Making Home Possible

CalHFA℠
California Housing Finance Agency

Everything you need to know about finding a home loan that's right for you and your family

INSIDE:

See how the California Housing Finance Agency can get you into your first home!

A Special Advertising Supplement

A Letter from the Executive Director

It's a very challenging time to find an affordable place to live in California, especially if you are looking to buy a home. I hope that reading the stories here will help you figure out the steps to take if you think it's time to start down the road toward your American Dream.

Helping people find a decent, affordable place to live is near and dear to my heart. I grew up in low-income housing in the Central Valley — my mother used a first-time homebuyer program to buy a small home. Homeownership is an important vehicle for transferring wealth between generations.

In this special publication, new homeowners, loan officers, real estate agents and others will share their stories. Perhaps one of them will inspire you to pick up the phone or send an email: "How do I get started?"

Good luck.

Sincerely,

Tia Boatman Patterson
CalHFA Executive Director

Security in Homeownership

CalHFA opens the door for more people to buy their first home

By Howard Hardee

Maybe you've never owned a house before, or maybe you have, but lost it during the Great Recession. Either way, a series of financial hurdles await potential homebuyers looking to jump into California's housing market and that's where the California Housing Finance Agency (CalHFA) comes in.

"There are a lot of expenses involved with buying a house that people don't realize," said Eric Johnson, a CalHFA employee of 15 years. "There's a down payment, there are closing costs that could be 3, 4 or 5 percent of the purchase price. We have programs that help out with that."

Every day, Johnson works to inform real estate agents, loan officers and first-time homebuyers about the agency's programs. In short, CalHFA offers financial assistance to people who are buying their first home. The agency serves low- and moderate-income people who are making a steady living and have decent credit. Many potential recipients might already pay about as much in rent as a monthly mortgage bill but don't have enough money saved up to cover the down payment and closing costs.

"We've found that there are lots of people out there who have steady jobs and can afford the monthly payment," Johnson said, "but it just gets harder and harder to save up that big chunk of money up front."

The MyHome Assistance Program is the agency's flagship service, which offers up to 3.5 percent of the purchase price of the home as a deferred payment. In other words, homebuyers don't have to pay back the loan until they sell or refinance the house. To qualify for the program, applicants need at least a 640 credit score and must be a first-time homebuyer, defined as not having owned a home in the past three years. (CalHFA has an Eligibility Calculator on its website, as well as a list of Preferred Loan Officers who can offer financial guidance to those seeking information about buying their first home).

> **"Homeownership is the gateway to wealth in America."**
>
> **David Acosta**
> *President of the Board, National Association of Hispanic Real Estate Professionals*

More than half of CalHFA's clients are Hispanic. David Acosta, who is president of the board of the National Association of Hispanic Real Estate Professionals, views the agency's programs as a means of enacting social and economic equality, because he knows that homeownership is often the first of many positive steps for individuals and families hoping to build better lives.

"We feel very passionately that homeownership is the gateway to wealth in America," he said. "It's one of the largest investments that most people are going to make in their lives. Building equity helps people afford college, start businesses and have a sense of belonging, security and participation in the economy."

CalHFA serves an essential role in giving families that chance to build equity by helping them finance a home of their own.

Check out their site at calhfa.ca.gov to start opening your door to homeownership.

A Home of One's Own

CalHFA can make the process of buying a home a little bit easier

By Howard Hardee

A few years ago, 28-year-old software designer Stephanie Manier was renting a 300-square-foot apartment in downtown Sacramento, and the living situation became nearly unmanageable when her then-fiance, Jerric, moved in with his young son.

"It was super cramped, and Jerric's son was very little, like, 4 years old, and it was just crazy," she said. "He decided we needed to buy a house."

Jerric, a construction worker, wanted to build equity rather than hand away a significant chunk of their income every month. Stephanie didn't know much about the wealth-building aspect of homeownership, but she was willing to learn.

"I didn't look at it that way at first," Stephanie said. "I've always lived in an apartment as an adult. Jerric was the one who told me what it would mean to buy a home, and now that we have [one], I see that we were definitely throwing money away."

They used CalHFA's MyHome Assistance Program to buy a house in Oak Park. At the time, Stephanie and Jerric were both earning steady incomes, but neither had strong enough credit histories to qualify for a traditional home loan.

When the Maniers met with a CalHFA Preferred Loan Officer (PLO), they realized their credit scores could pose problems when applying for home loans and how the down payment assistance program could help them.

> **"We felt protected, we felt safe, we felt like we understood everything."**
>
> **Stephanie Manier**
> *Homeowner*

"That's how the down payment assistance came in handy," Stephanie said. "We had enough to pay off any debts that we had, so we were able to qualify [for the loan]. If we didn't have down payment assistance, we wouldn't have been able to buy our home."

Stephanie said the process was relatively easy, thanks to the expertise of their PLOs. "We felt protected, we felt safe, we felt like we understood everything," she said. "The fact that we qualified for down payment assistance — that we even knew that was possible — was entirely due to our loan officers. It's just a lot to navigate through."

Now married, the Maniers are putting down roots in the neighborhood and have more elbow room to raise their family. Of the many personal benefits that come with owning a home, Stephanie most values the sense of community that comes with having their own small part of Sacramento.

"I like that it's yours," she said. "There's something to be said for being a part of a community and contributing to a place where you want to raise your family. It makes you more aware of what's happening in your city when you become a permanent part of it."

Money In YOUR Pocket

You could save thousands of dollars by "breaking up with your landlord" and buying a home, according to Milt Sharp, Jr., president of eHome America in Washington, D.C. Rent payments go straight into your landlord's pocket every month, and by the time the holidays roll around, you've probably paid your landlord about $10,000 — and don't have much to show for it.

Here are more reasons to consider becoming a homebuyer:

Stable housing

Rent can be drastically increased, sometimes with little warning, leading to unpredictable housing costs and lack of security.

Tax incentives

As a general rule, most homeowners can **deduct most or all of the interest payments** on their home loan, as well as property taxes and loan points. (Check with a tax adviser about your situation.)

Wealth accumulation

A homeowner pays down a mortgage over time. As you pay down the mortgage, you **build equity** — the difference between the home's value and what you owe. You can use that increased equity to finance education, pay off high-interest credit card debt, start a business or make home improvements.

Niki (left) and Andy Wallace (right) sit with their kids, Zeke and Andy Jr., on the steps of the home they bought with the help of CalHFA's down payment assistance program.
PHOTO BY ANNE STOKES

A Second Chance

Sacramento couple become proud homeowners once again

by Thea Marie Rood

The Great Recession of 2008 hit many people hard, particularly in California, where the sudden drop in home prices left millions of homeowners owing more to the bank than their properties were worth.

Niki and Andy Wallace — a stay-at-home mom and a construction superintendent — are one couple who struggled through the housing crash. They ended up losing their home in 2009, right around the time of their first son's birth. The event was stressful and discouraging — and left them both doubtful they could ever purchase another home.

"We'd been renting for seven years," Niki said. "Then we started working with our lender to come back into the market. They introduced us to the CalHFA program."

With this program, the Wallaces were able to purchase a three-bedroom, two-bath home in Carmichael for their family, which has grown to include two children — Andy Jr., 10 and Zeke, 4 — and a menagerie of pets.

> **"We are hitting the second chapter of our adulthood, and it's what we needed to do to settle down."**
>
> **Niki Wallace**
> *Homeowner who used CalHFA down payment assistance*

"We have a dog, a kitty, a rabbit and a tortoise," Niki said with a laugh.

The house is in good shape, but was last remodeled in the 1980s, "so it needs some updating," Niki said. After a tree fell on the master bedroom this past winter, they were forced to make some renovations. "I wish it had fallen on my kitchen," Niki joked.

The property also has a pool, something they were intent on having if they stayed in the Sacramento Valley.

"The boys love it a lot," said Niki. "And we're making friends in the neighborhood."

Even though the Wallaces previously owned property, they were still eligible for CalHFA's down payment assistance program because they sold their home more than three years ago, making them "first-time homebuyers" under CalHFA's guidelines.

"It's a silent second mortgage that helps you get into the home," said Andy, who added you don't make payments on this loan until the first is paid off. "If you refinance or sell your home, then you have to pay it back."

The Wallaces also agree the program was extremely easy to use. "It was really just a couple more signatures," Andy said.

Mostly, they are grateful to be homeowners once again.

"We are hitting the second chapter of our adulthood, and we need to plan long-term for our financial future and retirement," Niki said. "It's what we needed to do to settle down."

What 'First-time Homebuyer' Means

To qualify for CalHFA's down payment assistance programs, you must be a "first-time homebuyer."

Surprisingly, that doesn't mean this has to be the first home you've ever bought.

A first-time homebuyer is defined as:

- ✔ Someone who has never owned a home, or
- ✔ Someone who has not owned and occupied their primary residence for the last three years.

That means if you owned your home **three or more years ago**, but sold it, you are right back to being a first-time homebuyer again – and you can take advantage of all of the benefits of CalHFA's first-time homebuyer programs.

Unique Benefits of CalHFA Loan Programs

Down Payment Assistance

Lacking a down payment is often the biggest barrier for people hoping to buy a home. But CalHFA's MyHome Assistance Program and School Teacher and Employee Assistance Program help buyers cross this hurdle with "silent" second mortgages that are deferred until the home is sold, refinanced or paid in full.

Closing Costs Assistance

Both MyHome Assistance and the School Program, in addition to CalHFA's Zero Interest Program, can also be used for closing costs, up to 3.5 percent of the purchase price.

Wider Range of Eligible Properties

CalHFA doesn't limit people to a specific geographical area or neighborhood. Some CalHFA loans can also be used to purchase condos, townhouses, properties with granny flats and manufactured homes.

More Generous Limits

CalHFA loans allow for higher incomes than many other programs and have a single state-wide purchase price limit of $765,000.

Real estate agent Cheryl Lacy considers it a calling to help people find and buy their own home.
PHOTO BY BRIAN AVERILL

A Professional's View

Real estate agent says CalHFA makes it easier for clients to buy their first home

by Thea Marie Rood

For many real estate agents, finding homebuyers their dream home is not just a business — it's a calling.

"It's my passion to get people into homes," said Cheryl Lacy, MBA, a real estate broker and the owner of Lacy Realty in San Dimas. "Our clients come from all different backgrounds and different socioeconomic groups, so we need the knowledge base to make sure our clients are in the best [loan] product."

Lacy particularly likes the CalHFA programs because she believes they address the biggest obstacles to homeownership: the lack of a down payment, student loan debt and poor credit.

Lacy recommends the deferred-payment programs to clients because they won't have to start repaying that loan until their mortgage is paid off. Plus, when paired with the CalPLUS FHA and CalPLUS Conventional loans, the Zero Interest Program offers up to 3% toward closing costs as well.

According to Lacy, CalHFA's income limits are more generous than other down payment assistance programs, too — they change often, so it's best to look at the website or talk with a Preferred Loan Officer.

"It really opens the door to a lot of professional people," Lacy said. "Most teachers are making $60,000 or $70,000, and it gets them over that threshold."

> **"CalHFA is really designed to promote homeownership."**
>
> **Cheryl Lacy**
> *Real Estate broker and owner, Lacy Realty*

"Unfortunately, in almost all of my cases [with younger buyers], they are carrying student loan debt," she said. "It's a tremendous issue."

In part, because of debt, prospective homebuyers also can struggle with a low credit score.

"Financial literacy is not taught in our schools, and poor use of credit cards or helping family members can pull your credit rating down," Lacy said. "We have some nonprofit credit repair services that help buyers, but CalHFA requires a score of 640."

Lacy also suggests that CalHFA programs offer low- to moderate-income buyers a wider range of options. "Other down payment assistance programs can be limited to a certain geographical area," she said, but CalHFA can be used in any neighborhood in the state and for various types of properties, including condos, townhomes, properties with granny flats and manufactured homes. "It widens the pool [of choices]."

Lacy has helped many of her clients use CalHFA and urges other real estate agents to become well-versed in the programs, especially because the review times are so quick due to CalHFA's streamlined processing.

"CalHFA is really designed to promote homeownership," she said. "I just think overall it's a great opportunity for people to buy a home."

Preferred Loan Officer Shelly Haines answers questions about home loans for interested homebuyers.
PHOTO BY ANNE STOKES

Lending Support

A Preferred Loan Officer can answer your questions about CalHFA's programs

by Howard Hardee

Sacramento area loan officer Shelly Haines easily establishes real connections with her clients thanks to her warm personality and big laugh. Not only does the personal touch help her understand first-time homebuyers, but it also makes her job more meaningful. During her 30-year career with Neighbor's Financial Corporation, she has become a CalHFA Preferred Loan Officer (PLO) by closing countless CalHFA loans in the Sacramento area, helping locals discover that they can, in fact, afford a down payment on a house — a process she finds greatly rewarding.

"The clients I most remember are my first-time homebuyers, the people who use the CalHFA down payment assistance program," she said. "Those are the clients who are most appreciative and grateful, and they're just so happy to own a house."

Those interested can learn about CalHFA's financing options and eligibility requirements by contacting a Preferred Loan Officer like Haines. Haines runs through a list of pros and cons associated with different types of loans based on a number of factors, such as the homebuyer's budget, employment and credit history. That information helps her identify whether clients are eligible for the CalHFA down payment assistance program — often the first step toward homeownership.

> **"They make it so easy for CalHFA loans, it's crazy to me that people don't do it more often."**
>
> **Shelly Haines**
> *Loan Officer, Neighbor's Financial Corporation*

Why do you think CalHFA loans are a good option for first-time homebuyers?

The great thing about the program is that it fits all sorts of different buyers. They make it so easy, it's crazy to me that people don't do it more often.

Are people generally aware of the down payment assistance program?

The biggest problem is that people just don't know about it. A lot of times, maybe even the real estate agent doesn't know about the program, and then the homebuyer may not have all the information.

Do potential homebuyers have misconceptions that CalHFA loans take longer than other loans, or involve jumping through more hoops?

Usually homebuyers don't think that, but sometimes sellers and real estate agents think that it might take longer, which is a myth. If you're working with an experienced loan officer that specializes in CalHFA, you can easily close the loan within 20 or 30 days, if not sooner. Sometimes, the seller might think that it's too expensive, or that they will lose money if they participate in the down payment assistance program, which is also a myth. The program can cover all the closing costs, so they're not out anything.

Is the down payment often the biggest hurdle for first-time homebuyers to clear?

Yes. I tell clients all the time: "If you can comfortably budget the house payment but you just don't have the down payment and closing costs saved up, this program is perfect for you. You'd be crazy not to do it."

Loan Officers Welcome

CalHFA Preferred Loan Officer Shelly Haines finds great satisfaction in helping first-time homebuyers live their American Dream.

CalHFA uses a network of Preferred Loan Officers (PLOs) to help market and sell its products to low- and moderate-income homebuyers. **The agency invites loan officers to become PLOs** after purchasing at least eight first mortgages from them in a six-month period.

These loan officers must work for an approved lender or broker loans through one, participate in annual trainings and demonstrate high levels of knowledge about mortgages and loan processes. PLOs are provided sales leads from the hundreds of phone calls and web hits received by CalHFA each month.

Interested loan officers can go online at **www.calhfa.ca.gov** to learn more about CalHFA's programs, including the down payment assistance program.

"I am a big fan of the program," Haines said. "It helps people who don't think they can get in a home, get in a home."

The Nuts and Bolts

One of CalHFA's programs might be right for you

by Thea Marie Rood

How do I apply?

There are a variety of CalHFA programs available to homebuyers, but it's important to know CalHFA is not a direct lender and doesn't accept applications. Instead, borrowers go through a private loan officer who has been approved and trained by CalHFA and can help determine which program is best.

Can CalHFA help with my down payment?

CalHFA has down payment assistance programs in the form of "junior" loans. Also called "silent second mortgages," these are often no- or low-interest and do not have to be paid during the life of the first mortgage. Borrowers pay them back when they sell the property or after the first mortgage is paid in full.

What are some general eligibility requirements?

Income: Income limits vary by county, ranging from $128,000 at the lower end to over $200,000 in some coastal areas.

Credit Score: Credit score requirements and debt-to-income ratios are more forgiving than many other loan programs. Talk to your lender about your specific situation.

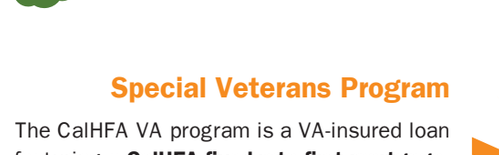
What documents will I need for the loan officer?

- Pay stubs
- Bank statements
- Employment history
- Previous tax returns

Are there property requirements?

Property Sales Price: CalHFA's statewide property sales price limit may change; as of printing it was $765,000.

Types of property: Eligible property must be owner-occupied, and most programs allow condos, town homes, manufactured homes and properties with guest houses or granny flats.



Special Veterans Program

The CalHFA VA program is a VA-insured loan featuring a **CalHFA fixed-rate first mortgage**. Borrowers must have a valid certificate of eligibility from the VA and must take a Homebuyer Education and Counseling Course.

School Teacher and Employee Assistance Program

Teachers, administrators, school district employees and staff members working for California K-12 public schools are eligible for **School Program subordinate loans** up to 4 percent of the purchase price (to be used for the down payment and closing costs). Borrowers must be first-time homebuyers (or haven't owned their own home in the past three years). They must complete a Homebuyer Education and Counseling Course.

Homeownership Made Easy

Getting started as a homebuyer with CalHFA is as easy as 1-2-3-4

1 Visit **www.calhfa.ca.gov** and use the Eligibility Calculator to find out more about your home loan assistance options.

2 Speak with a Preferred Loan Officer — there are hundreds to choose from — to find out if you qualify and how much home you can afford.

3 Complete a homebuyer education and counseling course.

4 Find a real estate agent and go house-hunting.

It's that easy!

Did You Know?

If you have marginal or bad credit, you should still talk to one of CalHFA's Preferred Loan Officers. They can work with you to get your score up to where it needs to be. Some people work with their loan officer for more than a year, so the best time to start is now!

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