



California Housing Finance Agency

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# Homeownership Program Bulletin

March 23, 2005

Program Bulletin #2005-10

To: CalHFA Approved Lenders



## ON CALHFA CONVENTIONAL MORTGAGE INSURED LOANS Effective March 23, 2005

This bulletin announces that on all loan reservations placed on or after the date of this bulletin, CalHFA conventional loans that are mortgage insured by CalHFA Mortgage Insurance Services will include HomeOpeners<sup>SM\*</sup>, a Mortgage Protection Program. This new program makes up to six monthly mortgage payments if the borrower becomes involuntarily unemployed, is receiving California Employment Development Department unemployment benefits, and is seeking reemployment.

Adding HomeOpeners to CalHFA conventional loans that are mortgage insured will help overcome borrower concerns about the impact of job loss on owning a home. Borrowers who lose their job involuntarily will have a better chance with HomeOpeners to retain their home and maintain their credit standing while they seek reemployment. Lenders will have an effective tool to avoid loan delinquency and differentiate themselves in a competitive market.

HomeOpeners is offered as part of primary mortgage insurance at no additional cost to the borrower or lender.

### Coverage

- A maximum monthly benefit is the lesser of the actual monthly mortgage payment (principal, interest, taxes, and insurance) or \$2,500.
- The benefit covers a maximum of six (6) monthly payments over the life of the coverage.
- Coverage begins on the date the loan closes (effective date). During the "Vesting Period" (first 60 days from the effective date), benefits are not payable for the job loss occurrence. The coverage remains in effect for future unemployment occurrences for a maximum of five years.
- All eligible borrowers are required to maintain CalHFA primary mortgage insurance in order to continue HomeOpeners.
- Coverage is provided for all qualified borrowers and co-borrowers. The amount of the benefit is based on pro-rating of the unemployed borrower's income to their total income.

\* "HomeOpeners" is a service mark of GE Mortgage Holdings, LLC

- Borrower or co-borrower must be directly obligated on the mortgage loan.
- Borrowers must live in the property that is the subject of the loan.
- Borrower must be unemployed during all weekly work periods in the month for which the monthly benefit is claimed. For purposes of the benefit, unemployed means that the borrower is eligible for unemployment benefits from the California Employment Development Department.
- Ineligible conditions for HomeOpeners, for example, include:
  - Voluntary unemployment
  - Borrowers who are self-employed and independent contractors, work for a family member, or own greater than ten percent of a business in which they are employed
  - Seasonal employment
  - Temporary employment

CalHFA mortgage insurance coverage on the loan must be in full force and effect at the time of claim. If the CalHFA mortgage insurance on the loan is cancelled or terminated, the HomeOpeners benefit also terminates.

Lenders must provide a copy of Exhibit A, Frequently Asked Questions, to borrowers who apply for CalHFA conventional mortgage insured loans.

#### Program Administration

Notification regarding qualification for HomeOpeners, as well as a summary of protection, will be provided to borrowers by Virginia Surety Company, Inc. after the loan is closed. Virginia Surety Company provides this additional benefit and also administers the program. Borrowers should review this material and call the insurer's benefit administrator, cynoSure Financial; toll free at (800) 344-3042 to be sure they qualify. Borrowers requesting the benefit will submit the application along with evidence of receipt of unemployment benefits from the California Employment Development Department to the Benefit Administrator for processing and payment.

Because the monthly benefit is the lesser of the actual mortgage payment or \$2,500, there may be circumstances when the benefit is insufficient to satisfy the entire monthly mortgage obligation. The borrower will likely need to pay a portion of such obligation during any period of unemployment in order for a full monthly mortgage payment to be recorded as fully paid by the Lender.

Questions regarding this bulletin should be directed to CalHFA, Mortgage Insurance Division, at 1415 L Street, Suite 500, Sacramento, CA 95814; by phone (916) 322-8936; by fax (916) 322-8697 and you can always visit CalHFA's web site at [www.calhfa.ca.gov](http://www.calhfa.ca.gov)

Attachment



CalHFA<sup>SM</sup> HomeOpeners<sup>SM</sup>  
A Mortgage Protection Program  
Frequently Asked Questions

**Q: What is HomeOpeners<sup>SM\*</sup>?**

A: HomeOpeners is a mortgage protection program that provides involuntary unemployment insurance underwritten by Virginia Surety Company, Inc. Coverage is provided in the first sixty (60) months of the mortgage term. This insurance can help make the borrower's monthly mortgage payment (principal, interest, taxes and insurance) capped at \$2,500 per payment for up to six months.

**Q: Why is CalHFA introducing HomeOpeners?**

A: To keep homeowners in their homes in the event of involuntary job loss.

**Q: Who qualifies for HomeOpeners from CalHFA?**

A: HomeOpeners comes standard on all CalHFA conventional loans where mortgage insurance is required.

**Q: How much does HomeOpeners cost?**

A: CalHFA provides HomeOpeners at no additional cost to the borrower.

**Q: Is HomeOpeners available on existing loans?**

A: HomeOpeners is available only on new loans closed on or after April 1, 2005.

**Q: When does HomeOpeners coverage begin?**

A: Coverage begins on the date the loan closes (effective date). If a borrower becomes unemployed during the "Vesting Period" (60 days from effective date), benefits are not payable for that job loss occurrence, although the coverage remains in effect for a future unemployment event. The waiting period is the first 30 days after unemployment. Borrowers are not eligible to receive benefits unless they are still unemployed at the end of those 30 days and are eligible for California EDD benefits.

**Q: How long does HomeOpeners coverage last?**

A: Five years, provided CalHFA mortgage insurance coverage remains in effect.

**Q: How much is the monthly HomeOpeners benefit?**

A: The lesser of the actual monthly mortgage payment (including principal, interest, taxes and insurance) or a maximum of \$2,500 per month.

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**Q: How long will benefits be paid?**

A: The benefit covers a maximum of six monthly mortgage payments during the life of the coverage.

**Q: Who is covered by HomeOpeners<sup>SM\*</sup>?**

A: The borrower and co-borrower, if applicable. If one co-borrower becomes unemployed, coverage is prorated between borrower and co-borrower. An amount proportionate to the unemployed borrower's percentage of the total income immediately prior to the job loss would be paid.

**Q: What types of unemployment events are covered?**

A: Unemployment events covered by California EDD unemployment benefits are eligible. Some unemployment events will not be covered, for example:

- o Seasonal employment
- o Temporary employment
- o Voluntary unemployment
- o Self employment

**Q: When is HomeOpeners coverage terminated?**

A: Benefits end for many reasons, for example, when:

- o Six monthly payments have been made under a borrower's claim;
- o A false claim has been discovered;
- o The home is refinanced or sold;
- o Title is transferred;
- o Sixty (60) months have passed from loan closing date; and
- o Mortgage insurance is canceled.

**Q: Does HomeOpeners cover a second mortgage?**

A: It only covers the first mortgage.

**Q: How is CalHFA paying for this added homebuyer protection?**

A: Through an arrangement with CalHFA, GE Mortgage Insurance pays the cost of the coverage.

**Q: What does the borrower do if he/she has a claim?**

A: Notification regarding qualification for the HomeOpeners, a Mortgage Protection Program, as well as a summary of protection will be provided to the borrower by Virginia Surety Company, Inc. after the loan is closed and eligibility for the HomeOpeners program is verified. Upon review of the material, if the borrower believes he/she qualifies, he/she can contact the insurer's Benefit Administrator, cynoSure Financial; toll free at (800) 344-3042.

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