



CALIFORNIA HOUSING FINANCE AGENCY

Forgivable Equity Builder Loan

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Program Summary

Home equity has proven to be one of the strongest ways for families to build and pass on intergenerational wealth and CalHFA is committed to improving equitable access to homeownership for all Californians. The Forgivable Equity Builder Loan, which gives first-time homebuyers a head start on this with immediate equity in their homes via a loan that is forgivable if the borrower continuously occupies the home as their primary residence for five (5) years after closing.

The Forgivable Equity Builder Loan (Forgivable Loan) is a forgivable subordinate loan program that may only be used with a CalHFA first mortgage. Your first-time homebuyer, with income < 80% AMI can use this Forgivable Loan for down payment and closing cost assistance.

Participating Lenders

This program is only available through a [CalHFA-approved lender](#).

Brokers must work through a [CalHFA-approved wholesale lender](#) to process your CalHFA loan.

Eligible buyers

This program is for first-time homebuyers purchasing an owner-occupied property anywhere in California.

Eligibility

Borrower Requirements

Each borrower must:

- Be a first-time homebuyer
 - › Exceptions to first-time homebuyer requirement:
 - » Borrowers using HUD Section 184 Indian Home Loan Guarantee Program
 - » Borrowers using FHA Section 203(h) Program
- Previous property must:
 - Be located in an area declared as a Major Disaster in California and posted on the Federal Emergency Management Agency (FEMA) website
 - Have been the borrower's primary residence
 - Have been destroyed or declared uninhabitable with supporting documentation supplied from either (i) the insurance company or (ii) the local government jurisdiction
 - Borrowers affected by a declared Major Disaster are eligible to purchase a new home using CalHFA loan programs within one (1) year of that Major Disaster's declaration date
- 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.
- Meet credit, income and loan requirements of CalHFA's first mortgage loan program, the CalHFA-approved lender, CalHFA's Master Servicer, Lakeview Loan Servicing and the mortgage insurer/guarantor

Homebuyer Education

Homebuyer Education is required. Please refer to the [CalHFA first mortgage program handbook](#) for full details.

First-Time Homebuyer Definition

To qualify for the Forgivable Equity Builder Loan, all borrowers, including co-borrowers must reside in the home and meet the definition of a first-time homebuyer.

A first-time homebuyer is defined as a borrower who has not had an ownership interest in any principal residence or resided in the home owned by a spouse during the previous three years.

Owner Occupancy

- All borrowers must occupy the property as their primary residence within sixty (60) days of closing
- Non-occupant co-borrowers are not allowed
- Non-occupant co-signors are not allowed

Property Requirements

Property must meet the requirements of the applicable CalHFA first mortgage. Please refer to [CalHFA first mortgage program handbooks](#) for full details.

Underwriting & Compliance

Term

The term of the Forgivable Loan matches the term of the CalHFA first mortgage not to exceed thirty (30) years. Payments on Forgivable Loan are deferred for the life of the first loan. The Forgivable Loan is due and payable when certain events occur.

Maturity of the Forgivable Loan will be the earliest of the following:

- Term of the mortgage
- The date the loan is fully forgiven
- Repayment of the principal and interest on the Forgivable Loan at the earliest of the following events:
 - › Transfer of title
 - › Sale of the property
 - › Payoff of the first loan
 - › Refinance of the first loan
 - › The formal filing and recording of a Notice of Default (unless rescinded)

This loan is not assumable.

Repayment of the Forgivable Equity Builder Loan

If the borrower(s) occupy the home for five (5) years, the full amount of the Forgivable Loan is forgiven. Any Forgivable Loans paid off prior to the five-year term will be forgiven on an annual pro-rated basis.

Potential Tax Consequences

CalHFA loan servicing will issue a 1099 to borrowers on an annual basis when the loan is partially forgiven. Borrowers should seek the advice of their tax advisor.

Maximum Forgivable Equity Builder Loan Amount

First Mortgage	Maximum Forgivable Loan Amount
CalHFA FHA, CalHFA USDA, CalHFA VA or CalHFA Conventional	10% of the sales price or appraised value, whichever is less
CalPLUS Conventional, CalPLUS FHA	Not allowed

LTV and CLTV

Loan-to-Value (LTV) to follow the applicable mortgage insurer/guarantor investor guidelines, CalHFA's Master Servicer, Lakeview Loan Servicing and the applicable CalHFA first mortgage underwriting guidelines.

Maximum Combined Loan-to-Value (CLTV) cannot exceed 105%.

Income Requirements

Lenders are required to calculate income to qualify borrower(s) for loan approval using investor 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.

Maximum Income Limits

Borrower(s) income \leq 80% AMI per [Fannie Mae lookup tool](#)

- For Conventional loans use the first submission date
- For Government loans use the CalHFA reservation date

Underwriting

- Meet the requirements of the CalHFA first mortgage. Please refer to CalHFA first mortgage program handbook for full details
- Forgivable Loan may be used for down payment and/or closing cost. Forgivable Loan funds may not be used to pay off borrower debt. Borrower(s) may not receive any cash back from the Forgivable Loan. Any excess funds must be applied as a principal reduction.
- MyHome Assistance Program May Not be combined with a CalHFA first mortgage with the Forgivable Loan.

Minimum Credit Score & Qualifying Ratios

- Follow the guidelines in the applicable CalHFA first mortgage program handbook for minimum credit score requirements.
- Follow the guidelines in the applicable CalHFA first mortgage program handbook for maximum total Debt-to-Income ratio requirements.

Fees

Lender may charge a maximum total processing fee of \$50. All other normal customary third-party fees are allowed.

Forgivable Equity Builder Loan Documents

The following subordinate loan documents must be submitted for purchase by CalHFA

- [Forgivable Down Payment Assistance Note](#)
- [Subordinate Deed of Trust](#)

Questions

Questions regarding the Forgivable Loan should be directed to [CalHFA-approved lenders](#) or CalHFA's Single Family Lending Division at:

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