



CALIFORNIA HOUSING FINANCE AGENCY

Lender Program Manual

LAST REVISED: MAY 2019

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

Table of Contents

I. Foreword	1
CalHFA Vision	
CalHFA Mission	
About CalHFA	
II. Preface	1
III. Lender Contractual Requirements	2
Lender’s Responsibilities and Requirements	
Lender Qualification and Continuing Eligibility	
Third Party Originations	
Fidelity Bond, Forgery and Theft and Error and Omissions Coverage	3
Indemnification and Defense	
State and Federal Laws and Regulations	
Borrower Fraud or Misrepresentation	4
Origination Fee, Processing, Underwriting and Other Lender Charges	
Privacy Requirements	
CalHFA’s Employer Identification Number (EIN)	
IV. Loan Eligibility, Reservation and Cancellation	5
Loan Eligibility	
Types of Loans	
Loan Purpose	
Loan Reservations	
Mortgage Access System	
MAS Status Codes	6
Borrower/Property Specific Reservations	
Interest Rates	
Rate Extension Policy	
Buydowns	
Cancellations	
V. File Submission	7
General	
Electronic Signatures	
Compliance Review Times	8
Notice of Determination	
VI. Borrower Eligibility	8
Homebuyer Education	
Residency Requirement	

Table of Contents (cont.)

First-Time Homebuyer Requirement	
Definition of Ownership Interest	
Community Property Interest	9
Borrowers Who Own or have Owned Rental Property	
Borrowers Who Own or have Owned a Manufactured Home	
Owner Occupancy	
Borrower Credit Qualification	
Non-Occupant Co-Borrowers / Non-Occupant Co-Signors	10
Non-Purchasing Spouses	
Gifts	10
VII. Income Eligibility	10
Income Requirements	
VIII. Property Requirements	11
Sales Price or Acquisition Cost Limits	
Eligible Single Family Properties	
Flood Determination	12
Appraisal/Appraiser Requirements	
Home Warranty Insurance Coverage	
Resale Restrictions	13
Loan Assumption Policy	
IX. Purchase Requirements	13
CalHFA Subordinate File Submission for Purchase Review	
Wire/ACH Instructions	
Note Endorsements/Allonge	
Vesting - Deed of Trust	
Power of Attorney	
Loss Payee	
Hazard Insurance	14
Flood Insurance	
Title Insurance Policy	
MERS – Mortgage Electronic Registration System	15
Delinquent Loan Purchase	
Escrow Holdbacks	
Prepayment Penalties	
Loan Administration / Subordinate Loan Servicing	
X. Contact	16

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.

(continued on next page)

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, Suite 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.

(continued on next page)

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).

(continued on next page)

III. Lender Contractual Requirements (cont.)

Borrower Fraud or Misrepresentation

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. 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 and subordinate loans 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, Suite 400
Sacramento, CA 95814
916.326.8000 or fax 916.326.6424
sfprograms@calhfa.ca.gov

(continued on next page)

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.

Electronic Signatures

CalHFA will allow electronic signatures on all loan documents except the original Note and Deed of Trust.

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 upload 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, Suite 400
Sacramento, CA 95814
877.922.5432

(continued on next page)

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 timeframe. 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 the file will receive an incomplete status and the loan will not be considered received until the complete file is uploaded. 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

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) or resided in a home owned by their spouse at any time during the three-year period prior to the execution of the mortgage loan documents.

The borrower is required to execute the CalHFA Borrower Affidavit and Certification to certify first-time homebuyer status and must be included in each loan submission file.

If the borrower(s) is on a mortgage or on title to a property that is not their primary residence, CalHFA will require a Letter of Explanation (LOE) and additional documentation to determine the borrower is a first-time homebuyer. Acceptable

(continued on next page)

VI. Borrower Eligibility (cont.)

documentation would include 36 months of cancelled rent checks, a Verification of Rent (VOR) from a property management company, or alternative documentation that is proof of the borrower's residence at another location (e.g. utility bills, cable bills, trash bills showing the property address of service).

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) or is located on land currently or previously owned by the borrower, and the manufactured home has not been permanently fixed to the foundation
- Please see the applicable [Program Handbook](#) for additional requirements

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

(continued on next page)

VI. Borrower Eligibility (cont.)

- Please see the applicable Program Handbook for specific requirements.

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](#).

Non-Occupant Co-Borrowers / Non-Occupant Co-Signors

Not allowed.

Non-Purchasing Spouses

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.

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

Income Requirements

MAXIMUM PROGRAM INCOME LIMITS

The income of all borrowers cannot exceed the published [CalHFA income limits](#) established for the county in which the property is located.

Lenders are required to calculate income to qualify borrower(s) for loan approval using Fannie Mae guidelines. CalHFA will use the lender's credit qualifying income to determine if the loan exceeds the maximum program income limit. Income not used by the lender for credit qualifying will not be used by CalHFA.

VIII. Property Requirements

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
 - 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

(continued on next page)

VIII. Property Requirements (cont.)

- 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.

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.

(continued on next page)

VIII. Property Requirements (cont.)

Resale Restrictions

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

Loan Assumption Policy

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

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/ACH Instructions

The Lender must provide CalHFA with lender wire/ACH 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 by submitting the written request to Purchasing@calhfa.ca.gov. Lenders will confirm wire/ACH instructions and provide contact information at the time of loan purchase upload 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 for all borrowers who are on the loan, and on title. CalHFA does not require vesting on subordinate loans. A non-purchasing spouse may not be on the vesting or the deed of trust.

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.

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.

(continued on next page)

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.

Loan Administration / Subordinate Loan Servicing

Questions relating to CalHFA subordinate loans (including follow up documents, servicing, payoffs, reconveyances, etc.) should be directed to:

California Housing Finance Agency

Loan Administration-
Subordinate Loans – MS 350
500 Capitol Mall, Suite 400
Sacramento, CA 95814
800.669.1079
subloans@calhfa.ca.gov

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.