amount. Recast funds can be applied to pay past due arrearages. The new loan amount is re-amortized or recast using the borrower's existing interest rate and remaining term resulting in a new monthly payment. The servicer must use the documents identified below and submit them to CalHFA within fifteen (15) days of the borrower's execution:

1. Completed [Loan Modification Review Checklist & Stacking Order \(rev. 08/2013\)](#) (Exhibit A)
2. The original completed, borrower-executed [Fannie Mae Form 181 HFA/HHS 9/12 \(rev. 3/13\)](#), Agreement for Modification of a Mortgage Reamortization Only (HFA Modification Assistance) (Exhibit B)

CalHFA will be the custodian of the original Agreement for Modification of a Mortgage Reamortization Only (HFA Modification Assistance).

Recast of an Existing Modified Conventional Loan:

Borrowers with a modified CalHFA conventional loan may apply for PRP-Recast assistance. The servicer is responsible for processing borrower requests for principal reduction under KYHC's PRP-Recast. CalHFA will accept funds and keep the existing loan modification terms as originally approved. Applying PRP-Recast funds to a CalHFA loan that is currently modified requires the servicer submit to CalHFA a request to amend an existing modified loan:

1. A completed [Loan Modification Review Checklist & Stacking Order \(rev. 8/2013\)](#) (Exhibit A)
2. Document(s) listed in the "RECAST Existing Modified Loan" section of [Exhibit A](#) that includes the following:
 - a. The amount of PRP-Recast funds
 - b. The loan balance after the application of PRP-Recast funds
 - c. The current (modified) terms of the loan which may include a reduced rate and/or extended term

The servicer must send electronic copies of the completed Loan Modification Review Checklist & Stacking Order (rev. 8/2013) (Exhibit A) in addition to all documents listed in the "RECAST Existing Modified Loan" section to CalHFA, Portfolio Management Loss Mitigation Unit at invloanmods@spsmail.calhfa.ca.gov.

Upon receipt of the above documents, CalHFA Portfolio Management Loss Mitigation Unit will send the servicer a completed Amendment To Loan Modification (8/2013) (Exhibit C), which will incorporate the PRP-Recast and the existing payment schedule, together with the original term of the loan modification adjusted for the new loan balance.

Once the servicer has obtained the borrower(s) signature(s) on the Amendment To Loan Modification, the servicer must return the original executed document to CalHFA Portfolio Management Loss Mitigation Unit within fifteen (15) days of execution to one of the addresses shown below.

CalHFA will be the custodian of the original Amendment To Loan Modification.

All original executed loan modification agreements and/or amendments shall be sent to:

Overnight Delivery: California Housing Finance Agency
Portfolio Management Loss Mitigation Unit, MS - 310
500 Capitol Mall, Suite 400
Sacramento, CA 95814

USPS Mail Delivery: California Housing Finance Agency
Portfolio Management Loss Mitigation Unit, MS - 310
PO Box 4034
Sacramento, CA 95812-4034

For questions about this Program Bulletin, contact CalHFA Portfolio Management Loss Mitigation Unit by phone at 916.326.8050 or by email at nkufasimes@calhfa.ca.gov

Attachments: Exhibit A - [Loan Modification Review Checklist & Stacking Order](#) (rev. 8/2013)
Exhibit B - [Fannie Mae Form 181 HFA/HHS 9/12 \(rev. 3/13\)](#), Agreement for Modification of a Mortgage Reamortization Only (HFA Modification Assistance)
Exhibit C - Amendment to Loan Modification (08/2013)

Loan Modification Review Checklist & Stacking Order

Servicer: _____ Servicer Address: _____ Servicer Contact: _____ Servicer Contact Email: _____		Servicer #: _____ Investor #: _____ KYHC Homeowner ID #: _____	
Prepare Loan Modification package documents in PDF format and email to: invloanmods@spmail.calhfa.ca.gov			
<input type="checkbox"/> Recast only \$ _____ <input type="checkbox"/> MRAP \$ _____ <input type="checkbox"/> PRP \$ _____ <input type="checkbox"/> CMP 2.0 \$ _____	<input type="checkbox"/> Federal HAMP Ineligible Federal HAMP Ineligible Reason: _____ <input type="checkbox"/> KYHC Ineligible (per KYHC) KYHC Ineligible Reason: _____		
Check Box	RECAST ONLY SUBMISSION CHECKLIST		
RECAST Existing Unmodified Loan:			
	Original Executed Agreement for Modification of a Mortgage Reamortization Only (HFA Modification Assistance) - (Fannie Mae Form 181)		
RECAST Existing Modified Loan:			
	Projection including the payment due date, remaining term, UPB, delinquent interest, foreclosure fees/corporate advances, escrow advances/shortage, KYHC PRP assistance, payment breakdown (PITI), and commencement date. Provide the remaining payments <i>according to the payment schedule</i> in the signed Modification Agreement. Provide a copy of the signed Modification Agreement. <i>All financial projections should be no shorter than 30-45 DAYS from submission to allow for review.</i>		
Check Box	MODIFICATION SUBMISSION DOCUMENT CHECKLIST (excluding RECAST)		
	Projection including the payment due date, remaining term, UPB, delinquent interest, foreclosure fees/corporate advances, escrow advances/shortage, KYHC property value, gross income, net income, debt related expenses, KYHC PRP assistance, payment breakdown (PITI), and commencement date. <i>These projections should be no shorter than 90 DAYS from submission to allow for review</i>		
	Copy of the Original Mortgage Note and recorded Deed of Trust (DOT). NOTE: If property vesting has changed provide recorded document indicating current vesting.		
	Copy of previous Modification Agreement (if applicable)		
	Twelve (12) month payment history (from loan servicer)		
	Hardship letter explaining the reason for the delinquency with supporting documentation to verify hardship. Documentation of supporting hardship must be less than 90 days old as of the date the information is submitted to the servicer.		
	Borrower(s) to provide a list of all personal expenditures (i.e. credit cards, loans, groceries, utilities, child care, insurance, gasoline, etc.)		
	Credit report (for all borrowers) NOTE: For borrowers with a discharged bankruptcy provide the Discharge of Debtor order; proof of No Asset Case and proof that the bankruptcy case is closed. If the Servicer requests a policy exception for borrowers in active bankruptcy; provide all bankruptcy case documentation.		
	Verification of income - last two (2) months computer-generated pay stubs with YTD income		
	Verification of all supplemental income, if applicable		
	Most recent two (2) years federal tax returns including all schedules and k-1s (if applicable). If a borrower is self-employed, provide two (2) years business tax returns and YTD Profit and Loss Statement and Balance Sheet.		
	Verification of deposit - last two (2) months bank statements		
	Verification of owner occupancy (i.e. current property inspection report; most recent utility statements)		
Below are items NOT needed at submission but necessary prior to Loan Modification closing			
	Verbal verification of employment. To be completed no more than five (5) days prior to date of the modification agreement and first payment sent to CalHFA		
	Signed IRS Form 4506-T (Request for Transcript of Tax Return)		
	Current preliminary title report (lot book is acceptable)		

Loan modifications will be reviewed for final approval upon receipt of a completed package, which contains all the required documents. Delivery of incomplete and/or fraudulent information may result in program ineligibility.

_____[Space Above This Line For Recording Data]_____

**Agreement for Modification of a Mortgage
Reamortization Only
(HFA Modification Assistance)**

Date:
Borrower:
Lender or Servicer (“Lender”):
Loan Number:
Fannie Mae Loan Number:
Property Address *[and Legal Description if recordation is necessary]* (“Property”):

The Borrower identified above does hereby apply for a reamortization of the payment provisions of the above-referenced mortgage loan ("Modification") covering an indebtedness owing from Borrower, evidenced by a note and secured by a real property mortgage, deed of trust, or security deed (said note and real property mortgage, deed of trust, or security deed are hereinafter referred to as the "Mortgage"). Borrower represents and agrees as follows:

1. Borrower is now the owner and holder of the real property encumbered by the Mortgage, recorded in Book or Liber _____, at page(s) _____, of the _____ Records of the County of _____, State of _____.

2. Under the terms of the Mortgage, there remains unpaid as of the first day of the month in which this Agreement is made, the sum of \$_____ of principal, \$_____ of interest thereon, \$_____ of advances made by Lender thereunder, and \$_____ of interest on such advances, aggregating a total sum of \$_____ (“Outstanding Amount Due”) for which amount the Borrower is indebted to Lender under the Mortgage, which is a valid lien.

3. Borrower’s state Housing Finance Agency (“HFA”) has determined that Borrower qualifies for a mortgage assistance program (“HFA Program”) using federal Hardest Hit Funds to pay down a portion of the Outstanding Amount Due. The amount of the HFA Program assistance to the Borrower is \$_____ (“HFA Funds”). The HFA Funds are to be applied to reduce the Outstanding Amount Due in accordance with Paragraph 4 below. Unless and until the Lender has received confirmation from the HFA of final approval for assistance under the HFA Program and Lender has received the HFA Funds, the HFA Funds will not be applied to reduce the Outstanding Amount Due.

Exhibit B

4. On behalf of the Borrower, the HFA hereby deposits with Lender the full amount of the HFA Funds, which is to be applied to reduce the amounts described in Paragraph 2 as follows: first to reduce the accrued and unpaid interest and any other authorized amounts advanced by the Lender and secured by the Mortgage, then to reduce the remaining Outstanding Amount Due. The new principal balance of the Mortgage is \$ _____ (“New Principal Balance”).

5. Borrower agrees the terms of said Mortgage are modified relative to the payment of the indebtedness by providing for payment of the balance of the principal, including any unpaid interest due thereon (after the aforementioned deposits, if any, have been applied thereto) as follows: The New Principal Balance of \$ _____ is to be paid, plus interest at the rate of _____% per annum (which is the present rate of the mortgage note, with such rate changing periodically if required by the provisions of the mortgage note), in equal monthly installments of \$ _____ (excluding the sums required to be deposited for the payment of insurance, taxes, etc.). The first installment shall become due and payable on the _____ day of _____, _____, and the remaining installments, as they may be changed periodically if required by the provisions of the mortgage note, successively on the _____ day of each month thereafter, until said mortgage indebtedness is fully paid, except that, if not sooner paid, the final payment of principal and interest shall be due and payable on the _____ day of _____, _____, which is the present maturity date.

6. Borrower agrees to make the payments as specified in Paragraph (5) hereof and understands and agrees that:

(a) All the rights and remedies, stipulations, and conditions contained in said Mortgage relating to default in the making of payments under the Mortgage shall also apply to default in the making of modified payments hereunder.

(b) All covenants, agreements, stipulations, and conditions in said Mortgage shall be and remain in full force and effect, except as herein modified, and none of the Borrower's obligations or liabilities under the Mortgage shall be diminished or released by any provisions hereof, nor shall this Agreement in any way impair, diminish, or affect any of Lender's rights under or remedies on the Mortgage, whether such rights or remedies arise thereunder or by operation of law. Also, all rights of recourse to which Lender is presently entitled against any property or any other persons in any way obligated for, or liable on, the Mortgage are expressly reserved by Lender.

(c) All costs and expenses incurred by Lender in connection with this Agreement, including recording fees, title examination, and attorney's fees, shall be paid by Borrower and shall be secured by said Mortgage, unless stipulated otherwise by Lender.

(d) Lender agrees to make and execute such other documents or papers as may be necessary or required to effectuate the terms and conditions of this Agreement which, if approved and accepted by Lender, shall bind and inure to the heirs, executors, administrators, and assigns of Borrower.

Exhibit B

7. Borrower is in compliance with the requirements of the HFA Program, and Borrower will comply with the covenants, agreements, and requirements of the HFA Program and any related documentation. Borrower will execute such other documents that are reasonably necessary to consummate the transaction offered under the HFA Program, and to cooperate fully with Lender and the HFA to ensure that the requirements of Paragraph 3 of this Agreement are satisfied.

-Lender (Seal)

-Borrower (Seal)

By: _____

-Borrower (Seal)

Date of Lender's Signature

_____ [Space Below This Line For Acknowledgments] _____

(space above this line for Recorder's use)

AMENDMENT TO LOAN MODIFICATION

This document represents an amendment (the **Amendment**) to the Loan Modification (the **Modification**) dated _____ and entered into by _____ and _____ (the **Borrower**) and the California Housing Finance Agency, a public instrumentality and political subdivision of the State of California (the **Agency**). The agreed upon date of this Amendment is _____.

This amendment is being entered into due to the Borrower and CalHFA Mortgage Assistance Corporation, a California non-profit public benefit corporation ("**CalHFA MAC**"), have entered into, or concurrently herewith shall enter into, certain agreements (collectively, the "**CalHFA MAC Agreement**") pursuant to which CalHFA MAC will conditionally make a principal reduction payment in the total amount of \$_____ (the "**Total Principal Reduction**") in one (1) installment (the "**Principal Reduction Payment**"). This agreement with CalHFA MAC occurred subsequent to the original Modification and the result will be a new "**Effective Loan Amount**" owed under the terms of the existing Modification.

Therefore, the Borrower and Agency are entering into this Amendment for the purpose of amending the existing Modification to reflect the aforementioned Principal Reduction Payment of \$_____. The Principal Reduction Payment will first be applied to pay all arrearages on the existing Modification with the remainder applied to reduce the principal balance and amend the principal and interest payment under the existing Modification's payment schedule. The Modification's payment schedule and payment adjustment dates will remain as agreed in the Modification. As a result, the existing Modification is being amended as outlined below:

Unpaid arrearages on existing modification \$ _____
 Existing Unpaid Principal Balance (the "UPB") \$ _____
 Principal Reduction Payment from CalHFA MAC < \$ _____ >
 New **UPB** after applying the **Principal Reduction Payment**: \$ _____
(Effective Loan Amount)

Below is the new Payment Plan which will begin on _____ (**commencement date**) and is based upon the new Effective Loan Amount (above) and according to the existing Modification payment adjustment schedule; remaining term and interest rate(s):

Months	Interest Rate	Principal and Interest payment *	Number of monthly Payments

*The payment stated above does **NOT** include required payments for taxes, insurance and PMI (if applicable). **YOU MUST CONTACT THE LOAN SERVICER FOR YOUR REQUIRED TOTAL MONTHLY PAYMENT.**

Borrower agrees that except as set forth in this Amendment, the Modification is unaffected and shall continue in full force and in accordance to its terms. If there is conflict between this amendment and the Modification, the terms of this amendment will prevail.

Borrower also agrees to execute such other documents as may be reasonably necessary to: (i) consummate the terms and conditions of this Amendment and/or (ii) correct the terms and conditions of this Amendment if an error is detected after execution of this Amendment ("Corrected Amendment"). Borrower understands that if a Corrected Amendment is provided, this Amendment will be void and of no legal effect. If Borrower elects not to sign this Amendment and/or a Corrected Amendment, the terms of the original Modification shall continue in full force and effect.

In Witness Whereof, the parties hereto have executed this Amendment to the Modification as of the date first above written:

BORROWER:

AGENCY:

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

By: _____

Name _____

Title _____