California Housing Finance Agency

Lender Program Manual

Last Revised: August 2026

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I. Foreword

CalHFA Vision

Every Californian can build a thriving life in a stable home.

CalHFA Mission

Deliver reliable financing solutions to advance housing opportunities for Californians.

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) or any Participation Agreement 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.

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 or Participation Agreement with CalHFA and, if applicable, a Participating Lender Agreement with the Agency's designated master servicer ("Master Servicer"). The MPMA will incorporate the policies and procedures stated in this Program Manual as well as Program Handbooks and Program Bulletins.

Lender Qualification and Continuing Eligibility

- All Lenders must be approved by CalHFA and, if applicable, the Master Servicer.
- All new Lender requirements can be found on the CalHFA website.
- 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. 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, MPMA and any Participation Agreement. 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) or Participation Agreement.

Borrower Fraud or Misrepresentation

This section is applicable in any and all cases where the MPMA or Participation Agreement is silent. This section is intended to supplement the MPMA or Participation Agreement and should a conflict exist, the MPMA or Participation Agreement shall be controlling.

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 or term sheet 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 CalHFA loan products may also assist low to moderate income homeowners.

Please see the applicable Program Handbook or term sheet 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

CalHFA may have assistance programs that help low to moderate income homeowners.

Loan Reservations

- To reserve a loan, Lenders must have access to the CalHFA Mortgage Access System (MAS).
- Borrower(s) may not have an active CalHFA loan at time of reserving a new CalHFA loan.
- Reservations may be made once there is a fully executed sales contract between the buyer and seller if applicable.
- Lenders may reserve loan funds and lock interest rates on behalf of qualified homebuyers if applicable.
- Lenders may also reserve funds on behalf of their Third Party Originators, if applicable.
- All loans must be reserved with CalHFA prior to loan submission for 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: lendertraining@calhfa.ca.gov or MASSupport@calhfa.ca.gov

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 Rates and Reservations on the CalHFA website for any conditions or restrictions if applicable. 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.

Rate Extension Policy

CalHFA's Rate Extension Policy can be found under Rates and Reservations on the CalHFA website.

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 or term sheet 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 CalHFA website under Rates and Reservations 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

Potential loans must meet the income, loan and underwriting requirements of the applicable Program Handbook or term sheet, 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 or term sheet and subsequent Program Bulletins.

All CalHFA first mortgage loans must be fully underwritten by the Lender prior to being uploaded to CalHFA's Mortgage Access System (MAS) 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 applicable 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 documents 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 the applicable 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, if applicable.

CalHFA loan purchase packages must be sent to:

California Housing Finance Agency
Single Family Lending MS-910
500 Capitol Mall, Suite 1400
Sacramento, CA 95814
877.922.5432

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 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, directly or indirectly in a residential dwelling, includes but is not limited to the following interests:

- Fee simple
- Community property
- Life estate
- Owner, borrower or co-borrower
- Settlor or a vested beneficiary of a trust with the home as an asset
- Interest in business entity with the home as an asset
- Inherited properties

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.

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

First-Generation Homebuyer Requirement

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

Determination of First-Generation Homebuyer Status

A first-generation homebuyer is defined as:

- A homebuyer who has not been on title, held an ownership interest or been named on a mortgage to a home (on permanent foundation and owned land) in the United States in the last 7 years, AND;
- To the best of the homebuyer's knowledge, whose parents (biological or adoptive) do not have any present ownership interest in a home in the United States or if deceased whose parents did not have any ownership interest at the time of death in a home in the United States.

OR

- An individual who has at any time been placed in foster care or institutional care (type of out of home residential care for large groups of children by non-related caregivers).

Owner Occupancy

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

- Borrower(s) must occupy the financed property within sixty (60) days of closing
- State and Federal Laws and Regulations may require that borrower(s) occupy the property as their principal residence for the term of the loan or until the property has been sold.
- Please see the applicable Program Handbook or term sheet 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 and first-generation homebuyers may require the execution of additional forms as determined in the applicable Program Handbook or term sheet.

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 GSE, investor, or Master Servicer guidelines. CalHFA will use the lender's credit qualifying income to determine if the loan exceeds the maximum program income limit. Lender shall not exclude or reduce borrower income or remove a borrower to meet CalHFA income limit requirements. If the GSE requires the removal of any income or borrower in order to meet GSE guidelines the lender must document this in the loan file. Income not used by the lender for credit qualifying will not be used by CalHFA.

VIII. Property Requirements

Eligible Single Family Properties

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

a. 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
b. 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; see applicable Loan Program Handbook or Program Term Sheet 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 defined as a one-unit property
    ii. Per Investor and Master Servicer guidelines, multiple accessory units are not permitted
    iii. Property meets all other 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. Leasehold/Land Trusts (see program handbook for specific program details)
i. Co-ops are not eligible

j. 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

k. 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 Master Servicer website for required documents

   ii. Please see Loan Program Handbooks or term sheet for specific guidelines.

Flood Determination

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

Appraisal/Appraiser Requirements

a. Lenders must follow the appraisal requirement of the applicable Master Servicer and GSE.

b. Lenders must use qualified appraisers that meet the licensing requirement of the State of California.

c. CalHFA requires an appraisal for each property on all loans, prepared by a qualified appraiser with a location map, photos, and a floor plan at the time the loan is submitted to CalHFA for Notice of Commitment. If there are multiple appraisal reports for one property, each appraisal must be submitted to CalHFA.

Home Warranty Insurance Coverage

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

Resale Restrictions

Resale restrictions and controls are subject to the requirements of the Master Servicer, GSE and any applicable Program Handbook.

Loan Assumption Policy

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

CalHFA subordinate loans combined with a FHA first mortgage are assumable. All other CalHFA subordinate loans must be paid off prior to the assumption or as part of the assumption process.

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.

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 GSE guidelines 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.

The loss payee clause for all subordinate loans is:

California Housing Finance Agency
Its successor and/or assigns
Loan Administration MS 955
500 Capitol Mall, Suite 1400
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. All policies shall contain a loss payable endorsement to the Lender, CalHFA, and/or CalHFA's Master Servicer as their interest may appear. The selected hazard insurer must be licensed to do business in the State of California. Please follow Master Servicer insurance guidelines.

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 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. Please follow Master Servicer Flood Insurance guidelines. 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 its successors and assigns as insureds. Taxes and assessments must be paid current.

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

MERS – Mortgage Electronic Registration System

All first mortgage loans submitted to CalHFA's Master Servicer for purchase must 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.

Prepayment Penalties

CalHFA does not charge a prepayment penalty.

Purchase Requirements *continues from previous page*

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 MS 955
500 Capitol Mall, Suite 1400
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 on a regular basis; please review Program Bulletins on our website for additions or deletions between updates.