I. Single Family Lending

Existing Programs

- With the revisions to the California Homebuyer's Downpayment Assistance Program underwriting guidelines effective July 1st, reservations have declined by 45% vs. year ago

<table>
<thead>
<tr>
<th>Month</th>
<th>2012</th>
<th>2013</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>July</td>
<td>644</td>
<td>243</td>
<td>62%</td>
</tr>
<tr>
<td>August</td>
<td>730</td>
<td>519</td>
<td>29%</td>
</tr>
<tr>
<td>Total</td>
<td>1374</td>
<td>762</td>
<td>45%</td>
</tr>
</tbody>
</table>
I. Single Family Lending (cont.)

- New Compliance Underwriting Standards:
  - Total DTI ratio of 43%
  - FICO scores: 640 requires $1,500; 680 requires $1,000 buyer contribution
  - Maximum CLTV 103%
  - Income and sales price limits
  - CalHFA Homebuyer Education required on CalHFA mortgage products
  - Home Warranty Protection Coverage required (New construction exempt)
I. Single Family Lending (cont.)

- MCC Program reservations for the first 2 months are 4 times higher vs. year ago (July-Aug.184 reservations).
  - Anticipate MCC volume to continue to grow with the introduction of our new mortgage products. However, we expect $29M of the 2011 MCC allocation to expire by the end of the year.

- Special Programs:
  - Collected $14.4 million in outstanding HELP ($6.4M) and RDLP ($8M) July - August.
  - There are 6 loan modifications underway
  - Processed 86 CalHFA junior loan subordination requests
II. Legislation Approved

- On August 12th, the Governor signed AB 984 that:
  - Removes the deed restriction on our DPA programs, addressing a major HUD/FHA issue.
  - Permits CalHFA to fund loan at closing for our DPA products in the future. Currently we have a waiver from HUD/FHA that enables us to fund after closing, which saves us resources.
  - Enables us to offer a grant for an Energy Efficient Mortgage program.
III. New Program Introduction

New TBA FHA mortgage program announced August 16th, with August 26th start date.

- **CalPLUS**
  - FHA-insured mortgage with 3.5% DPA (ZIP DPA is a zero interest, deferred payment loan)
  - Higher mortgage rate generates DPA funds

- **CalHFA FHA Mortgage**

- **Return of Extra Credit Teacher Program (ECTP)**
  - Deferred payment, forgivable interest
  - Must be combined with CalHFA first mortgage
  - Teachers, administrators and employees at high priority schools (API Rank 1-5) are eligible
IV. Proposed CalHFA FHA Energy Efficient (EEM) + Grant

- Premium interest rate permits the first mortgage to be sold above par to fund the 4% CalHFA EEM Grant.
- CalHFA EEM Grant will help low and moderate income homebuyers fund energy efficient home repairs as part of their FHA-insured mortgage.
- The cost of the improvement and the estimate of the energy savings must be determined by a Home Energy Rating System (HERS) or energy consultant.
IV. Proposed CalHFA FHA Energy Efficient (EEM) + Grant (cont.)

- FHA limits the amount of the improvements that may be financed as follows:
  - The least of 5% of:
    - The value of the property or sales price
    - 115% of the median area home value
    - 150% of the conforming Freddie Mac sales price limit
- FHA allows the final loan amount to exceed the maximum FHA mortgage limit by the amount of the energy-efficient improvements
  - The CalHFA EEM Grant is not included in the CLTV
  - The maximum CLTV may exceed 103% when combined with CalHFA subordinate financing for down payment assistance
IV. Proposed CalHFA FHA Energy Efficient (EEM) + Grant (cont.)

- CalHFA’s EEM grant will allow the borrower to complete more improvements, up to the maximum allowed under the HERS audit.
- Allows a borrower to piggy-back on the existing FHA EEM:
  - Provides additional energy efficient improvements
  - Reduces utility bills
  - Improves comfort
  - Improves the value of the home
- CalHFA EEM Grant can be combined with CHDAP, ECTP and the MCC program
- It cannot be used with a CalPLUS mortgage
How the EEM Grant will work:

Sample – Property Value/Sales Price of $200,000
Maximum FHA EEM amount is $10,000 (5% of value)

- HERS audit shows energy efficient repairs of:
  - Windows, doors & weather-stripping: $7,000
  - Attic insulation $3,000
  - HVAC System $6,000
  - Total Energy Efficient Improvements $16,000

- Maximum FHA EEM Amount ($10,000)
- Unrealized improvements w/out CalHFA EEM Grant: $6,000
- CalHFA EEM Grant ($6,000)
- Maximum amount of CalHFA EEM Grant would be the lesser of $8,120 (sales price x 96.5% + $10,000 EEM x 4%) or $6,000 (amount approved under the HERS audit less maximum FHA EEM amount)
How the EEM Grant will work:

- At closing, an escrow account is established to deposit the funds for the energy efficient improvements.
- The escrow account is not to exceed 90 days.
- The CalHFA EEM + Grant program will follow the program and compliance underwriting guidelines approved by the Board in May 2013.
Next Steps:

- Board approval of proposed CalHFA FHA EEM Product: November 2013.
- Working on a Conventional mortgage product proposal.