



CALIFORNIA HOUSING FINANCE AGENCY

Lender Program Manual

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www.calhfa.ca.gov
877.9.CalHFA (877.922.5432)

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I. Foreword

CalHFA Vision

Creating new affordable California housing.

CalHFA Mission

To create and finance progressive housing solutions so more Californians have a place to call home.

About CalHFA

The California Housing Finance Agency (“Agency” or “CalHFA”) was created in 1975 as a public instrumentality and a political subdivision of the State of California for the primary purpose of meeting the housing needs of persons and families of low or moderate income. To carry out the Agency’s objectives, CalHFA is authorized to enter into agreements or obligations, including but not limited to: (1) development loans, construction loans, mortgage loans, property improvement loans to qualified borrowers to finance housing developments and other residential structures; (2) purchasing loans through qualified mortgage lenders; and (3) making loans to qualified mortgage lenders under the terms and conditions requiring the proceeds to be used for certain loans.

II. Preface

This Program Manual, including any and all Program Bulletins as defined below, (“Program Manual”) is intended for use by all CalHFA-approved lenders (“Lender” or “Lenders”) who have entered into a Mortgage Purchase Master Agreement (“MPMA”) with CalHFA. Lenders are to use this Program Manual as a guide for originating loans and complying with CalHFA loan requirements under the Single Family Lending Programs (“Single Family Lending Programs”); please see the applicable [Program Handbook](#) (“Program Handbook”) for detailed, program specific requirements.

This Program Manual contains current Single Family Lending Program requirements and procedures and is

incorporated into the [MPMA](#). This Program Manual will be updated to reflect specific procedures and requirements as they pertain to the Single Family Lending Programs. Updates and changes will be announced from time to time via a [Program Bulletin](#) (“Program Bulletin” or “Program Bulletins”) and Lenders should sign up for Enews announcements and monitor CalHFA’s website at www.calhfa.ca.gov for specific Program Bulletin updates and changes to the Program Manual.

Whenever possible, CalHFA will provide its Lenders a five (5) business day notice via a CalHFA Program Bulletin or Enews announcement regarding program and policy changes.

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II. Preface (cont.)

Some exceptions may apply to the notification policy, such as daily interest rate announcements and changes directed by other state (e.g. State Treasurer's Office), federal (e.g. GSEs, FHA) or private (e.g. Master Servicer and Mortgage Insurance provider) partners who have not allowed sufficient time for a 5-day notification.

Questions relating to this Program Manual or CalHFA policies and procedures should be directed to:

California Housing Finance Agency
Single Family Lending Programs
500 Capitol Mall, Ste. 1400
Sacramento, CA 95814
916.326.8000
sfprograms@calhfa.ca.gov

III. Lender Contractual Requirements

Lender's Responsibilities and Requirements

To participate in Single Family Loan Programs, each Lender must be approved by CalHFA. The Lender is required to enter into a MPMA with CalHFA and a Participating Lender Agreement with Master Servicer. The MPMA will incorporate the policies and procedures stated in this Program Manual as well as the [Program Handbooks](#) and [Program Bulletins](#).

Lender Qualification and Continuing Eligibility

- All Lenders must be approved by CalHFA and the Master Servicer ("Master Servicer").
- All [new Lender requirements](#) can be found on the CalHFA website. <https://www.calhfa.ca.gov/homeownership/directlenders.htm>
- For continued eligibility Lenders are subject to an [Annual Lender Recertification](#) process wherein the Lender's performance and continued eligibility will be evaluated. This

process will allow CalHFA to review and evaluate each Lender's financial stability, compliance with current licensing and insurance requirements and overall viability of the organization. CalHFA reserves the right to terminate participation in the Single Family Lending Programs at CalHFA's discretion.

- The Lender and its parent company, if applicable, shall submit financial statements to CalHFA on a quarterly and annual basis.
- Additional continuing Lender eligibility requirements are contained in the following link: <https://www.calhfa.ca.gov/homeownership/directlenders.htm>

Third Party Originations

Lenders may be permitted to originate CalHFA loans via wholesale/correspondent lending if the third party originator(s) ("Third Party Originator") meets CalHFA and CalHFA's Master Servicer requirements. CalHFA reserves the right to terminate or restrict the Lender's participation with Third Party Originators at any time.

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III. Lender Contractual Requirements (cont.)

For questions on Third Party Originator eligibility requirements, please contact Lender Services at lendertraining@calhfa.ca.gov or 916-326-8825.

Fidelity Bond, Forgery and Theft and Error and Omissions Coverage

At all times, each Lender shall maintain, at its expense, (1) a Fidelity Bond (or Direct Surety Bond); (2) error and omissions insurance; (3) a forgery insurance policy; and (4) money or securities “all risk” coverage, or an equivalent coverage as outlined in [CalHFA’s application](#) and here: www.calhfa.ca.gov/homeownership/directlenders.htm

Indemnification and Defense

The Lender, including those Lenders using a Third Party Originator, shall indemnify and hold CalHFA harmless against any and all expenses, fees, losses, damages, penalties, fines, forfeitures, legal fees and related costs that CalHFA may incur as a result of any failure of the Lender or Third Party Originator to comply with this Program Manual and [MPMA](#). In the event of any litigation, investigation, legal settlement, consent order, enforcement of consent order, claim, suit, or proceeding resulting from acts or omissions of the Lender or Third Party Originator, the foregoing obligation to indemnify, defend and hold CalHFA harmless shall apply regardless of whether such action is meritorious.

State and Federal Laws and Regulations

Each Lender shall comply with all local, State of California (“State”) and Federal

Laws and Regulations that relate to housing, including but not limited to, the Fair Housing Act, Equal Credit Opportunity Act, Home Ownership and Equity Protection Act (“HOEPA”), high cost mortgage requirements, Truth-in-Lending (“TILA”), Real Estate Settlement Procedures Act (“RESPA”), TILA-RESPA Integrated Disclosure (“TRID”) and wrongful discrimination (collectively “Housing Laws”). Lenders are responsible for the drawing and delivery to borrower any disclosures required by TILA, RESPA and TRID.

Certain Single Family Lending Programs are regulated by laws and regulations governing loans financed by the proceeds of tax-exempt mortgage revenue bonds, or by selling loans to Government Sponsored Enterprises (“GSE”) such as Fannie Mae, Freddie Mac and Ginnie Mae (collectively “Federal Regulations”).

CalHFA as a Housing Finance Agency is exempt from Qualified Mortgage/Ability to Repay Regulations. Please see section 026.32(b)(1)(i)(B) of the [QM/ATR](#) rule

Housing Laws and Federal Regulations shall collectively be referred to herein as “State and Federal Laws and Regulations.”

If any loan is not compliant with State and Federal Regulations, it will be subject to repurchase requirements in accordance with our [Mortgage, Purchase Master Agreement](#) (MPMA).

Borrower Fraud or Misrepresentation

If it is subsequently determined or discovered that the Borrower never occupied the CalHFA financed property,

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III. Lender Contractual Requirements (cont.)

or fraudulently induced the Lender and CalHFA to purchase the loan, CalHFA may take appropriate action against the applicable parties that may include, but is not limited to, non-monetary default action on the loan and/or other legal action under the civil or criminal codes. Subject to Master Servicer requirements, CalHFA may also require the Lender to repurchase the loan and all subordinate CalHFA loans.

If it is subsequently determined or discovered that the Borrower never occupied the CalHFA financed property, or fraudulently induced the Lender and CalHFA to purchase the loan, CalHFA may take appropriate action against the applicable parties that may include, but is not limited to, non-monetary default action on the loan and/or other legal action under the civil or criminal codes. CalHFA may also require the Lender to repurchase the loan and all subordinate CalHFA loans.

All loans purchased by CalHFA are subject to periodic audits by various state and federal entities, in addition to CalHFA and its Master Servicer.

Origination Fee, Processing, Underwriting and Other Lender Charges

All fees are subject to CalHFA, the Master Servicer and/or GSE requirements, and applicable law. Refer to the applicable [Program Handbook](#) for detailed information about allowable charges.

Privacy Requirements

The Lender is responsible for complying with all local, State and Federal Laws and Regulations regarding privacy protected information and should use the information received from borrowers and prospective borrowers for the sole purpose of verifying the applicant's eligibility for a CalHFA loan.

CalHFA's Employer Identification Number (EIN)

CalHFA's EIN is 68-0181576.

IV. Loan Eligibility, Reservation and Cancellation

Loan Eligibility

CalHFA loan products are intended to facilitate the purchase of a home by low to moderate income homebuyers.

Please see the applicable [Program Handbook](#) for a complete list of program-specific requirements for homebuyers.

Types of Loans

CalHFA offers various types of first mortgage loans, subordinate loans, and Mortgage Credit

Certificates (MCC) from numerous funding sources. Availability of these products may change from time to time and will be announced by a Program Bulletin. All CalHFA's current [Program Handbooks](#) can be found on the CalHFA website.

Loan Purpose

All CalHFA first mortgage loan programs are intended for the purchase of a single family residence by low to moderate income homebuyers.

CalHFA subordinate loan programs may be used for down payment assistance and/or closing costs, however, CalHFA subordinate loans may not be used for:

- Paying the difference between the sales price and appraised value if the sales price is higher (GAP Financing)
- Paying off borrower debt

Loan Reservations

- To reserve a loan, Lenders must have access to the CalHFA Mortgage Access System ("MAS").

- Reservations may be made once there is a fully executed sales contract between the buyer and seller.
- Lenders may reserve loan funds and lock interest rates on behalf of qualified homebuyers.
- Lenders may also reserve funds on behalf of their Third Party Originators.
- All loans must be reserved with CalHFA prior to loan submission for compliance review.

Mortgage Access System

Lenders will be required to register with CalHFA on the Mortgage Access System (MAS) in order to manage and track loan reservations. Each Lender must assign an MAS Administrator(s) within their own company to manage their employees' access to MAS.

MAS allows Lenders to enter loan reservations and cancellations, inquire on a loan status, and make general Single Family Loan Program inquiries through MAS. CalHFA only accepts loan reservations made in MAS.

An MAS User's Guide that contains detailed information about MAS procedures may be obtained by sending requests to:

California Housing Finance Agency
Single Family Lending MS-310
500 Capitol Mall, Ste. 400
Sacramento, CA 95814
916.326.8000 or fax 916.326.6424
sfprograms@calhfa.ca.gov

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IV. Loan Eligibility, Reservation and Cancellation (cont.)

MAS Status Codes

Lenders may view the current status of their loan in MAS at any time. The list of current [MAS status codes and their definition](#) can be found here.

Borrower/Property Specific Reservations

All reservations are considered unique and specific for each borrower and property. Once a reservation has been made, CalHFA will not permit any substitutions for different properties, borrowers or Lenders.

An existing reservation must be cancelled and a new reservation must be obtained if a substitution is necessary. Please see the [Program Handbooks](#) for any conditions or restrictions. All reservations, whether they are a first-time or re-reservations, are subject to the policies, procedures and rates in effect at the time of the new reservation.

Interest Rates

CalHFA interest rates and fees may change without notice. Rate changes are published on the CalHFA website at www.calhfa.ca.gov Monday through Friday, excluding State and Federal holidays, by 8:00 a.m. Pacific Time. Rates may change during the business day.

CalHFA interest rates may vary according to loan program and funding source, as determined by CalHFA.

Rate lock processes can be found under “[Rates and Reservations](#)” on the CalHFA website and/or in the [Program Handbooks](#).

Rate Extension Policy

CalHFA’s Rate Extension Policy can be found under [Rates and Reservations](#) on the CalHFA website and/or in the applicable [Program Handbook](#).

All loans must be CalHFA approved, funded, delivered and purchased by CalHFA and/or its Master Servicer prior to the rate lock expiration date. Rate lock extension requests must be sent via email to CalHFA’s Secondary Marketing Unit at ratelocks@calhfa.ca.gov.

The Lender must deliver loans to CalHFA and/or the Master Servicer and meet the terms of the Notice of Commitment, reservation, this Program Manual, and within the individual [Program Handbooks](#).

Buydowns

Buydowns are permitted only as described in the applicable [Program Handbook](#) and may not be available for all programs.

Cancellations

The Lender must cancel reservations for any loan(s) that will not be delivered to CalHFA and/or its Master Servicer for purchase within the loan reservation and rate lock time period.

Please see the applicable [Program Handbook](#) for any conditions or restrictions for the re-reserving of loans that have been cancelled for any reason.

The Lender must contact the Secondary Marketing Unit at ratelocks@calhfa.ca.gov regarding [rate locks, lock extensions and cancellations](#).

V. File Submission

General

Potential loans must meet the income, loan and underwriting requirements of the applicable [Program Handbook](#), this Program Manual, GSEs, the insurer, the Lender, and the Master Servicer. All loans must be CalHFA-approved, funded, delivered and purchased within the reservation and rate lock time period.

Generally CalHFA will accept all borrower credit and appraisal underwriting decisions, provided the decisions are in accordance with the Master Servicer, GSE guidelines and CalHFA program requirements outlined in the applicable [Program Handbook](#) and subsequent [Program Bulletins](#).

All CalHFA first mortgage loans must be fully underwritten by the Lender prior to being submitted to CalHFA for automated underwriting validation and program compliance review. Only one loan package is required when submitting a package with loans from multiple programs. Refer to the [Loan Submission Checklist](#) for minimum documentation requirements.

CalHFA will review complete and correct loan files on a first-come, first-served basis.

All CalHFA loan submission packages must be electronically submitted to CalHFA via MAS. The [MAS User Guide](#) with instructions to upload and view document is located on the CalHFA website.

After the Lender's designated underwriter has given the final approval for the loan and has established that the borrower and the property are within the Single Family Lending Program eligibility limits, has obtained the mortgage insurance, and meets the GSE or Master Servicer's guidelines, then the Lender can forward the loan to CalHFA for review. The loan package must have the underwriter's final signed loan approval. Each submission package should contain the items listed on [Loan Submission Checklist](#).

CalHFA may request that the Lender document the underwriting decisions, particularly if the loan becomes delinquent. CalHFA reserves the right to re-underwrite any loan submitted for approval and/or purchase, and at CalHFA's discretion may audit the underwriting decisions made by the Lender and re-verify any documentation as necessary. Please refer to the applicable [Program Handbook](#) for details.

Upon completion of the review process, CalHFA will issue a determination of approval, suspension or denial. Once the loan is conditionally approved, the loan may be funded, closed and delivered to CalHFA and/or its Master Servicer for purchase.

CalHFA loan purchase packages must be sent to:

California Housing Finance Agency
Single Family Lending MS-310
500 Capitol Mall, Ste. 400
Sacramento, CA 95814
877.922.5432

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V. File Submission (cont.)

Compliance Review Times

CalHFA reviews all loans on a first come, first served basis. CalHFA attempts to review all loans within a reasonable time-frame. Current turn times are posted on [CalHFA's website](#). Lenders should take into consideration CalHFA's current turn times when submitting files for Compliance Review to ensure there is adequate time.

Notice of Determination

Lenders will be automatically notified of Notice of Commitment, suspension or rejection via email. If the loan package is incomplete or inaccurate, the file will be suspended and the process will be delayed until the incomplete and inaccurate items are corrected. No further action will occur until all required information and documentation has been received. If the file is rate locked, the Lender will need to verify the rate lock expiration date as additional fees may be incurred if the rate lock expires.

VI. Borrower Eligibility

General

CalHFA may be required to disclose all information provided by the borrowers to the Internal Revenue Service (IRS) pursuant to the laws governing IRS reporting.

Homebuyer Education

Homebuyer Education counseling is required for at least one occupying first-time homebuyer. Homebuyer Education is not required for non-first-time homebuyers. A list of acceptable Homebuyer Education Courses can be found in the applicable [Program Handbook](#). All Homebuyer Education certificates will expire the earlier of one (1) year from issuance or the expiration date on the certificate.

Residency Requirement

All borrowers must be either a citizen or other National of the United States, or a "Qualified Alien" as defined at 8 U.S.C § 1641.

First-Time Homebuyer Requirement

Single Family Lending Programs may be available to both first-time and non-first-time homebuyers. Certain State and Federal Laws and Regulations may require CalHFA mortgage loans be restricted to first-time homebuyers. Please refer to the applicable Program Handbook for specific details.

Determination of First-Time Homebuyer Status

A first-time homebuyer is a person who does not have or has not had, an ownership interest in any principal residence (a home in which they lived) at any time during the three-year period prior to the execution of the mortgage loan documents.

The following evidence is required to determine first-time homebuyer status and must be included with each loan submission file:

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VI. Borrower Eligibility (cont.)

- a. True, correct and complete copies of the borrower's IRS transcripts for the preceding three years, or
- b. A "Tax Return Affidavit" representing that the borrower has not been required to file a federal income tax return during one or all of the preceding three years

Note: If the borrower submits a Tax Return Affidavit, the borrower must also provide documentation including, but not limited to verification of rent from a professional property management company or cancelled checks with rental agreements for the year(s) in question and

- c. Any additional documentation required by CalHFA to demonstrate borrower is a first-time homebuyer

Definition of Ownership Interest

An ownership interest, which is the extent of a person's rights in a principal residence, includes but is not limited to the following interests:

- Fee simple
- Community property
- Life estate

Community Property Interest

California is a community property state. An ownership interest of the spouse of a borrower, in a principal residence during the three-year period prior to the execution of the mortgage loan documents may disqualify the borrower for a CalHFA loan.

Even though a borrower may not be on title to the property they live in, if they are married to the person who is, they would not be considered a first-time homebuyer.

Borrowers Who Own or have Owned Rental Property

Borrowers who own or have owned rental properties may be a first-time homebuyer if they can document that they have not occupied any of the rental properties as their principal residence at any time within the past three years.

- Any income from the rental properties must be included when calculating for CalHFA income limits
- Please see applicable [Program Handbook](#) for additional requirements

Borrowers Who Own or have Owned a Manufactured Home

Borrower(s) who own or have owned a manufactured home within the past three years may be considered a first-time homebuyer as long as they can document the following:

- The manufactured home is on leased land (park);
- The manufactured home is located on land currently or previously owned by the borrower, and the manufactured home has not been permanently fixed to the foundation
- If the manufactured home is not sold, rental income must be counted when calculating for income limits
- Please see the applicable [Program Handbook](#) for additional requirements

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VI. Borrower Eligibility (cont.)

Owner Occupancy

Borrower(s) must intend to occupy the financed property as their primary residence. In addition the following requirements must be met:

- Borrower(s) must occupy the financed property within sixty (60) days of closing
- State and Federal Laws and Regulations may require that borrower(s) occupy the property as their principal residence for the term of the loan or until the property has been sold
- Please see the applicable Program Handbook for specific requirements.

Household/Family Size

Household/Family size is defined as all persons who will reside in the residence as their full-time principal residence.

A child may be counted as an occupant if the borrower has full or partial custody.

Family size must be accurate as of time CalHFA's Notice of Commitment is issued. For purposes of this requirement, unborn children may not be counted in family size.

Borrower Credit Qualification

Borrowers must be able to qualify under the prudent underwriting credit standards of the Lender, GSEs, Master Servicer and CalHFA. Borrowers must have sufficient funds to meet the required down payment, closing costs, necessary reserves and the monthly mortgage payments, as determined by the Lender, GSE, Master Servicer and CalHFA.

Programs that are restricted to first-time homebuyers may require the execution of additional [forms](#) as determined in the applicable [Program Handbook](#).

Co-Borrowers

All borrowers that will be on title and occupying the home must meet all of the eligibility and income requirements. Non-Occupant Co-Borrowers are not allowed.

Refer to the applicable [Program Handbook](#) for specific instructions.

Non-Purchasing Spouses

For CalHFA purposes, a non-purchasing spouse is not required to comply with CalHFA eligibility requirements for income. The non-purchasing spouse may not be on title, have any vested interest in the property, be on the purchase agreement, or be added to title after loan closing. All individuals that will be on the title must comply with all the eligibility requirements.

Non-Occupant Cosigners

For CalHFA purposes, cosigners are non-occupying loan guarantors only. They are not permitted to occupy the property and may not be on title, purchase agreement or have any vested interest in the property. CalHFA will permit non-occupant cosigners only as permitted by the mortgage insurer, Master Servicer or guarantor of the loan. The non-occupant cosigner must be clearly labeled by the underwriter as a "non-occupying cosigner only" on the Lenders approval sheet. The only closing documents the non-occupant cosigner will be permitted to execute are

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VI. Borrower Eligibility (cont.)

all promissory notes, pertaining to the transaction this includes the first mortgage note and all subordinate promissory notes, as applicable. Non-occupant Cosigners are not required to comply with CalHFA eligibility requirements. The Lender may use the cosigner's income for qualifying purposes; however, the non-occupant cosigner's income will not be counted when computing income for CalHFA loan eligibility. Refer to the applicable [Program Handbook](#) for additional information.

Gifts

Gift funds for the down payment are permissible and are subject to the Master Servicer and GSE underwriting guidelines, and the requirements outlined in the applicable [Program Handbook](#).

VII. Income Eligibility

Maximum Income Limits

The borrower's annual family income may not exceed the maximum income limits as published by CalHFA in the most recent applicable Program Bulletin. The maximum income limits are based on median family income data published by the Department of Housing and Urban Development (HUD) and/or the IRS and may be lower than the maximum allowed under State and Federal Laws and Regulations. Program Bulletins will periodically announce revised income limits to Lenders.

At the loan approval stage, CalHFA will calculate the borrower's income pursuant to guidelines outlined in this Program Manual for eligibility purposes.

Family Income Definition

"Family income" is defined as the annualized gross income of a borrower, and any other person who is expected to meet all of the following:

- a. live in the residence being financed,
- b. be vested on title, and
- c. be liable on the mortgage

When calculating annual income for eligibility purposes, CalHFA will not include income from other household family members who are not co-borrowers, a non-purchasing spouse or the income from non-occupying cosigners.

Acceptable Income Types

CalHFA calculates family income for program eligibility purposes only and these calculations are not intended to reflect or replace income calculations used by the Lender, Master Servicer, or GSE for loan qualification purposes.

Sources of income to determine the total family income include but are not limited to the following:

- a. Wages/Salaries/Commissions
The gross amount of wages and salaries, before payroll deductions,

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VII. Income Eligibility (cont.)

- or unreimbursed employee expenses, commissions, fees, tips, bonuses, gambling winnings, prizes, royalties and other compensation for personal services. Unreimbursed business expenses listed on IRS Form 2106 cannot be deducted from the gross income.
- b. Assets and Business Income
 - i. All interest, and /or dividends earned on assets.
 - ii. The net income from the operation of a business or profession, or from the rental of real or personal property. For this purpose, if the business operates at a loss the loss may not be used to offset income gathered from other sources. Any shareholder that owns ten percent (10%) or more of any outstanding class of stock in a corporation shall be deemed to have received its proportionate share of net earnings not otherwise distributed in salaries and dividends.
 - iii. The distributive share of partnership income.
 - iv. Periodic payments from a trust fund.
 - c. Human Assistance/Services
 - i. The full amount of periodic payments received from Social Security (except deferred periodic amounts from Supplemental Security Income and Social Security benefits received in a lump sum), housing assistance payments annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts. CalHFA does not gross up any income.
 - ii. Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay.
 - iii. The full amount of any public assistance payments.
 - d. Alimony and Child Support Contributions
 - i. Periodic determinable allowances, such as alimony, separate maintenance payments received, housing allowance received, and regular contributions or gifts received from organizations or from persons not residing in the residence where such sums are received on a recurrent basis and which may be reasonably expected to continue.
 - ii. Child support payments received by an applicant for the benefit of the applicant's child or children.
 - e. Military

All regular pay, special pay and allowances of a member of the Armed Forces, except special hostile fire pay.
 - f. Other Sources

Any other source of taxable income such as gambling winnings, prizes, royalties and other sources not specifically excluded.

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VII. Income Eligibility (cont.)

Gross Income Exclusions

Gross Income Does Not Include:

- a. Gifts/Service Payments
 - i. Casual, sporadic, or irregular gifts.
 - ii. Amounts received under a resident service stipend. A resident service stipend is a modest amount (not to exceed \$200 per month) received by a resident for performing a service for the PHA or owner, on a part-time basis, that enhances the quality of life in the development. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn maintenance, resident initiatives coordination, and serving as a member of the PHA's governing board. No resident may receive more than one such stipend during the same period of time.
- b. Medical

Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member.
- c. Lump Sums

Lump sum additions (other than regular payments) to family assets not related to employment, such as inheritances, insurance settlements (including payments under health and accident insurance and worker's compensation), capital gains and settlements for personal and property losses.
- d. Education
 - i. The full amount of student financial assistance paid directly to the student or to the educational institution.
 - ii. Amounts of education scholarships paid directly to the student or to the educational institution and amounts paid by the government to a veteran, for the "Cost of Attendance" at an educational institution. Cost of Attendance includes tuition, fees, books and miscellaneous expenses for material. Non-school related veteran's benefits are included in the income calculations.
 - iii. Payments received from the Workforce Investment Act of 1998 (20 U.S.C. 9201 et seq.), State or local job training programs.
 - iv. Amounts of scholarships funded under Title IV of the Higher Education Act of 1965, as amended (20 U.S.C. 1001 et seq.) including awards under federal work-study programs under the Bureau of Indian Affairs student assistance programs (20 U.S.C. 1087uu).
 - v. Amounts received under training programs funded by HUD.
 - vi. Incremental earnings and benefits resulting to any family member from participation in qualifying State or local employment training programs (including training programs not affiliated with a local government). Amounts excluded by this provision must be received

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VII. Income Eligibility (cont.)

- under employment training programs with clearly defined goals and objectives, and are excluded only for the period during which the family member participates in the employment training program.
- e. Foster Care/Adoption/Minors/Students
 - i. Payments received for the care of foster children and foster adults (usually persons with disabilities, unrelated to the family, who are unable to live alone), if not used to credit qualify for the loan.
 - ii. Adoption assistance payments, if not used to credit qualify for the loan.
 - iii. Income from employment of minor dependents not on title.
 - iv. Earnings for each full-time student 18 years or older (excluding the head of household and spouse).
- f. Human Assistance/Services
 - i. The value of the allotment provided to an eligible household under the Food Stamp Act of 1977 (7 U.S.C. 2017(b));
 - ii. Payments to volunteers under the Domestic Volunteer Service Act of 1973 (42 U.S.C. 5044(f)(1), 5058).
 - iii. Payments of allowances made under the Department of Health and Human Services Low-Income Home Energy Assistance Program (42 U.S.C. 8624(f)).
 - iv. Home care payments for developmentally disabled children or adult family members.
- v. Deferred periodic payments of Supplemental Security Income and Social Security benefits that are received in a lump sum.
- vi. Income of a live-in aide, as defined in 24 CFR §5.403.
- vii. Amounts specifically excluded by any other Federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions set forth in 24 CFR §5.609(c) apply.
- viii. The value of any child care provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for such care) under the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858q);
- ix. Any amount received under the Richard B. Russell School Lunch Act (42 U.S.C. 1760(e)) and the Child Nutrition Act of 1966 (42 U.S.C. 1780(b)), including reduced-price lunches and food under the Special Supplemental Food Program for Women, Infants, and Children (WIC); Any amounts in an "individual development account" as provided by the Assets for Independence Act, as amended in 2002 (Pub. L. 107-110, 42 U.S.C. 604(h)(4));
- g. Government Payments/Credit
 - i. Amounts received by the family in the form of refunds or rebates

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VII. Income Eligibility (cont.)

- under State or local law for property taxes paid on the dwelling unit.
- ii. Reparation payment paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era.
- iii. Payments received from programs funded under Title V of the Older Americans Act of 1965 (42 U.S.C. 3056g).
- iv. Payments received on or after January 1, 1989, from the Agent Orange Settlement Fund (Pub. L. 101-201) or any other fund established pursuant to the settlement in *In Re Agent Orange Liability Litigation*, M.D.L. No. 381 (E.D.N.Y.).
- v. Earned Income Tax Credit (EITC) refund payments received on or after January 1, 1991, for programs administered under the United States Housing Act of 1937, title V of the Housing Act of 1949, section 101 of the Housing and Urban Development Act of 1965, and sections 221(d)(3), 235, and 236 of the National Housing Act (26 U.S.C. 32(l));
- vi. The special pay to a family member serving in the Armed Forces who is exposed to hostile fire.
- vii. Any amount of crime victim compensation (under the Victims of Crimes Act) received through crime victim assistance (or payments or reimbursement of the cost of such assistance)
 - as determined under the Victims of Crime Act because of the commission of a crime against the applicant under the Victims of Crime Act (42 U.S.C. 10602(c));
- viii. Payments from any deferred U.S. Department of Veterans Affairs disability benefits that are received in a lump sum amount or in prospective monthly amounts (42 U.S.C. Sec. 1437a(b)(4)).
- ix. Major disaster and emergency assistance received by individuals and families under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Pub. L. 93-288, as amended) and comparable disaster assistance provided by States, local governments, and disaster assistance organizations (42 U.S.C. 5155(d)).
- h. Native Americans
 - i. Certain payments received under the Alaska Native Claims Settlement Act (43 U.S.C. 1626(c)).
 - ii. Income derived from certain sub-marginal land of the United States that is held in trust for certain Indian tribes (25 U.S.C. 459e).
 - iii. The first \$2,000 of per capita shares received from judgment funds awarded by the National Indian Gaming Commission or the U.S. Claims Court, the interests of individual Indians in trust or restricted lands, including the first \$2,000 per

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VII. Income Eligibility (cont.)

- year of income received by individual Indians from funds derived from interest held in such trust or restricted lands (25 U.S.C. 1407-1408). This exclusion does not include proceeds of gaming operations regulated by the Commission.
- iv. Payments received under the Maine Indian Claims Settlement Act of 1980 (Pub. L. 96-420, 25 U.S.C. 1728).
 - v. Payments by the Indian Claims Commission to the Confederated Tribes and Bands of Yakima Indian Nation or the Apache Tribe of Mescalero Reservation (Pub. L. 95-433).
 - vi. Income derived from the disposition of funds to the Grand River Band of Ottawa Indians (Pub. L. 94-540, section 6).
 - vii. Payments, funds, or distributions authorized, established, or directed by the Seneca Nation Settlement Act of 1990 (25 U.S.C. 1774f(b)).
 - viii. Compensation received by or on behalf of a veteran for service-connected disability, death, dependency, or indemnity compensation as provided by an amendment by the Indian Veterans Housing Opportunity Act of 2010 (Pub. L. 111-269; 25 U.S.C. 4103(9)) to the definition of income applicable to programs authorized under the Native American Housing Assistance and Self-Determination Act (NAHASDA) (25 U.S.C. 4101 et seq.) and administered by the Office of Native American.
 - ix. A lump sum or a periodic payment received by an individual Indian pursuant to the Class Action Settlement Agreement in the case entitled *Elouise Cobell et al. v. Ken Salazar et al.*, 816 F.Supp.2d 10 (Oct. 5, 2011 D.D.C.), for a period of one year from the time of receipt of that payment as provided in the Claims Resolution Act of 2010 (Pub. L. 111-291).
 - i. Allowance/Compensation
 - i. Allowances, earnings and payments to AmeriCorps participants under the National and Community Service Act of 1990 (42 U.S.C. 12637(d)).
 - ii. Any allowance paid under the provisions of 38 U.S.C. 1833(c) to children of Vietnam Veterans born with spina bifida (38 U.S.C. 1802-05), children of women Vietnam Veterans born with certain birth defects (38 U.S.C. 1811-16), and children of certain Korean service veterans born with spina bifida (38 U.S.C. 1821).
 - iii. Per capita payments made from the proceeds of Indian Tribal Trust Cases as described in PIH Notice 2013-30 "Exclusion from Income of Payments under Recent Tribal Trust Settlements" (25 U.S.C. 117b(a)).
 - iv. Allowances, earnings and payments to individuals participating in programs under the Workforce Investment Act of 1998 (29 U.S.C. 2931(a)(2)).

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VII. Income Eligibility (cont.)

Income Calculations

Wage and Salary

Use one of the appropriate formulas for full time employment (40 hours) or employment with consistent regular hours or income to arrive at the Borrower's base pay:

- Monthly
 - › Monthly income x 12 months = annual income
- Bi-weekly
 - › Bi-weekly income x 26 = annual income
- Weekly
 - › Weekly income x 52 = annual income
- Hourly
 - › Hourly income x 40 (hours per week) x 52 = annual income

Variable Income

Calculations such as part-time employment with variable hours (or less than 40 hours per week), inconsistent income or hours, overtime, bonuses and commissions, etc., can be calculated using year-to-date income, plus previous year income (from the same income source), divided by the number of months reviewed (**up to but not exceeding 24 months**) times 12 to arrive at the annual income.

Self-Employed or Non-Corporation

A self-employed borrower can also be considered to have variable income. Gross annual income calculations will be based on the previous year's net income shown on Schedule C of the federal income tax returns plus net income on a borrower's signed YTD Profit and Loss Statement, divided by the appropriate number of

Variable Income Example

(Base Pay with Overtime)

Monthly Base Income	\$2,000
Year to Date OT Earnings on paystub ending June 30th – 6 months	\$5,000 (OT)
OT earnings reported on the VOE form covering prior 12 months	\$13,000 (OT)
Combined Total	\$18,000 (OT)
Divided by the number of months earnings were made	18
Monthly Average OT Income	\$1,000

Note: You cannot exceed a 24 month average. January through the current month of the current year plus the 12 months of the previous year. You cannot average a prior job's wages.

Take the Monthly Average OT Income and add it to the Monthly Base Income and multiply it by 12 for the Eligibility Income.

$$\$1,000 + \$2,000 = \$3,000 \times 12 = \$36,000 - \text{use for program eligibility.}$$

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VII. Income Eligibility (cont.)

months (**up to but not exceeding 24 months**) times 12 to arrive at the annual income.

Corporation

If the applicant owns ten percent (10%) or more of any outstanding class of stock in

the corporation, refer to the federal income tax returns, and to the schedule that lists officer salaries by name and amount. The figure given for that named applicant, plus the applicable proportionate share of net earnings not otherwise distributed, plus dividends constitutes income.

Commission Income Example

Year to Date Earnings on paystub ending June 30th – 6 months	\$30,000
W-2 Earnings from previous year covering a 12 month period	\$78,000
Combined Total	\$108,000
Divided by the number of months earnings were made	18
Monthly Average Income	\$6,000

Note: You cannot exceed a 24 month average. January through the current month of the current year plus the 12 months of the previous year. You cannot average a prior job's wages.

Take the Monthly Average Income and multiply it by 12 for the Eligibility Income.

$\$6,000 \times 12 = \$72,000$ Annualized Income – use for program eligibility.

Self Employed Income Example

Net Earnings on signed YTD P&L ending June 30th – 6 months	\$30,000
Net Earnings on prior year tax returns Schedule C	\$78,000
Combined Total	\$108,000
Divided by the number of months earnings were made	18
Monthly Average Income	\$6,000

Note: You cannot exceed a 24 month average. January through the current month of the current year plus the 12 months of the previous year. You cannot average a prior job's wages.

Take the Monthly Average Income and multiply it by 12 for the Eligibility Income.

$\$6,000 \times 12 = \$72,000$ Annualized Income – use for program eligibility.

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VII. Income Eligibility (cont.)

Interest Income

Interest earnings are computed on the net principal at the current market rate after reduction for down payment and/or closing cost requirements as applicable.

Real Estate Income

Refer to the federal income tax form, and the appropriate Schedule E, for net income after depreciation, expense of upkeep, rental income, etc.

Child Support and/or Spousal Support Payments

If it is evident that minor children reside in the home with a single parent or if it is evident children may be from a previous marriage or relationship, an inquiry regarding receipt of child support is necessary. CalHFA must determine income from all sources according to the Tax Act; the Lender will not be violating any Equal Credit Opportunity Act (ECOA) laws with inquiries of the Borrower. CalHFA will ask both parents.

If payment of either Child Support and/or Spousal Support is not received consistently use the actual amounts received for the past twelve (12) months to determine the average monthly amount received. Calculations cannot exceed a twenty-four (24) month period.

The likelihood of continuance does not negate use of this income. For example: If the borrower receives an average of \$1,200 monthly with only 4 months remaining, the total amount of \$4,800 is prorated to arrive at an average of \$400 monthly.

$$\begin{aligned} \$1,200 \text{ multiplied by } 4 \text{ months} &= \$4,800 \\ \$4,800 \text{ divided by } 12 \text{ months} &= \$400 \\ &\text{mo/average} \end{aligned}$$

Note: If a borrower is entitled to receive compensation, but does not, CalHFA will not count their entitlement in the income calculation. The Borrower must sign an affidavit to certify the fact of non-receipt.

Income Limit Determination

Once all of the various sources of income are calculated and added together, compare the annual income against the most recent Program Bulletin's income limits for the county under the applicable family size and area.

Employment/Income Verification Documentation

Verification of Employment and other supporting documentation regarding income such as paycheck stubs shall not be more than 60 days old at the time of submission to CalHFA for loan approval.

VIII. Property Requirements

Targeted Area Requirements

A [Targeted Area](#) is either a qualified census tract or an area of economic distress pursuant to Section 143(j) of the IRC. A qualified census tract is an area where 70% of the families who live there earn an income that is 80% or less than the state-wide median income. An area of chronic economic distress is designated by the State and approved by HUD.

While cities, counties and other governmental agencies may have specific areas in their jurisdiction “targeted” for their program purposes, only those census tracts identified by the Federal Government as “targeted” are used for CalHFA’s purposes as outlined in the [Program Handbooks](#).

When the borrower purchases a home in a Targeted Area using a CalHFA program, the sales price limits may be higher and the first-time homebuyer requirement may be waived. Please refer to the applicable [Program Handbook](#) and the [sales price limits](#) for details.

Lenders can locate [qualified census tracts](#) on the CalHFA website.

Sales Price or Acquisition Cost Limits

In accordance with State and Federal Laws and Regulations, CalHFA must establish home [sales price limits](#) within the federal “safe harbor” limits for eligibility purposes. “Purchase price” for purposes of eligibility, refers to the total contract purchase price (acquisition cost) as shown on the Closing Disclosure (CD) and/or settlement statement of acquiring a residence from the seller as a completed unit, plus any monies

paid to the seller outside of escrow, along with expenses paid by the borrower on behalf of the seller, and any liens or assessments to which the home is subject.

See CalHFA’s most recent [Program Bulletin](#) and/or the applicable [Program Handbook](#) for a current list of maximum sales price limits by county for new construction and existing-resale homes. These limits are updated periodically by a [Program Bulletin](#).

If the sales price and total acquisition cost do not match, compare the total acquisition cost (price) of the property to the [sales price limit](#) for the county in which the property is located, under the applicable columns for Targeted or Non-Targeted Area. If the property price exceeds the applicable sales price limit, the property is ineligible for a CalHFA–financed loan.

Please see [Loan Program Handbook\(s\)](#) for loan specific guidelines.

Eligible Single Family Properties

Properties must meet all of the following minimum standards or requirements to be eligible for a CalHFA loan.

- a. The sales price of the property must not exceed the [sales price limits](#) described above
- b. Newly constructed and existing resale properties are eligible single family properties. Newly constructed homes are defined as homes that have not been previously occupied and include model homes not previously used as a residence

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VIII. Property Requirements (cont.)

- i. Condominium conversions and rehabilitated units are considered resale properties because the units were previously occupied
- c. Only homes, including manufactured homes that are taxed as “real estate” and have permanent foundations, are acceptable
 - i. manufactured homes that are taxed as “real estate” and have permanent foundations, may be acceptable; see applicable [Loan Program Handbook](#) guidelines
- d. Each unit must meet the minimum eligibility requirements of the applicable mortgage insurer/guarantor
- e. The property must be intended for single family residential use only
- f. Accessory Dwelling Units (ADU), Guest houses, “granny” units and “in-law” quarters must meet these eligibility criteria:
 - i. Property is zoned for Single Family Occupancy
 - ii. Property cannot be zoned for 2-4 units
 - iii. Property meets investor guidelines and city/county zoning ordinances
- g. Per Investor guidelines - If rental income from the ADU is used for credit qualifying, CalHFA will also use the gross rental income for the compliance income calculation.
- h. Lot size cannot exceed five (5) acres maximum
- i. Leasehold/Land Trusts (see program handbook for specific program details)
- j. Co-ops are not eligible
- k. Properties having energy retrofit upgrades encumbered by property tax assessed liens, including Property Assessed Clean Energy (PACE) liens, are not eligible for CalHFA first mortgage and/or down payment and closing cost assistance programs
- l. All units must be completed with respect to construction or repairs, be ready to occupy, meet health and safety standards of the locality, and meet all of the requirements of the mortgage insurer/guarantor
 - i. Escrow Holdbacks will be allowed for minor outstanding repairs not completed prior to loan closing
 - » The Property must be habitable and safe for occupancy at the time of loan closing
 - » Lenders and/or closing agent will be responsible for managing and disbursing holdbacks
 - » Lender must deliver loans that were originated in accordance with FHA and Fannie Mae guidelines
 - » Please see Lakeview Loan Servicing website for required documents
 - ii. Please see [Loan Program Handbooks](#) for specific guidelines.

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VIII. Property Requirements (cont.)

Flood Determination

A “Life of Loan” standard Flood Hazard Determination Certificate is required on all properties.

Appraisal/Appraiser Requirements

- m. Lenders must follow the appraisal requirement of the applicable Master Servicer and GSE.
- n. Lenders must use qualified appraisers that meet the licensing requirement of the State of California.
- o. CalHFA requires an appraisal for each unit on all loans, prepared by a qualified appraiser with a location map, photos, and a floor plan at the time the loan is submitted to CalHFA for Notice of Commitment. If there are multiple appraisal reports for one property, each appraisal must be submitted to CalHFA.

Home Warranty Insurance Coverage

CalHFA requires that all first-time homebuyers obtain a home warranty protection policy. Please see the applicable [Program Handbook](#) for details.

Resale Restrictions

Resale restrictions and controls are subject to the requirements of the Master Servicer, GSE and any applicable [Program Handbook](#).

Federal Recapture Tax

Homes funded by mortgage revenue bonds (“MRBs”) and homes using the benefit of Mortgage Credit Certificate (“MCC”) may be subject to the Federal Recapture Tax.

These loans may be subject to special Federal Recapture that may create a potential individual tax liability for the borrower(s). The borrower(s) may be subject to a recapture tax by the [Internal Revenue Service](#) of up to 6.25% of the loan amount or up to 50% of the gain realized on the sale of the property, whichever is less (subject to conditions and adjustments that may reduce or eliminate the tax).

Recapture will not apply if any of the following happen:

1. Household income does not rise significantly over the life of the loan (generally more than 5% per year)
2. The home is sold after nine years
3. The home is sold within nine years, but there is no gain on the sale

A [Recapture Disclosure Notice](#) will be sent to the Lender upon Notice of Commitment by CalHFA. This notice will include maximum recapture amounts for loans financed with MRB or MCCs through CalHFA. The borrower must sign the notice and be given a copy at closing. The notice will detail the facts applicable to the loan(s) and the borrower’s potential recapture tax liability.

Any recapture tax due to the [IRS](#) must be reported and paid with the borrower’s federal income tax for the year in which the property was sold. Please see the applicable [Program Handbook](#) for specific details.

Loan Assumption Policy

CalHFA loans are assumable by eligible homebuyers subject to the guidelines and approval of CalHFA, the Master Servicer and GSE.

IX. Purchase Requirements

CalHFA Subordinate File Submission for Purchase Review

Lenders are to provide a complete underwriting package, as approved by the Master Servicer, along with the items listed on the CalHFA Loan Approval and [CalHFA Loan Purchase Checklist](#).

Please follow the Master Servicer's guidelines for file submission of first mortgage loans.

Wire Instructions

The Lender must provide CalHFA with lender wire instructions for the remittance of mortgage purchase funds to the lender's bank of choice. Lenders may only have two (2) accounts at any given time. These instructions may be amended on a quarterly basis by submitting the written request to Purchasing@calhfa.ca.gov.

The request must be received ten (10) business days prior to the close of each quarter and will go into effect on the first day of the following quarter for all new purchase packages submitted. Lenders will confirm wire instructions and provide contact information at the time of loan purchase submission through [MAS](#).

Note Endorsements/Allonge

All original promissory notes delivered to CalHFA for purchase must have an allonge attached or be properly endorsed to the "California Housing Finance Agency" in a neat and legible manner. California Housing Finance Agency's name should be typed or stamped directly below "Pay to the Order of" followed by the Lender's name. The note endorser's name and title

should be clearly type or stamped directly below the signature of the endorser. Any promissory note that is not properly endorsed or does not have an allonge attached will be rejected and returned to the Lender.

Please follow CalHFA's Master Servicer guidelines for CalHFA first mortgage loans.

Vesting - Deed of Trust

All Deeds of Trust must include the name and vesting for all borrowers who are on the loan, and on title. A non-purchasing spouse or the non-occupant cosigner may not be on the vesting or the deed of trust.

Bailee Letters

If a lender has established a credit line with a third-party bank (warehouse bank) to finance the origination of loans, the lender is required to complete the [wiring instructions form](#) and submit it to the Accounting Unit of CalHFA. The form must be received by the Accounting Unit prior to the final loan approval from Single Family Lending.

Power of Attorney

CalHFA will require that all loans follow the more restrictive requirement of CalHFA's Master Servicer or Fannie Mae for the proper use of power of attorney.

Loss Payee

Please see the applicable [Program Handbook](#) for the loss payee of CalHFA's Master Servicer.

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IX. Purchase Requirements (cont.)

The loss payee clause for all subordinate loans is:

California Housing Finance Agency
 Its successor and/or assigns
 Single Family Servicing – MS 980
 500 Capitol Mall, Ste. 400
 Sacramento, CA 95814

Hazard Insurance

Hazard insurance is required for the life of the loan. Each borrower will be required to maintain hazard insurance, including fire and extended coverage, of the type that provides for claims to be settled on a replacement cost basis. All policies shall contain a loss payable endorsement to the Lender, CalHFA, and/or CalHFA's Master Servicer as their interest may appear, in an amount equal to the replacement value of the structure improvements established by the property insurer as selected by the borrower, with coverage endorsements for code upgrades. The selected hazard insurer must be licensed to do business in the State of California and have a current rating in Best's Insurance Guide of BV1 or better. Please follow Master Servicer's guidelines in respect to the minimum deductible allowable.

Condominium or Planned Unit Developments ("PUD") insurance shall be in the form of a "master" or "blanket" policy for the entire project.

Hazard insurance premiums are to be paid through an impound account maintained by the Master Servicer on behalf of the Borrower.

Flood Insurance

For any property that has any of its improvements located in a Special Flood Hazard Area ("SFHA"), as delineated on flood maps issued by the Federal Emergency Management Agency ("FEMA"), flood insurance is required. The minimum amount of flood insurance required is the lower of the replacement value of the structure improvements established by the insurer, or the maximum insurance available under the National Flood Insurance Program, or the unpaid principal balance ("UPB") of the loan. However, in no event shall the coverage be less than eighty percent (80%) of the replacement cost of the structure. (Refer to the National Flood Insurance Program for current limits.) The maximum allowable deductible for coverage on a single family property is five thousand dollars (\$5,000). Flood insurance premiums are to be paid through an impound account maintained by the Master Servicer on behalf of the Borrower.

Title Insurance Policy

The outstanding principal balance of each first mortgage loan must be covered by an ALTA Lender's Policy of Title Insurance naming the Lender and CalHFA as their interest appear. The policy must have endorsements 100 and 116,116.2 or 115, 110.5 and 104.1 as applicable. *Taxes and assessments must be paid current.*

No title insurance will be required on CalHFA's subordinate loans.

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IX. Purchase Requirements (cont.)

MERS – Mortgage Electronic Registration System

All first mortgage loans submitted to CalHFA's Master Servicer for purchase may be registered with Mortgage Electronic Registration Systems, Inc. ("MERS"), wherein MERS has been designated beneficiary (as nominee). Refer to the applicable [Program Handbook](#) and the Master Servicer's Policies and Procedures for additional information and requirements.

Some legacy loans currently being serviced by CalHFA using MERS will remain.

All CalHFA subordinate loans are to be drawn in the lender's name and are to be registered via MERS. Refer to the applicable [Program Handbook](#) for additional information and requirements.

Delinquent Loan Purchase

CalHFA will not purchase delinquent loans. The first mortgage payment history must show the loan current with no past delinquencies when presented for purchase.

Escrow Holdbacks

Escrow holdbacks will be allowed for minor outstanding repairs not completed prior to the loan closing. The Property must be habitable and safe for occupancy at the time of loan closing.

Lenders and/or closing agent will be responsible for managing and disbursing holdbacks.

Lender must deliver loans that were originated in accordance with FHA and Fannie Mae guidelines.

Please see Master Servicer website for required documents.

CalHFA will allow escrow holdbacks on Energy Efficient Mortgage loans. The EEM upgrades do not require a completion certification from the appraiser. CalHFA will purchase EEM loans prior to the disbursement of funds held at closing for energy-efficient improvements. However, the Lender must (1) clearly label the loan as an EEM on the loan approval, (2) provide CalHFA with a copy of the HERS report prior to CalHFA's Notice of Commitment, (3) provide a final Closing Disclosure that clearly labels the funds as being held for energy improvements, and (4) meet all GSE requirements regarding processing, closing and disbursing held funds. Additional information may be found in the applicable [Program Handbook](#).

Prepayment Penalties

CalHFA does not charge a prepayment penalty.

X. Contact

If you have questions, please contact us at 877.922.5432. This handbook will be updated quarterly; please review [Program Bulletins](#) on our website for additions or deletions between updates.