

# Homeownership Program Bulletin

August 11, 2005

Program Bulletin #2005-17

To: CalHFA Approved Lenders

## CalHFA Conventional Loan Underwriting Guidelines: Updated

### CalHFA Conventional Loan Underwriting Guidelines for Lenders

CalHFA's market is low-to-moderate income individuals and families as well as those borrowers residing in underserved market areas in the State of California. While most applicants' credit profiles in this market will indicate a low-to-moderate level of risk, some may present a much higher risk level due to higher debt-to-income ratios, little or no established credit, and/or limited savings available for a down payment, closing costs, or cash reserves.

Conventional CalHFA loans are generally required to be underwritten in accordance with the terms and provisions of Generally Accepted Underwriting Standards as established by Fannie Mae and Freddie Mac. In order to expand homeownership opportunities to all applicants in CalHFA's market, CalHFA has also integrated a set of underwriting guidelines and documentation standards that serve to supplement Generally Accepted Underwriting Standards in specific areas. It is the Lenders' responsibility to ensure that the minimum underwriting guidelines and documentation standards are followed as stated below, on our web site at [www.calhfa.ca.gov](http://www.calhfa.ca.gov) and in the CalHFA conventional loan program summaries, also on our web site.

The following supplemental loan underwriting guidelines are intended to assist the Lender in determining if a loan meets the requirements for CalHFA purchase.

Appraisals – One of the following appraisal forms is required on all conventional CalHFA loans: the Uniform Residential Appraisal Report (URAR), Fannie Mae form 1004/Freddie Mac form 70, the Fannie Mae/Freddie Mac form 2055 (interior and exterior inspection), the form 1004C (Manufactured Home Appraisal Report), or the form 1073 (Individual Condominium Unit Appraisal Report).

Minimum Credit Score - A minimum score of 620, or a score approved by Desktop Underwriter/Loan Prospector (DU/LP) is required to form the basis of eligibility for CalHFA conventional loan programs and mortgage insurance. Exceptions are possible with strong compensating factors on a case-by-case basis. The lowest middle score of the three sets of repository scores reported is the representative credit score. If no score is available, alternative documentation may be used to demonstrate credit worthiness.

Debt-to-Income Ratio (DTI) - Maximum DTI ratio should not exceed 45% or a ratio approved by DU/LP. Exceptions are possible with strong compensating factors on a case-by-case basis.

Buydowns - Temporary buydowns are permitted (1-1%, 2-1%, 3-2-1%). The borrower will be qualified at the Note rate. Permanent buydowns are not permitted, except for certain programs/projects approved in advance.

Non-Occupying Co-Signer – Use of income from a non-occupying co-signer is permitted when Loan-to-Value (LTV) does not exceed 90% and the owner occupant's DTI does not exceed 55% or as approved by DU/LP.

Property Types:

- Single Family (no in-law units/granny flats) - 5 acre maximum
- Manufactured Homes - limited to 90% maximum Combined Loan-to-Value (CLTV)
- Condominiums and Planned Unit Developments

Condo Occupancy - In accordance with Fannie Mae condominium project acceptance policy.

Bankruptcy - Minimum 2 years since discharge date and evidence of re-established credit.

Foreclosure - Prior foreclosure not permitted.

Boarder Income - Boarder income is not permitted.

Student Loans/Loans in Forbearance - A payment for student loans and loans in forbearance must be included in the monthly debt ratio.

Borrower Minimum Down Payment – No minimum down payment is required.

Borrower Eligibility Requirements - Refer to the Homeownership section of CalHFA's web site at [www.calhfa.ca.gov/homeownership/information/index.htm](http://www.calhfa.ca.gov/homeownership/information/index.htm) for program eligibility requirements and general procedures for first-time homebuyers.

**NOTE: THE TERM "UNDERWRITING" SHOULD NOT BE CONFUSED WITH TAX, PROGRAM AND POLICY COMPLIANCE REVIEW. ALL LOANS SUBMITTED TO CALHFA FOR PURCHASE MUST INCLUDE ALL DOCUMENTS REQUIRED BY CALHFA HOMEOWNERSHIP PROGRAMS FOR TAX, PROGRAM AND POLICY COMPLIANCE REVIEW AND APPROVAL. CALHFA DOES NOT UNDERWRITE OR ORIGINATE LOANS. THESE GUIDELINES REFLECT WHAT IS REQUIRED IN ORDER FOR CALHFA TO MAKE A DECISION TO PURCHASE A LOAN. Please see also:**  
[www.calhfa.ca.gov/homeownership/information/index.htm](http://www.calhfa.ca.gov/homeownership/information/index.htm)

#### Underwriting Guidelines for CalHFA Conventional Loans

CalHFA may accept for purchase loans that have been manually underwritten in accordance with the CalHFA Conventional Loan Underwriting Guidelines. Exceptions to minimum credit score and debt-to-income ratio are possible with strong compensating factors on a case-by-case basis. CalHFA may also accept for purchase loans which have received an Approve/Eligible or Approve/Ineligible from Fannie Mae's DU, or an Accept credit risk rating from Freddie Mac's LP. Loans underwritten using a Lender's proprietary automated system will

be considered for purchase only after the system has been approved by CalHFA. Lenders are required to ensure all loans submitted are documented in accordance with the automated underwriting findings report and underwriters' conditions of approval.

Underwriting Guidelines for CalHFA MI on Non-CalHFA Conventional Loans

CalHFA's Mortgage Insurance Services Division also insures loans originated by private sector Lenders and under private investors' loan programs. Details of those underwriting guidelines and acceptance of automated underwriting details are in the specific loan program summary, and the loans must comply with those guidelines. Likewise, loans ineligible for automated underwriting must be manually underwritten in accordance with each specific loan program summary. The program summaries are on the CalHFA web site on the Mortgage Insurance Services page, located at [www.calhfa.ca.gov](http://www.calhfa.ca.gov). Lender proprietary automated underwriting systems may be used if approved by CalHFA Mortgage Insurance Services.

Questions regarding this bulletin should be directed to CalHFA Homeownership Business Development and Mortgage Insurance Services by phone (916) 322-8936; by fax (916) 322-8697 and by visiting CalHFA's web site at [www.calhfa.ca.gov](http://www.calhfa.ca.gov).

Please send all loan files and documents to:  
CalHFA Homeownership Programs  
1121 L Street, 7<sup>th</sup> Floor  
Sacramento, CA 95814

**THE INFORMATION PROVIDED IN THIS BULLETIN IS FOR GUIDANCE AND DISCUSSION WITH CALHFA – APPROVED LENDERS ONLY, AND IS NOT TARGETED TO CONSUMERS. ALL OF THE INFORMATION IS SUBJECT TO CHANGE WITHOUT NOTICE.**