

# Homeownership Program Bulletin

December 09, 2010

Program Bulletin #2010-14

To: CalHFA-approved Lenders and Servicers

## Foreclosure Avoidance and Loss Mitigation - *interest only PLUS*<sup>SM</sup> (IOP) Payment Change Extension Update

This bulletin supersedes CalHFA Program Bulletin #2010-05 dated July 7, 2010. This update adds an additional extension to the interest only period for IOP loans with scheduled change dates between July 1, 2010 and March 31, 2011 by extending the change date to April 1, 2011.

This interest only period extension adds an additional loss mitigation option to those announced in CalHFA Program Bulletin #2009-14 – Foreclosure Avoidance and Loss Mitigation Program dated May 28, 2009 in Section 6: Special Forbearance.

The extension allows the borrower's monthly payment to remain at the interest only level until April 1, 2011 at which time it converts to the principal and interest payment level. The loan will then amortize over the next 360 months.

The interest only period extension criteria are as follows:

- The loan must be an *interest only PLUS* loan which has principal and interest periods beginning between July 1, 2010 and March 31, 2011.
- The loan must be either current or no more than thirty (30) days past due.
- The borrower is facing a financial hardship and in danger of an imminent default on the loan as a result of the impending payment change.
- The property must be owner-occupied.
- The interest only period extension will end on March 31, 2011 and the principal and interest period will commence on April 1, 2011 and amortize over 360 months.
- Borrowers must elect to accept the interest only period extension by signing and returning a Loan Modification and Amendment to IOP Loan Promissory Note (attached) to their servicer.
- The Modification does not constitute a waiver of any default under the terms of the Promissory Note.

Servicers must obtain the signed Loan Modification and Amendment to IOP Loan Promissory Note from the borrower and mail the original executed Note to CalHFA to ensure the loan terms will be adjusted. Borrower executed agreements are to be mailed to:

California Housing Finance Agency  
Portfolio Management  
500 Capitol Mall, Suite 400  
Mail Stop 125A  
Sacramento, CA 95814

Servicers must change the interest only period, principal and interest period, and loan term dates within their own loan servicing systems to avoid delinquency report errors or interruptions to loan payment remittance to CalHFA.

As stated in CalHFA Program Bulletin #2005-09 - *interest only* PLUS, dated March 23, 2005, servicers must notify the borrower of the new payment amount at least 45 days before it is due. Therefore, should borrowers elect to accept the interest only period extension, servicers will be required to notify borrowers of the new principal and interest change dates at least 45 days before the first full principal and interest payment is due.

Borrowers who have already signed a Loan Modification Agreement or have been approved for a short sale are not eligible for this extension. As a reminder, those borrowers sixty (60) days delinquent or more are to be reviewed for eligibility for the CalHFA Loan Modification Program (CMP) as outlined in CalHFA Program Bulletin #2009-12, dated May 8, 2009.

Borrowers who do not enter into an agreement to extend the interest only period of their loan will still have the principal and interest period begin as originally stated in their Promissory Note or may pursue other loss mitigation or loan modification remedies currently available. For more information on CalHFA's Loan Modification Program and other loss mitigation options see

- CalHFA Program Bulletin 2009-12 CalHFA Loan Modification Program dated May 8, 2009
- CalHFA Program Bulletin 2009-14 Foreclosure Avoidance and Loss Mitigation Program dated May 28, 2009
- CalHFA Program Bulletin 2010-04 Foreclosure Avoidance and Loss Mitigation Program Additional Guidance for Short Sales dated June 3, 2010

For questions about this bulletin, contact CalHFA Portfolio Management Unit by phone 916.376.2920; by email at [PortfolioManagement@calhfa.ca.gov](mailto:PortfolioManagement@calhfa.ca.gov) or visit CalHFA's web site [www.calhfa.ca.gov](http://www.calhfa.ca.gov) for additional information.

CalHFA thanks you for your business and we look forward to continuing to support your affordable housing loan needs.

Attachment

**LOAN MODIFICATION AND AMENDMENT TO  
*interest only* PLUS<sup>SM</sup> (IOP) LOAN PROMISSORY NOTE**

This Loan Modification and Amendment to Promissory Note (the "**Modification**") dated as of \_\_\_\_\_, 2010 is entered into by and between \_\_\_\_\_ (the "**Borrower**") and the California Housing Finance Agency, a public instrumentality and political subdivision of the State of California, (the "**Agency**") who is the assignee and current holder of Borrower's IOP Promissory Note, dated \_\_\_\_\_, 20\_\_ in the face amount of \_\_\_\_\_ Dollars (\$\_\_\_\_\_) (the "**IOP Note**").

Borrower and Agency are entering into this Modification for the purpose of amending the IOP Note by: a) extending the interest-only payment period provided under the terms of the Note to March 31, 2011; and b), extending the Maturity Date of the Note to \_\_\_\_\_ (360 months from April 1, 2011).

All other terms and conditions of the original Note remain in full force and effect for the life of this loan, including Borrower's duty to keep all mortgage insurance, hazard insurance and taxes current and paid. Nothing contained in this Modification shall constitute a waiver of any default on the part of the Borrower.

IN WITNESS WHEREOF, the parties hereto have executed this Modification as of the date first above written.

**BORROWER:**

**BORROWER:**

\_\_\_\_\_

\_\_\_\_\_

**AGENCY:**

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

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_