This handbook is valid for loans rate locked on or before 11/04/19

CALIFORNIA HOUSING FINANCE AGENCY

Cal-EEM + GRANT Loan Program

LAST REVISED: FEBRUARY 1, 2019

Table of Contents

I. Program Summary **1**

II. Eligibility **1**

a. Borrower Requirements
b. Eligible Homebuyers
c. Homebuyer Education
d. Owner Occupancy
e. Property Requirements
f. Energy Efficient Mortgage (EEM) + Grant 3
g. Lender Eligibility Requirements
h. Broker Eligibility Requirements 4

III. Underwriting & Compliance **4**

a. Transaction type
b. Term
c. FHA's Section of the Act
d. LTV and CLTV
e. Maximum Loan Amount
f. FHA High Balance Loan Limits
g. Maximum Cal-EEM Grant
h. Repayment of Cal-EEM Grant
i. Maximum Sales Price Limits
j. Income & Sales Price Limits
k. Income Requirements 5
l. Qualifying Ratios
m. Minimum Credit Score
n. Underwriting Type
o. Sales Concessions/Contributions
p. Miscellaneous Lakeview Loan Servicing Underwriting Guidelines 6

IV. Subordinate Financing **6**

a. CalHFA Subordinate Financing
b. Borrowers affected by natural disasters in California 7
c. Non-CalHFA Subordinate
d. Other Programs and Assistance

V. CalHFA Loan Process (Submission, Approval & Purchase) **8**

VI. Fees **9**

a. Servicing Release Premium (SRP)
b. Lender Allowable Fees (Origination & Processing)
c. Master Servicer Fees

This handbook is valid for loans rate locked on or before 11/04/19

Table of Contents (cont.)

VII. Reservations, Rate Locks & Extensions **9**

a. Reservations and Rate Locks

VIII. Basic Home Protection Coverage **10**

a. Mandatory Home Warranty Insurance Coverage

IX. Pre-Closing Loan Submission **11**

a. Loan Submission Process
b. Forms
c. Prepaid Overnight Courier Label

X. Post-Closing Loan Delivery & Purchase **11**

a. All CalHFA First Loans:
b. All CalHFA Subordinate Loan(s): 12
c. Checklists

XI. Post-Closing Loan Delivery & Purchase (cont.) **12**

XII. Frequently Asked Questions **13**

a. Sale Tools And Marketing Materials 18

This handbook is valid for loans rate locked on or before 11/04/19

This handbook is valid for loans rate locked on or before 11/04/19

Program Summary

The CalHFA Energy Efficient Mortgage (Cal-EEM + Grant) loan program combines an FHA-insured first mortgage (Cal-EEM) loan with an additional grant (EEM Grant), allowing energy efficient improvements over and above the FHA maximum allowable EEM loan amount.

The EEM Grant is only available with the Cal-EEM first mortgage. The EEM Grant is for up to 4% of the first mortgage total loan amount, including Up Front Mortgage Insurance Premium (UFMIP). The EEM Grant can be used towards the HERS Report neutrality rating and may allow more borrowers to use the FHA EEM program without additional funds out of their pocket.

The Cal-EEM + Grant can be combined with the MyHome Assistance Program (MyHome) or School Teacher and Employee Assistance Program (School Program).

The Cal-EEM first mortgage loan is not subject to Recapture Tax.

Eligibility

Borrower Requirements

Each borrower 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 the credit, income and loan requirements detailed in this program handbook, CalHFA Lender Manual, FHA, the CalHFA-approved lender, and CalHFA's master servicer's requirements.

Eligible Homebuyers

This program is available for both first-time and non-first-time homebuyers

Homebuyer Education

Homebuyer Education counseling is required for one first-time homebuyer.

Homebuyer Education is not required for non-first-time homebuyer(s).

- Online Homebuyer Education through eHome™
- Face-to-Face Homebuyer Education through NeighborWorks America or through one of the HUD approved Housing Counseling Agencies

Owner Occupancy

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

Property Requirements

- Sales price of the home cannot exceed CalHFA's sales price limits established for the county in which the property is located
- Property must be a single-family, one-unit residence, including FHA-approved condominium/PUDs. It is the responsibility of the lender and not the master servicer to meet these guidelines.

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Eligibility (cont.)

- Manufactured homes are permitted with the following parameters:
  - Minimum credit score: 660
  - Maximum LTV: 96.50%
  - Maximum CLTV: 105.00%
  - Singlewide manufactured homes are not eligible
  - Not available on Limited 203(k)
  - Manual Underwriting is not permitted on manufactured homes
  - All manufactured homes must meet FHA 4000.1, Master Servicer and CalHFA loan program requirements

Additional Property Guidelines

- Accessory Dwelling Units (ADU), Guest houses, "granny" units, and "in-law" quarters, are eligible
  - Must be zoned for Single Family Occupancy
  - Cannot be zoned for 2-4 units
  - Must meet investor guidelines and city/county zoning ordinances
- Leasehold Estates
  - Must follow FHA guidelines
  - All Leasehold Estate documentation must be submitted to CalHFA's Master Servicer with purchase package for review and approval
- Land Trusts and Co-ops are not permitted
- Non-permitted additions/alterations must follow FHA guidelines
- Lot size cannot exceed five (5) acres maximum
- Properties must meet the requirements of FHA and the California Health and Safety Code
- Refer to the Lakeview program matrix for their Disaster Policy
  - See Lakeview Correspondent Lending website for details
- 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

Property Flipping

- Follow FHA first-mortgage underwriting guidelines

CalHFA requires a copy of all appraisals as required by FHA.

When multiple appraisals are required, CalHFA will base the subordinate loan amount(s) on the lesser of the sales price or lowest appraised value.

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This handbook is valid for loans rate locked on or before 11/04/19

Eligibility (cont.)

This handbook is valid for loans rate locked on or before 11/04/19

Energy Efficient Mortgage (EEM) + Grant

Required Documents

- Home Energy Rating System (HERS) Report
- Energy Efficient Mortgage Worksheet
- CalHFA Supplemental Energy Efficient Mortgage Worksheet
  - HUD-1 must clearly label the funds being held for energy improvements

Final Settlement Statement must clearly label the funds being held for energy improvements.

Examples of improvements per HERS report may include:

- Replacing a furnace/cooling system
- Fixing or replacing a chimney
- Insulating an attic, crawl space and/or pipes and air ducts
- Replacing doors and windows
- Installing active and passive solar technologies
- Updating of refrigerator and/or dishwasher

EEM Facilitators are recommended to assist lenders in the process. Optional Facilitators in California include but are not limited to:

- Andler Building Company www.andlerbuildingco.com
- EEM Services www.HomebuyersRight2Know.com
- GREEN Facilitation Services William E. Blair eemgreen@gmail.com
- GreenerSolutions www.gshomeservices.com
- Grupe Home Star www.grupehomestar.com

Rebates

- Rebates from utility companies, state and/or local government agencies may also be obtained by the borrower. To qualify for additional rebates, it is recommended to follow the Building Performance Institute (BPI) guidelines.
- The California Association of Realtors (CAR) offers the Realtor Energy Audit Program (R.E.A.P.) – which will reimburse borrowers up to $250 toward the cost of the Energy Audit.
  - R.E.A.P. application

Lender Eligibility Requirements

To be eligible for this program lenders must be approved by:

- CalHFA
- FHA

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Eligibility (cont.)

- Lakeview Loan Servicing (LLS), CalHFA's master servicer. To seek LLS approval contact the Counterparty Risk Management team at CRM@Lakeviewloanservicing.com

Broker Eligibility Requirements

Mortgage brokers can find a list of participating CalHFA-approved wholesale lenders on CalHFA's mortgage broker webpage

Underwriting & Compliance

Transaction type

Purchase transactions only

Term

Up to 30 years

FHA's Section of the Act

CalHFA will accept the following FHA Section of the Act mortgage types, per FHA guidelines:

- 203(b) Home Mortgage Insurance
- Limited 203(k)

LTV and CLTV

Loan-to-Value (LTV) must follow FHA first mortgage underwriting guidelines

Combined Loan-to-Value (CLTV) cannot exceed 105.00%*

*Base FHA loan amount without EEM + all subordinate loans

Maximum Loan Amount

The maximum loan amount (excluding UFMIP) cannot exceed FHA loan limits for the county in which the property is located.

FHA High Balance Loan Limits

All loans with a base loan amount exceeding $484,350 will be subject to an additional fee. See CalHFA rate sheet for applicable fees.

All FHA High Balance Loan fees will be net funded at the time of first mortgage purchase by the master servicer.

Maximum Cal-EEM Grant

The maximum EEM Grant will be the lesser of 4% of the first mortgage total loan amount or the maximum amount approved under the HERS Report less the maximum FHA EEM amount.

Repayment of Cal-EEM Grant

If the borrower(s) occupy the home for three (3) years, the full amount of the grant is forgiven. If the home is owner-occupied less than three (3) years, the grant must be repaid on a pro-rated basis.

Maximum Sales Price Limits

The Sales Price of the home cannot exceed CalHFA Sales Price Limits for the county in which the property is located.

Income & Sales Price Limits

The following reference materials disclose income and sales price limits by county:

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This handbook is valid for loans rate locked on or before 11/04/19

Underwriting & Compliance (cont.)

1. CalHFA Income Limits
2. Sales Price Limits

Income Requirements

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

Qualifying Ratios

The maximum total Debt-to-Income (DTI) ratio cannot exceed 45.00% for automated underwriting or 43.00% for manual underwriting. A MCC may not be used for credit qualifying purposes.

Minimum Credit Score

- Credit Score 640
  - Manually Underwritten loans: 660
  - Manufactured Housing: 660
- A borrower with no credit score may be eligible as long as an occupant borrower(s)has a credit score that meets the minimum representative credit score requirement and all manual underwriting guidelines are followed
  - Non-traditional credit is not accepted
- When all borrowers have a credit score, they must meet the minimum representative credit score requirements. The middle score of the lowest-scoring borrower should be used to determine eligibility
  - If a tri-merged credit report is used, use the middle score
  - If a merged credit report only returns two scores, use the lower score
  - If a merged credit report only returns one score, that score must be used

Underwriting Type

Automated Underwriting: All loans must be submitted through FHA Total Scorecard through either Fannie Mae Desktop Underwriter (DU®) or Freddie Mac Loan Product Advisor (LPA®.) If findings returned are refer/eligible, follow manual underwriting guidelines.

Other customized automated underwriting systems are not acceptable

Manual Underwriting is allowed with the following parameters:

- Maximum DTI ratio: 43.00%
- Minimum Credit Score: 660
- Must meet FHA requirements
- Not permitted on Manufactured Homes

Sales Concessions/Contributions

Concessions/contributions as per FHA guidelines except for the following:

- Payment of condominium fees

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This handbook is valid for loans rate locked on or before 11/04/19

Underwriting & Compliance (cont.)

- Personal property
- Down payment assistance
- See Lakeview Correspondent Lending website for additional requirements

Miscellaneous Lakeview Loan Servicing Underwriting Guidelines

- Credit Underwriting is the responsibility of the originating lender
- Underwriters must consider the income, assets, liabilities and credit histories of co-signers
- Underwriters should:
  - Make sound credit decisions
  - Assure data integrity
  - Include all necessary documents in support of the underwriting decision
- Tax transcripts are required for all years that income is used for credit qualifying
- Non-arm's length transactions must be fully disclosed
- Appraiser must meet all master servicer guidelines, see Lakeview Correspondent Lending website for details
- 2-1 or 1-1 temporary buydowns are permitted as per FHA and master servicer guidelines
  - Loan must be credit qualified at Note rate

In the case of conflicting guidelines, the lender must follow the more restrictive to meet the credit, income limits, total debt-to-income ratio and loan and property requirements of CalHFA, FHA, the lender or the master servicer.

All loans are subject to audit by both CalHFA and Lakeview Loan Servicing.

Subordinate Financing

CalHFA Subordinate Financing

This program may be layered with the following down payment and/or closing cost assistance options for first-time homebuyers only; unless the borrower has been affected by a California natural disaster as described below.

- MyHome Assistance Program (MyHome)
  - May be used for closing cost and/or down payment assistance
  - In the case of conflicting guidelines, the lender must follow the more restrictive
  - Must be recorded in Second Lien Position
  - For full MyHome underwriting guidelines and details see the MyHome Program Handbook
- School Teacher and Employee Assistance Program (School Program)
  - May be used for down payment assistance and/or closing cost
  - In the case of conflicting guidelines, the lender must follow the more restrictive

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This handbook is valid for loans rate locked on or before 11/04/19

Subordinate Financing (cont.)

- Must be recorded in Second Lien Position
- For full School Program underwriting guidelines and details see the School Program Handbook

MyHome and School Program may not be combined.

Borrowers affected by natural disasters in California

To be eligible for CalHFA Financing:

- Previous property must be located in an area declared as a Major Disaster and posted on the Federal Emergency Management Agency (FEMA)website
- Previous property must have been the borrower's primary residence
- Previous property must 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 three (3) years of that Major Disaster's declaration date

Non-CalHFA Subordinate

This program may be layered with locality programs to be used for closing costs and/or down payment assistance as per individual requirements.

- The locality subordinate loan must meet FHA underwriting guidelines
- The maximum CLTV must meet CalHFA requirements
- In the case of conflicting guidelines, the lender must follow the more restrictive
- Must be recorded in subordinate lien position to CalHFA Subordinate Financing

Other Programs and Assistance

This program may be layered with a Mortgage Credit Certificate (MCC). The MCC credit may not be used for credit qualifying purposes.

This handbook is valid for loans rate locked on or before 11/04/19

CalHFA Loan Process (Submission, Approval & Purchase)

This handbook is valid for loans rate locked on or before 11/04/19

The lender must upload to CalHFA's MAS a fully approved loan package per CalHFA's Loan Submission Checklist for program policy, compliance review and desktop underwriting validation.

CalHFA will review loan files on a first-come, first-served basis. CalHFA reviewers will notify lenders of each conditional loan approval, suspension and/or rejection via MAS.

Suspended loan files will not be reviewed until all suspense items are uploaded to MAS.

Once the Notice of Commitment has been issued CalHFA will send the EEM Grant Lien Agreement and Escrow Instructions to escrow. Escrow or lender shall submit an EEM Funds Request form two (2) business days prior to loan funding. Any request received after 2:00 p.m. will be processed the next business day. CalHFA will directly wire funds to escrow less the $25.00 wire fee.

Escrow must close within ten (10) business days of the original wire date or funds must be immediately returned to CalHFA. Additional wire requests will incur a $25.00 wire fee.

Once escrow closes, final Closing Disclosure and escrow certified copy of lien agreement with recording information must be received by CalHFA within twenty-four (24) hours of recording.

After closing, the lender will upload a closed first mortgage purchase package to CalHFA's master servicer, Lakeview Loan Servicing and any CalHFA subordinate loan (i.e. ZIP, MyHome or School Program) purchase package(s) to CalHFA for purchase.

Lenders must submit applicable ZIP, MyHome or School Program purchase packages to CalHFA at the same time the first mortgage is submitted to the master servicer to ensure that the purchase of all loans meet the rate lock expiration.

All loans must meet the rate lock expiration date.

Escrow or lender shall retain EEM Grant funds until all improvements have been completed and the lender has authorized release of funds. Escrow or lender to provide CalHFA confirmation of all work completed and that escrow holdbacks are released. If all work is not completed and funds are not disbursed within ninety (90) days of escrow closing, any unused Cal-EEM Grant funds must be returned to CalHFA.

This handbook is valid for loans rate locked on or before 11/04/19

Fees

Servicing Release Premium (SRP)

- Lenders will earn a 1.00% Service Release Premium to release servicing to Lakeview Loan Servicing (LLS) at time of purchase
- LLS will purchase loans directly from lender on a daily basis.

Lender Allowable Fees (Origination & Processing)

- Customary lender origination fees not to exceed the greater of 3% of the loan amount or $3,000
- Other customary third party fees such as credit report fee, appraisal fee, insurance fee or similar settlement or financing cost
- In all cases the lender must meet federal and California lending laws regarding fees and charges

Master Servicer Fees

- LLS funding fee is $250 per loan
- Tax Service fee to LLS is $75 per loan
- Life of Loan Flood Certificate fee to LLS is $10 per loan
- Funding fees paid by the borrower or seller must be disclosed and documented on the final Closing Disclosure
- Other customary master servicer fees may apply
- LLS will not purchase High Cost Loans
- Lenders should refer to their legal/compliance department on how to disclose fees

Reservations, Rate Locks & Extensions

Interest rates are available on the CalHFA Interest Rate page. Interest rates are subject to change at any time without notice.

Reservations and Rate Locks

- Reservations with a floating rate will be accepted from 6:00 a.m. to 11:59 p.m. Pacific Time, seven days a week
- Rate locks will only be accepted between the hours of 8:00 a.m. to 3:00 p.m. Pacific Time, Monday through Friday, excluding state-recognized holiday, and days that the U.S. financial markets are closed for business. Only lenders with full MAS access may lock the interest rate
- Lenders will have the option to float (90 days for existing/resale properties or 120 days for new construction properties) or lock the interest rate for sixty (60) days for both existing/resale properties and new construction properties
- All CalHFA subordinate loan(s) will receive the same reservation, lock and purchase periods as the CalHFA first mortgage
- Lender should factor in its own processing/underwriting time frames, as well as CalHFA compliance review, and master servicer review

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Reservations, Rate Locks & Extensions (cont.)

for purchase time frames when locking interest rates and submitting loan files

- Lenders may not lock a loan in MAS with an interest rate that is higher than the interest rate reflected on the CalHFA Notice of Commitment
- If the current rate is higher than the rate on the CalHFA Notice of Commitment, please resubmit all updated loan documents at the higher rate including Approved/Eligible DU® findings, lender-signed HUD 92900-LT, and final underwriting approval for CalHFA's re-approval

Delivery Timeframes and Extensions:

- Files should be received by the master servicer by the 45th day or earlier, to ensure time to clear conditions and purchase prior to rate lock expiration
- CalHFA offers rate lock extensions in 15 day increments up to a maximum of 120 days from the original expiration date
- Under no circumstances will CalHFA extend a rate lock period longer than 120 days for both existing properties or new construction properties from the original expiration date
- Please see the Rates & Reservation page for full details and FAQs

Basic Home Protection Coverage

Mandatory Home Warranty Insurance Coverage

- CalHFA requires that all first-time homebuyer(s) obtain a one-year home warranty protection policy
  - Non-first-time homebuyers are not required to obtain a home warranty protection policy
- The insurance must cover the following items at a minimum:
  - Water Heater(s)
  - Air Conditioning
  - Heating
  - Oven/Stove/Range
- Home Warranty to be paid through close of escrow
- Home Warranty must be disclosed on Final Closing Disclosure or copy of insurance declaration page will be required
- Exception to Home Warranty:
  - If borrower is purchasing a new construction property from a builder and the builder is providing the home warranty
  - Borrower is not a First Time Homebuyer

This handbook is valid for loans rate locked on or before 11/04/19

This handbook is valid for loans rate locked on or before 11/04/19

Pre-Closing Loan Submission

Loan Submission Process

A lender makes reservations through CalHFA's Mortgage Access System (MAS). Refer to the Loan Submission Checklist for minimum documentation requirements.

Cal-EEM + Grant loan submission packages are to be sent electronically through MAS.

Forms

The following forms will be needed when submitting a Cal-EEM + Grant loan to CalHFA:

1. CalHFA Borrower Affidavit
2. Cal-EEM + Grant Supplemental Worksheet
3. Cal-EEM + Grant Request for Funds

Prepaid Overnight Courier Label

Prepare and include a self-addressed/prepaid overnight courier service label

- Cal-EEM + Grant Lien Agreement and Escrow Instructions will be sent by regular mail to the escrow company if overnight courier service label is not provided in package

Post-Closing Loan Delivery & Purchase

All CalHFA First Loans:

- Use the master servicer Loan Purchase Checklist located on the Lakeview Correspondent Lending website to ensure you are submitting a complete and accurate package.
- Notes are to be endorsed to Lakeview Loan Servicing, LLC
- Deed of Trust to be assigned to Lakeview Loan Servicing, LLC
  - › All loans must be registered with Mortgage Electronic Registration Systems (MERS) at the time of delivery to Lakeview Loan Servicing, LLC, and MERS transfer of beneficial rights of servicing rights must be initiated by the Lender, to Lakeview Loan Servicing, LLC within 24 hours of loan purchase
  - › Register via MERS:
    - » Investor: 1010298 Lakeview Loan Servicing
    - » Servicer: 1010298 Lakeview Loan Servicing
    - » Subservicer: 1000723 LoanCare LLC
- CalEEM + Grant closed loan files are to be sent electronically to the master servicer via the Lakeview Correspondent Lending website within ten (10) business days
- Logon link will be in the top right section of the website
- Loss Payee Clause:

  Lakeview Loan Servicing, LLC
  c/o LoanCare, LLC
  ISAOA/ATIMA
  PO Box 202049
  Florence, SC 29502-2049

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Post-Closing Loan Delivery & Purchase (cont.)

- All loan deficiencies will be posted on the client facing website which is accessible 24 hours a day
- All loans must be program approved and deficiency free before they can be purchased

All CalHFA Subordinate Loan(s):

- All CalHFA subordinate loans must be funded, delivered and purchased by CalHFA concurrently with the first mortgage
- CalHFA subordinate loan purchase packages are to be sent electronically through MAS
  - Use the Loan Purchase Checklist to ensure you are submitting a complete and accurate package.
- Subordinate loan documents are to be drawn in the Lender's name
  - Note to be endorsed to CalHFA
  - MERS Deed of Trust must be assigned to CalHFA
    - Loans are to be transferred via Mortgage Electronic Registration Systems (MERS)
    - Register via MERS:
      - Investor: 1000645 California Housing Finance Agency
      - Servicer: 1000645 California Housing Finance Agency
- Loss Payee Clause:

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

Checklists

Use the Loan Purchase Checklist to ensure you are submitting a complete and accurate package.

Lender must use the following forms:

1. Most current version of standard FHA Fixed Rate Note
2. Most current version of standard FHA Deed of Trust
3. Lender must also use other applicable documents (e.g., PUD Rider, etc.)
4. Subordinate Mortgage Submission Voucher Part II

This handbook is valid for loans rate locked on or before 11/04/19

Frequently Asked Questions

This handbook is valid for loans rate locked on or before 11/04/19

What is the Cal-EEM + Grant Loan Program?

The Cal-EEM + Grant loan program is a FHA-insured loan featuring a fixed interest rate first mortgage which is fully amortized for a 30-year term. Cal-EEM + Grant can be combined MyHome Assistance Program (MyHome) or School Teacher and Employee Assistance Program (School Program).

Can the EEM Grant be used with a non-CalHFA first mortgage?

No, the EEM Grant must be combined with the Cal-EEM first mortgage

Who can originate Cal-EEM + Grant?

Lender Eligibility Requirements

To be eligible to participate in this program, lenders must be approved by:

- CalHFA
- FHA
- Lakeview Loan Servicing (LLS), CalHFA's master servicer
- To see LLS approval, contact the Counterparty Risk Management team at CRM@lakeviewloanservicing.com

My borrower(s) owns a rental property; can they keep the property and still be eligible for the Cal-EEM + Grant?

Yes, if they meet CalHFA's first-time homebuyer definition.

My borrower is not a first-time homebuyer. How many years' tax returns do I need to submit for the Cal-EEM + Grant?

One (1) year tax returns are required for a non-first-time homebuyer.

Do I need to make a reservation in the Mortgage Access System (MAS) before submitting a loan file to CalHFA?

Yes. The CalHFA-approved lender must make a reservation in MAS prior to loan submission.

Does Cal-EEM + Grant loan program allow additional subordinate financing?

Yes. The MyHome Assistance Program (MyHome) or School Teacher and Employee Assistance Program (School Program) and FHA-approved subordinate loan programs may be layered with Cal-EEM + Grant. In the case of conflicting guidelines, the more restrictive will apply.

What areas of California are eligible for Cal-EEM + Grant?

Cal-EEM + Grant is a state-wide program. Properties located anywhere within the State of California may be eligible for the program.

Are there sales price limits on Cal-EEM + Grant?

Yes. The sales price of the property must be within CalHFA's published sales price limits. These sales price limits can be found on the CalHFA web site.

What is the maximum loan amount for Cal-EEM + Grant?

All loans with a base loan amount exceeding $453,100 will be subject to an additional fee. See CalHFA rate sheet for applicable fees.

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FAQ's (cont.)

What is the maximum amount of the EEM Grant?

The maximum EEM Grant will be the lesser of 4% of the first mortgage total loan amount or the maximum amount approved under the HERS Report less the maximum FHA EEM amount.

Can the Cal-EEM + Grant be used in moderate climate areas of California?

The additional EEM Grant is designed to increase the payment neutrality in these areas which will potentially serve more borrowers.

How does an EEM Facilitator assist with the process?

The EEM Facilitator works directly with the borrower, HERS Rater and the contractors to ensure the process is completed smoothly, efficiently and on time.

Are condominiums eligible for Cal-EEM + Grant?

Yes. CalHFA will allow approved condominiums that meet FHA Condominium Project requirements.

Is a manufactured home eligible for Cal-EEM + Grant?

Yes, manufactured homes are permitted with the following parameters:

- Minimum credit score: 660
- Maximum LTV: 96.50%
- Maximum CLTV: 105.00%
- Singlewide manufactured homes are not eligible
- Manual Underwriting is not permitted on manufactured homes
- All manufactured homes must meet FHA 4000.1, Master Servicer and CalHFA loan program requirements

What automated underwriting engines do you allow for the Cal-EEM + Grant loan?

CalHFA will accept the most recent version of Fannie Mae's Desktop Underwriter® (DU®) or Freddie Mac's Loan Product Advisor (LPA®) with the FHA Scorecard option.

What are the minimum credit score requirements for Cal-EEM + Grant?

CalHFA's minimum credit score is 640 except under the following circumstances:

- Manually Underwritten loans: 660
- Manufactured Housing: 660

Does CalHFA use the lowest credit score to determine the minimum representative credit score of 640 for the Cal-EEM + Grant loan?

No. The middle score of the lowest scoring borrower should be used to determine eligibility.

My borrower only has one credit score, is that okay for Cal-EEM + Grant?

Yes, one credit score is acceptable with DU Approve/Eligible findings.

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This handbook is valid for loans rate locked on or before 11/04/19

FAQ's (cont.)

This handbook is valid for loans rate locked on or before 11/04/19

Do all of my borrowers need to meet the minimum credit score requirement for Cal-EEM + Grant?

Yes. A minimum representative credit score is required for all borrowers that have a credit score. A borrower with no credit score may be eligible as long as another occupant borrower(s) has a credit score that meets the minimum representative credit score and all manual underwriting guidelines are followed.

The lowest minimum represented credit score of all borrowers on the application will be used.

- If a tri-merged credit report is used, use the middle score
- If a merged credit report only returns two scores, use the lower score
- If a merged credit report only returns one score, that score must be used

Can I use Non-Traditional credit for the Cal-EEM + Grant loan?

No. Non-traditional credit is not eligible for the Cal-EEM + Grant.

Is manual underwriting permitted for the Cal-EEM + Grant loan?

Yes, manual underwriting is allowed with the following parameters:

- Maximum DTI ratio: 43.00%
- Minimum Credit Score: 660
- Manufactured Homes are not permitted

What is the maximum age of credit documents for the Cal-EEM + Grant loan?

CalHFA will follow FHA guidelines for the age of the credit documents.

What is the maximum LTV/CLTV for Cal-EEM + Grant?

The maximum LTV is per FHA guidelines. The maximum CLTV is 105%*.

*Base FHA loan amount without EEM + all subordinate loans.

Does the borrower have to have a cash down payment for Cal-EEM + Grant?

No, CalHFA does not require a minimum borrower investment from the borrower. Please follow FHA guidelines.

What fees and related charges are allowed for the Cal-EEM + Grant loan?

CalHFA allows:

- Customary origination fees not to exceed the greater of 3% of the loan amount or $3,000
- Other customary fees such as credit report fee, appraisal fee, insurance fee or similar settlement or financing cost
- $250 funding fee (payable to CalHFA's master servicer)
- $75 tax service fee (payable to CalHFA's master servicer)
- $10 Life of Loan Flood Certificate fee (payable to CalHFA's master servicer)
- In all cases the lender must meet federal and California lending laws regarding fees and charges.

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FAQ's (cont.)

Does Cal-EEM + Grant program require the borrower to be a first-time homebuyer?

No. This program is open to both first-time and non-first-time homebuyers.

Does the Federal Recapture Tax apply to Cal-EEM + Grant?

No. The Federal Recapture Tax does not apply to this program.

Is homebuyer education required for Cal-EEM + Grant?

Homebuyer Education counseling is required for one occupying first-time homebuyer.

Homebuyer Education is not required for non-first-time homebuyer(s).

- Online Homebuyer Education through eHometm
- Face-to-Face Homebuyer Education through NeighborWorks America or through one of the HUD approved Housing Counseling Agencies

Is a temporary buydown available for the Cal-EEM + Grant loan?

Yes. 2-1 or 1-1 temporary buydowns are allowed on Cal-EEM + Grant.

- Follow the master servicer guidelines
- The borrower must qualify at the Note rate

Will co-signers be allowed for Cal-EEM + Grant?

No, co-signors are not allowed.

Will non-occupying co-borrowers be allowed for CalHFA?

No. Non-occupying co-borrowers are not permitted.

Is there a re-lock fee for the Cal-EEM + Grant loan?

There is no re-lock fee. If the rate lock expires or the loan is cancelled, it can only be re-reserved and locked after a 60-day waiting period, subject to guidelines in effect at that time.

I had to cancel a Cal-EEM + Grant loan reservation after the Notice of Commitment was issued. The sixty (60) days has now passed and I have re-reserved the loan. Do I need to submit a new file to CalHFA?

Yes. The lender must submit a new file to CalHFA with current documentation. Every file that has a new reservation number must have its own file and go through the approval process.

When will I be able to lock my interest rate for Cal-EEM + Grant?

Cal-EEM + Grant has two locking options. The rate can be locked at reservation or at any time during the reservation period if the float-to-lock option is chosen. All lenders must have full MAS access to lock the interest rate.

I have chosen the float option for Cal-EEM + Grant, and my loan has already been conditionally approved by CalHFA, but the rate has increased since approval. Do I need to have my loan re-underwritten?

Yes. Lenders may not lock a loan in MAS with an interest rate that is higher than the interest rate reflected on the CalHFA Notice of Commitment.

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This handbook is valid for loans rate locked on or before 11/04/19

FAQ's (cont.)

What is the rate lock period for Cal-EEM + Grant?

Lenders may lock the interest rate for sixty (60) days for both existing/resale properties and new construction properties.

I cannot close my loan in time. Can I get a rate lock extension?

All rate lock extension must be requested through CalHFA's Secondary Marketing Unit via email (ratelocks@calhfa.ca.gov) prior to the expiration of the current rate lock. Rate lock extension fees are posted on the Rates & Reservations page of the CalHFA website.

Can my borrower pay for the cost of the rate lock extension of the Cal-EEM + Grant?

Yes. The borrower(s) or seller(s) may be charged with the cost of the extension fee for the first mortgage, however you must follow TRID fee requirements. At the time of purchase by CalHFA's master servicer, the rate lock extension fee(s) are to be net funded from the lender's proceeds. Late fees on subordinate loans may not be charged to the borrower(s) and will be net funded at the time of purchase by CalHFA.

What if the borrower changes properties? Can I cancel the existing reservation and re-reserve the Cal-EEM + Grant?

Yes, reservations are borrower, property and lender specific. If the borrower changes properties, the existing reservation must be cancelled before a new reservation is made. The underwriting and program guidelines in effect at the time of the re-reservation will apply.

My borrower had a loan reservation with another lender, but now they want to go through me. Can I reserve for Cal-EEM + Grant?

If the rate was not locked on the other lender's reservation, the new lender may re-reserve the loan once the previous reservation is cancelled by the original lender. If the rate was locked by CalHFA, the new lender may reserve the loan after the sixty (60) day wait period from the original rate lock expiration.

Does a Cal-EEM + Grant loan simply need to be delivered to the master servicer by the rate expiration date?

No. The loan must be delivered and purchased by the master servicer prior to the rate lock expiration date. CalHFA suggests loan delivery by the 45th day for sixty (60) day rate locks or the 75th day for ninety (90) day rate locks, or earlier to ensure time to clear conditions and purchase prior to expiration date.

How often does the master servicer purchase for Cal-EEM + Grant?

The master servicer will purchase approved loans on a daily basis.

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FAQ's (cont.)

Sale Tools And Marketing Materials

1. Government Program Matrix
2. Scenario Calculator
3. Loan Submission, Review and Purchase Flow Chart for Government
4. CalEEM + Grant Flyer
5. CalEEM + Grant Fillable Flyer
6. CalEEM + Grant Spanish Flyer
7. CalEEM + Grant Spanish Fillable Flyer
8. Lending Heroes Flyer
9. Lending Heroes Fillable Flyer
10. Lending Heroes Spanish Flyer
11. Lending Heroes Spanish Fillable Flyer
12. Lending Heroes Korean Flyer
13. 5 Easy Steps to Buying Your First Home Flyer
14. 5 Easy Steps to Buying Your First Home Spanish Flyer
15. CalHFA and Listing Agents: a Great Team! Flyer
16. 5 Tips for CalHFA Doc Draw and Closing Flyer

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