



# Homeownership Program Bulletin

January 11, 2008

Program Bulletin #2008-01

To: CalHFA Approved Lenders

## UPDATE TO PROGRAM BULLETIN #2007-21 CalHFA *interest only* PLUS<sup>SM</sup> CONFORMING LOANS FINANCED THROUGH MORTGAGE-BACKED SECURITIES (MBS)

Given the significant changes in the mortgage market that will go into effect next week, CalHFA has elected to convert the *interest only* PLUS<sup>SM</sup> (IOP) Conforming Loan program from an MBS program back to a whole loan purchase process. On July 16, 2007, CalHFA issued Program Bulletin #2007-21 announcing that *interest only* PLUS<sup>SM</sup> (IOP) Conforming Loans would be financed through Fannie Mae Mortgage-Backed Securities (MBS) and that CalHFA had selected Countrywide Home Loans, Inc. (Countrywide) as the master servicer to purchase, securitize and service these loans. CalHFA is committed to keeping home ownership as affordable as possible to California residents. Many first-time homebuyers rely on CalHFA's 100% LTV financing to help them realize their dream of becoming a homeowner.

Effective for all reservations made on or after January 15, 2008, CalHFA will discontinue the MBS program to allow first-time homebuyers the continued opportunity of requesting CalHFA's 100% LTV financing under the IOP Conforming Loan program. NOTE: All IOP Conforming Loan reservations made on or after January 15, 2008, will be subject to mortgage insurance coverage of 35% and the current CalHFA underwriting guidelines posted on our web site. CalHFA has restructured interest rates on IOP Conforming Loans (see program bulletin 2008-03 for these and other interest rate changes) with the intent to make the increased mortgage insurance coverage cost neutral to the borrower, at least in this initial transition period.

Additionally, CalHFA will return to purchasing all IOP Conforming Loans as whole loans on reservations made on or after January 15, 2008. Lenders should submit these loans to CalHFA in the same manner as all other CalHFA products. For information regarding loan package submissions for Conditional Approval and for Loan Purchase, see our Lender Program Manual, Program Bulletins and/or the CalHFA web site.

Lenders also will no longer be required to release servicing of these loans to Countrywide. Lenders should provide servicing of these loans in the same manner as all other loans submitted to CalHFA for purchase.

For all IOP Conforming Loans reserved prior to January 15, 2008, lenders should follow procedures outlined in Program Bulletin #2007-21. These reservations will NOT be subject to Fannie Mae's maximum LTV in declining markets as outlined in Fannie Mae Announcement 07-22, dated December 5, 2007. Furthermore, for IOP Conforming Loans reserved prior to January 15, 2008 and delivered and purchased under the CalHFA-MBS program after March 1, 2008, CalHFA will bear the cost of the additional Adverse Market upfront 25 basis points fee imposed by Fannie Mae per Announcement 07-21, dated December 5, 2007.

For questions about this bulletin, contact CalHFA Homeownership Programs by phone 916.324.8088; by fax 916.324.6589; by email at [homeownership@calhfa.ca.gov](mailto:homeownership@calhfa.ca.gov) and you can always visit CalHFA's web site at: [www.calhfa.ca.gov](http://www.calhfa.ca.gov)

Unless otherwise directed, please send all loan files and documents to:  
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