CALIFORNIA HOUSING FINANCE AGENCY

Conventional Loan Programs

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CalPLUS℠ Conventional
Fannie Mae HFA Preferred™ first mortgage combined with the CalHFA Conventional Zero Interest Program (ZIP) for closing cost. This loan may be combined with the MyHome Assistance Program (MyHome).

CalHFA Conventional
Fannie Mae HFA Preferred™ first mortgage. This loan may be combined with the MyHome Assistance Program (MyHome).

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, property and loan requirements detailed in this program handbook, as well as CalHFA's Lender Manual, Fannie Mae, the CalHFA-approved lender, the mortgage insurer and CalHFA's master servicer's requirements.
- Be a first-time homebuyer.

Exceptions to first-time homebuyer requirement:

- CalHFA Conventional first mortgage without any subordinate financing
- Borrowers affected by natural disasters in California
  Previous property must:
  - Be located in an area declared as a Major Disaster 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
  - Be 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

Homebuyer Education

Homebuyer education and counseling is required for one occupying first-time homebuyer. Certificates are good for one-year. Homebuyer education and counseling 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

First-Time Homebuyer Definition

To qualify for a CalHFA Conventional loan program, 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

- Lot size cannot exceed five (5) acres maximum
- Eligible property types:
  - Single-family, one-unit residence
    - Accessory Dwelling Units (ADU), guest houses, “granny” units, and “in-law” quarters are eligible with the following parameters:
      - The property must be defined as a one-unit property
      - Multiple accessory units are not permitted
      - Must meet investor guidelines and city/county zoning ordinances
      - 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

- Condominium/PUDs which are Fannie Mae eligible and meet CalHFA's master servicer, Lakeview Loan Servicing's (LLS), guidelines
- Manufactured homes are permitted per Fannie Mae MH Advantage and Fannie Mae Standard MH guidelines with the following parameters:
  - Singlewide manufactured homes are not eligible
  - Fannie Mae Desktop Underwriter® (DU®) with Approve/Eligible Findings only
  - Leaseholds are not permitted
  - Appraisal for MH Advantage requires picture of MH Advantage Sticker

Fannie Mae MH Advantage	Fannie Mae Standard MH
Max LTV/CLTV: 97%/105%	Max LTV/CLTV: 95%/105%
Desktop Underwriter® (DU®)	
Use with Fannie Mae HFA Preferred™ only	
Select *MH Advantage* in the Subject Property Type field	Select *Manufactured Home* or *Manufactured Home: Condo/PUD/Co-op* in the Subject Property Type field

- Leasehold Estates
  - Not permitted with manufactured homes
  - All Leasehold Estate documentation must be submitted to CalHFA's master servicer with purchase package for review and approval
- Community Land Trust (CLT)
  - CLT loans will only be accepted from a California Community Land Trust Network (CA CLTN) approved lender
  - Can be combined with MyHome
    - MyHome loan amounts will be based on the leasehold sale price, including any enforceable restrictions on future re-sale prices
  - All CLT documentation must be submitted to CalHFA's master servicer with purchase package for review and approval
  - Must be Fannie Mae approved
- Properties must meet the requirements of 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

Underwriting & Compliance

Transaction type

Purchase transactions only

Term

Up to 30 years

Loan Program Type

- All loans must be Fannie Mae HFA Preferred
- Homestyle Energy is allowed

LTV and CLTV

- Loan-to-Value (LTV) cannot exceed 97.00%
- Combined Loan-to-Value (CLTV) cannot exceed 105.00%

Maximum Loan Amount

The maximum first mortgage loan amount cannot exceed current Fannie Mae loan limits.

- All loans with a loan amount exceeding the current Fannie Mae conforming loan limit will be subject to an additional fee that is net funded at the time of purchase by CalHFA's master servicer. See CalHFA rate sheet for applicable fees.
- Maximum LTV for Fannie Mae High Balance Loan Limits: 95.00%

Income Limits

Income cannot exceed CalHFA Income Limits

Income Requirements

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

- Use Fannie Mae's HomeReady® Lookup tool to determine if the borrower's income is less than or equal to the HomeReady 80% Area Median Income (AMI) Lower Income (LI) income limit to be eligible for CalHFA's LI interest rate.
  - All borrowers must still meet CalHFA's income limits

Qualifying Ratios

The maximum total Debt-to-Income (DTI) ratio cannot exceed 43.00% regardless of automated underwriting decision or compensating factors. MCC may not be used for credit qualifying purposes.

Minimum Credit Score

- The minimum credit score is 680 for borrowers with income greater than the HomeReady 80% AMI LI income limit
- The minimum credit score is 660 for borrowers with income less than or equal to HomeReady 80% AMI LI income limit.
- Borrower(s) with no credit score are not permitted
- Non-traditional credit is not accepted
- All borrowers must meet the minimum representative credit score requirement. 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

Automated Underwriting

Acceptable Automated Underwriting Systems:

- Fannie Mae Desktop Underwriter (DU®) with an Approve/Eligible recommendation

  - HFA Preferred must be selected in the Community Lender Product Field
    - CalHFA subordinate loans must be entered as Community Seconds
  - Freddie Mac Loan Product Advisor (LPA®) and other customized automated underwriting systems are not acceptable
- Manual Underwriting is not permitted

Miscellaneous Lakeview Loan Servicing Underwriting Guidelines

- Credit Underwriting is the responsibility of the originating lender
- Lakeview Loan Servicing will not purchase high cost loans
- Underwriters should:
  - Make sound credit decisions
  - Assure data integrity
  - Include all necessary documents in support of the underwriting decision
- Non-arm's length transactions must be fully disclosed
- Appraiser must meet all master servicer guidelines, see Lakeview Correspondent Lending website for details
  - UCDP submission Summary Reports from both Fannie Mae and Freddie Mac are required. Lakeview Loan Servicing will not purchase any loan that includes the recently added proprietary messages that indicate 100% of the loans submitted with appraisals from an identified appraiser will be reviewed or Fannie Mae will not accept appraisals from an identified appraiser
- 2-1 temporary buydowns are permitted as per Fannie Mae and master servicer guidelines
  - Loan must be credit qualified at Note rate

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

Mortgage Insurance

- Mortgage insurance is required for all loans that are 80.01% LTV or higher
- Mortgage insurance must be ordered through a Mortgage Insurance Company approved by Fannie Mae using Housing Finance Agency (HFA) MI rates
- Per DU Findings, Borrowers with income less than or equal to the HomeReady 80% AMI LI income limit are eligible for HFA Preferred Charter MI discounted coverage and MI rates

- Either borrower paid monthly, split premium or single premium mortgage insurance is acceptable
- Financed mortgage insurance premium must be included in the LTV and CLTV

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.

- Exception to Home Warranty:
  - Borrower(s) purchasing a new construction property
  - Borrower(s) are not first-time homebuyers and are not using MyHome
- The insurance must cover the following items at a minimum:
  - Water Heater(s)
  - Air Conditioning
  - Heating
  - Oven/Stove/Range
- Home Warranty must be disclosed on Final Closing Disclosure or copy of insurance declaration page will be required

Subordinate Financing

MyHome Assistance Program

- Must be a first-time home buyer
- May be used for closing cost and/or downpayment assistance
- Cannot be used for debt payoff
- Must be recorded in Second Lien Position
- For full MyHome underwriting guidelines and details see the MyHome Program Handbook

CalHFA Zero Interest Programs (ZIP)

- Can only be used with CalPLUS Conventional
- Must be a first-time home buyer
- Can only be used for closing costs
- Cannot be used for down payment or debt payoff
  - Any excess ZIP funds must be applied as a principal reduction
- Zero interest rate
- Term matches the term of the first mortgage.
- Payments on the ZIP is deferred for the life of the CalPLUS Conventional first mortgage
- The maximum ZIP loan amount options are based on daily rate sheet pricing
  - Either 2.00% or 3.00% of the CalPLUS Conventional first mortgage loan amount

ZIP must be in second position unless it is combined with the MyHome Assistance Program only

- Repayment of the principal on the ZIP loan shall be due and payable at the earliest of the following events:
  - Transfer of title
  - Payoff or refinance of the CalPLUS Conventional first mortgage
  - Formal filing and recording of a Notice of Default (unless rescinded)

Non-CalHFA Subordinate

This program may be layered with a Fannie Mae approved Community Seconds program used for closing costs and/or down payment assistance per individual requirements.

- The locality subordinate loan must meet Fannie Mae Community Seconds 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.

Fees

- There are no Loan Level Price Adjustments when using HFA Preferred™
- Lenders will earn a 1.00% Service Release Premium to release servicing to Lakeview Loan Servicing at time of purchase
- Lakeview Loan Servicing 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
- Lender may charge a maximum total processing fee of no more than $50 on a ZIP loan
- In all cases the lender must meet federal and California lending laws regarding fees and charges

Master Servicer Fees

- Lakeview Loan Servicing funding fee is $250 per loan
- Tax Service fee to Lakeview Loan Servicing is $75 per loan
- Life of Loan Flood Certificate fee to Lakeview Loan Servicing 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
- Lenders should refer to their legal/compliance department on how to disclose fees