

CalHFA FHA 1st LOAN PROGRAM

Product Codes: FHAMHM & FHA ECTP



<p>PROGRAM SUMMARY</p>	<ul style="list-style-type: none"> The CalHFA FHA program is an FHA-insured loan featuring a CalHFA fixed interest rate first mortgage. This loan is fully amortized for a thirty (30) year term and can be combined with the MyHome Assistance Program (MyHome) or Extra Credit Teacher (ECTP) Program <ul style="list-style-type: none"> FHAMHM2nd OR ECTP The CalHFA FHA loan is not subject to Recapture Tax.
<p>LOAN SCENARIO CALCULATOR</p>	<ul style="list-style-type: none"> Loan Scenario Calculator is required to be submitted with the Underwriting package for ALL CalHFA programs both Retail/Wholesale loans. Click the link below to input your Loan Scenario which includes the loan amounts for all programs utilized. <ul style="list-style-type: none"> http://www.calhfa.ca.gov/calc/scenario.html
<p>INELIGIBLE PROVIDENT BANK MORTGAGE LOAN FEATURES OR CALHFA PRODUCTS</p>	<ul style="list-style-type: none"> Financed MI Cal-EEM + Grant Program AUS LP with Corporate Approval Only Manual Underwrites Manufactured Homes
<p>LOAN OPERATING SYSTEM (LOS)</p>	<ul style="list-style-type: none"> All liens (1st/2nd) must have a separate loan package, loan number and must be submitted to Underwriting. 1st Mortgage requires LE (Loan Estimate), CD (Closing Disclosure), initial and closing docs from LOS Standard FHA Fixed Doc Package. 2nd FHAMHM2nd requires disclosures from LOS, LE (Loan Estimate), CD(Closing Disclosure), Note, Deed From Doc Magic <ul style="list-style-type: none"> \$250 Processing fee for MyHome or ECTP Closing Doc package from LOS <p>Note: All loan documents must be in Provident Bank Mortgage Name</p>
<p>PRODUCT CODES</p>	<ul style="list-style-type: none"> FHAMHM FHAMHM2nd OR FHAECTP ECTP
<p>EIN NUMBER</p>	<ul style="list-style-type: none"> The 92900-LT must reflect the Source/EIN number under “Secondary Financing”: <ul style="list-style-type: none"> 680181576 <div style="border: 1px solid gray; padding: 5px; margin-top: 10px;"> <p>Secondary Financing</p> <p>Source/EIN <input style="width: 150px;" type="text"/></p> </div>

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<p>FUNDING/DOCS</p>	<ul style="list-style-type: none"> • Closing Note/Deed of Trust for the FHA is generated from PBM’s LOS. • Closing Note/Deed of Trust for the MyHome loan and Extra Credit Teacher are generated from Doc Magic. • All CalHFA loans must be funded and delivered to the vault prior to or on Provident Bank Mortgage 30 day rate lock expiration date. • If rate expiration date is on a weekend then the next Provident Bank Mortgage business day. <ul style="list-style-type: none"> ○ No Exceptions • Files should be received by the Master Servicer Lakeview Loan Servicing 10 business days after funding to ensure time to clear conditions and purchase, prior to CalHFA rate lock expiration date. <ul style="list-style-type: none"> ○ No Exceptions
<p>AUTOMATED UNDERWRITING</p>	<ul style="list-style-type: none"> • All loans must be submitted through FHA Total Scorecard and receive an “Approve/Eligible” finding through Fannie Mae Desktop Underwriter (DU®) <ul style="list-style-type: none"> ○ Freddie Mac Loan Prospector (LP) is allowed with Corporate Exception ONLY. ○ Other customized automated underwriting systems are not acceptable • <u>Manual Underwrites are NOT permitted</u>
<p>BORROWER REQUIREMENTS</p>	<ul style="list-style-type: none"> • Each borrower must be a U.S. citizen, permanent resident alien or qualified alien http://www.calhfa.ca.gov/homeownership/forms/checklist-citizenship.pdf • Both first-time and non-first time homebuyers • At the time of loan closing, no borrower may have an ownership interest in any residential dwelling <ul style="list-style-type: none"> ○ **exception: This requirement is waived when the borrower(s) meet CalHFA’s first time homebuyer definition as defined as a borrower who has not had an ownership interest in any <i>principal</i> residence during the previous three (3) years. • Loans to <i>Limited Liability Corporations (LLC)</i> are not permitted. • All borrowers must meet the credit, income and loan requirements detailed in this program handbook, as well as CalHFA’s Manual, FHA, Provident Bank Mortgage and CalHFA’s master servicer’s requirements
<p>CALHFA SUBORDINATE FINANCING</p>	<ul style="list-style-type: none"> • This program may be layered with the following down payment and/or closing cost assistance options for first-time homebuyers only: <ul style="list-style-type: none"> ○ MyHome Assistance Program <ul style="list-style-type: none"> ▪ May be used for closing cost and/or down payment assistance ▪ In the case of conflicting guidelines, the underwriter must follow most restrictive. ▪ MUST be recorded in Second Lien Position ▪ For full MyHome underwriting guidelines and details <ul style="list-style-type: none"> ✓ Refer to Provident Bank Mortgage’s MyHome Loan Program guidelines product code FHAMHM2ND



<p>CALHFA SUBORDINATE FINANCING CONTINUE</p>	<ul style="list-style-type: none"> ○ Extra Credit Teacher Home Purchase Program <ul style="list-style-type: none"> ▪ May be used for down payment assistance ▪ In Case of conflicting guidelines, the Underwriter must follow the more restrictive. ▪ MUST be recorded in Second Lien Position ▪ For full Extra Credit Teacher Loan underwriting guidelines and details refer to Provident Bank Mortgage’s Extra Credit Teacher Program guidelines product code ECTP
<p>DISASTER POLICY</p>	<ul style="list-style-type: none"> • Please refer to the list of affected counties published by FEMA using the following link: http://www.fema.gov/disasters • Prior to funding, the Master Servicer will require a property inspection for any loan secured by a property in the affected area. <ul style="list-style-type: none"> ○ If the subject property is located in one of the impacted counties and the appraisal was completed prior to the incident period end date, the Master Servicer will require a post disaster inspection confirming the property was not adversely affected by the disaster. ○ If FEMA does not identify an area as a disaster, the Master Servicer reserves the right to declare an area not identified by FEMA as a disaster. In these cases the Master Servicer will communicate any declarations • The Disaster Policy should be followed during an ongoing disaster and up to 90 days from the FEMA declaration • The following are acceptable inspection formats: <ul style="list-style-type: none"> ○ A property inspection report signed by the original FHA roster appraiser ○ Appraisal update and/or Completion Report signed by the original FHA roster appraiser ○ FHA roster appraiser in good standing with geographic competence in the affected market may be used. If PBM uses a different appraiser to inspect the Property, the appraiser performing the damage inspection must be provided with a complete copy of the original appraisal • If the appraiser notes defects in the exterior inspection, a Uniform Residential Appraisal Report with an interior and exterior inspection and photographs is required. If damage is revealed by the inspection, it must be repaired prior to funding.
<p>ELIGIBLE HOMEBUYERS</p>	<ul style="list-style-type: none"> • This program is available for both first-time and non-first time homebuyers.
<p>EMPLOYMENT/ INCOME VERIFICATION</p>	<ul style="list-style-type: none"> • Follow AUS requirements • VOE as a stand-alone document is not acceptable

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<p><u>FAMILY INCOME EXCLUDES</u></p>	<ul style="list-style-type: none"> • Gifts – casual, sporadic or irregular • Lump sum additions to household assets, such as inheritances, insurance settlement, capital gains, student financial assistance, settlements for personal or property losses • Education scholarships paid directly to the student • Foster child care payments, adoption assistance payments if not used to credit qualify for the loan • Income from household members not on title or the loan • Food stamps • Verification of employment and other supporting documentation regarding income such as paycheck stubs should be no more than sixty (60) days old at the time of submission to Provident Bank Mortgage and/or Underwriter.
<p><u>FAMILY INCOME INCLUDES</u></p>	<ul style="list-style-type: none"> • Gross pay • Overtime • Bonuses • Commissions • Part-time employment • Dividends / Interest • Annuities • Child support payments • Human assistance/services • Income received from Trust or Business & Investments from all sources (both taxable and nontaxable) including but not limited to earnings • Pensions • Veterans Administration (VA) compensation • Gross rental or leased income • Deferred income • Welfare payments • Social Security Benefits • Disability payments • Alimony • Sick Pay • Unemployment Compensation • Any regular occurring additional income
<p><u>FHA HIGH BALANCE LOAN LIMITS</u></p>	<ul style="list-style-type: none"> • All loans with a base loan amount exceeding \$424,100 will be subject to an additional fee. <ul style="list-style-type: none"> ○ See CalHFA’s rate sheet for applicable fees link below. ○ http://www.calhfa.ca.gov/apps/rates/

<p>FHA’S SECTION OF THE ACT</p>	<ul style="list-style-type: none"> ● CalHFA will accept the following FHA Section of the Act mortgage types: <ul style="list-style-type: none"> ○ 203(b) Home Mortgage Insurance ○ 235(c) Mortgage Insurance for Condominiums
<p>FLOOD INSURANCE COVERAGE</p>	<p>1. Standard Flood Hazard Determination (SFHD) Each loan delivered for purchase must include the Federal Emergency Management Agency (FEMA) Standard Flood Hazard Determination (FEMA Form 81-93) used in determining whether any of the improvements for a subject property are located within an identified “Special Flood hazard Area” (SFHA). SFHAs are shaded on a Flood Hazard Boundary Map and designated on a Flood Insurance Rate Map. These areas are designated by the following symbols: A, AE, AH, AO, AR, A1-30, A-99, V, VE, VO, and V1-30.</p> <p>Underwriter must ensure that there is no discrepancy between the flood hazard designation on the SFHD and the flood insurance policy if the flood insurance policy shows a lower risk zone than the SFHD unless the discrepancy results from the application of the NFIP’s “Grandfather Rule”. For information on the “Grandfather Rule” see Question #71 in the Q&A’s issued by the federal banking regulators available at http://www.federalreserve.gov/newsevents/press/bcreg/bcreg20090721a1.pdf</p> <p>2. Federally Available Flood Insurance Flood insurance is generally required if any building, dwelling, structure, or improvement is located within a SFHA that has mandated flood insurance purchase requirements under the National Flood Insurance (NFIP) (unless the mortgage is an FAH Section 240 mortgage). Except as provided in Section 12, if flood insurance is not available because a community does not participate in the National Flood Insurance Program (NFIP), Provident Bank Mortgage will not purchase loans secured in those areas.</p> <p>3. Location of Property Within the SFHA</p> <p>a. Principal Structure Located Within an SFHA Flood insurance is required if any part of the principal structure is located within an SFHFA. Flood insurance on detached buildings, such as stand-alone garages, sheds, or greenhouses, located within an SFHA is required if they serve as part of the security for the loan.</p> <p>b. Principal Structure Not Located Within an SFHA If the principal structure on a property is not located within a SFHA, flood insurance generally is not required even if another detached structure on the property is located within the SFHA.</p>

**FLOOD INSURANCE
COVERAGE
CONTINUED**

However, if the detached structure is attached to the land and serves as part of the security for the Loan, flood insurance is required for the detached structure (and may be purchased through a separate policy on a general property insurance form), unless Underwriter determines that the principal structure represents sufficient security for the Loan and releases the detached structure from the security. If buildings are “carved out” from the security, the property must be marketable in the event of foreclosure and the “carve out” must be permissible under the local zoning rules.

c. Waivers

Provident will waive flood insurance requirements if the borrower obtains a letter from FEMA stating that it maps have been amended so that the buildings securing the Loan are no longer in an SFHA.

4. Notice of Special Flood Hazards and Availability of Federal Disaster Relief Assistance.

If any part of the principal structure is located within an SFHA, the Loan file must include the Notice of Special Flood Hazards and Availability of Federal Disaster Relief Assistance that was provided to a borrower in accordance with the Flood Disaster Protection Act. The Loan file must contain evidence that the borrower received the Notice of Special Flood Hazards no later than 10 days prior to the closing unless the Loan file documents why it was not feasible to meet the time frame. The Notice of Special Flood Hazards may not be provided the same day as closing.

We recommend that the borrower receive the following additional information, or substantially similar information, either on the Notice of Special Flood Hazards or on a separate notice acknowledged by the borrower.

“If you obtain the minimum amount of flood insurance coverage identified in your Notice of Special Flood Hazards, you may not have sufficient coverage to rebuild or restore your home in the event of a catastrophic flood. You may be required to use your own cash reserves to make necessary repairs if the insurance is insufficient to fully repair your home. Servicers also have the right to require flood insurance coverage equal to the maximum amount available under the NFIP, which is more than you are required to obtain at the closing of your loan.

The borrower should carefully review their potential exposure to flood damage with their insurance provider and consider purchasing coverage equal to the maximum amount available under the National Flood Insurance Program (NFIP), which is the lesser of

- a) The maximum limit available for the type of structure; or
- b) The “insurable value” of the structure (the replacement cost value)”



**FLOOD INSURANCE
COVERAGE
CONTINUED**

5. Acceptable Policies

The flood insurance policy must be in the form of the standard policy issued under the NFIP. Policies that meet the NFIP requirements, such as those issued by licensed property and casualty insurance companies that are authorized to participate in the NFIP’s “Write Your Own” program are acceptable.

6. Multiple Structures

If multiple buildings securing the loan are located in an SFHA in a participating communication, the Underwriter must determine the amount of insurance required on each building and add these amounts together to determine the minimum amount of flood coverage. Each building securing a loan must be covered by separate policy. The amount of total required flood insurance can be allocated among the secured buildings in varying amounts, but all buildings in an SFHA must have some coverage.

7. Mortgagee Clause

The mortgagee clause on all mortgage policies, binders, and certificates of insurance must show the mortgagee using the following language.

LoanCare, LLC
ISAOA/ATIMA
PO Box 202049
Florence, SC 29502-2049

8. Policy Term

The policy must be written for at least a one year term.

9. Policy Effective Date

The policy effective date must be on or before the borrower’s loan is funded.

10. Evidence Of Insurance

At closing, the borrower must provide evidence that the property is covered by flood insurance in one of the following forms:

- Flood Insurance Policy
- Declarations Page; or
- Copy of the Flood Insurance Application with a paid receipt for the first year’s premium

Acord evidence of coverage, Acord certificate of insurance, temporary declaration page or insurance

11. Escrow Policy

If a loan requires flood insurance, flood insurance must also be escrowed.

FLOOD INSURANCE
COVERAGE
CONTINUED

12. Flood Insurance Coverage

a) 1 Unit Properties, individual PUD units, Detached Condominium units, Townhouses, and Rowhouses

1. Coverage Amount

The flood insurance coverage must equal the lesser of the following:

- The outstanding principal balance of the Loan; or
- The maximum amount of insurance available under the NFIP, which is the lesser of:
 - The maximum limit available for the type of structure; or
 - The “insurable value” of the structure. (The NFIP does not insure land; therefore, land values are not included in the calculation of the insurable value).

2. Deductible

The maximum allowable deductible is the maximum deductible from the NFIP (currently \$10,000 for one unit property and \$5,000 2-4 unit properties).

b) PUDS

1. Coverage Amount for Individual PUD Unit

The coverage amount is the same as for other 1-4 unit properties.

2. Coverage Amount for PUD Project

The policy must cover common elements buildings and any other common property located in an SFHA.

The flood insurance coverage must equal to lesser of the following:

- 100% of the insurable value of the facilities; or
- The maximum coverage available under the appropriate NFIP Program.

3. Deductible

- Individual unit- The maximum deductible available from the NFIP (currently \$10,000)
- PUD Project- The maximum deductible available from the NFIP (currently \$25,000)

c) Condominiums

1. Homeowner’s Association

The condominium homeowner’s owners must obtain an NFIP Residential Condominium Building Association Policy (RCBAP) with the following coverage:

• **Building Coverage**

Building coverage must equal to the lesser of the following:

1. 100% of the insurable value (replacement cost) of the building, including amounts to repair or replace the foundation and its supporting structure); or
2. The total number of units in the condominium building times \$250,000

<p>FLOOD INSURANCE COVERAGE CONTINUED</p>	<ul style="list-style-type: none"> • Contents coverage must equal the lesser of the following: <ol style="list-style-type: none"> 1. 100% of the insurable value of all contents (including machinery and equipment that are not part of the building) that are owned in a common by the association members; or 2. The maximum amount of contents coverage sold by the NFIP for a condominium building. 2. Unit Owner’s Coverage <ul style="list-style-type: none"> • Flood insurance is generally not required for individual condominium units. However, if a homeowner’s association refuses to obtain a RCBAP policy or when the RCBAP policy does not comply with the above, the borrower must obtain a dwelling policy on the individual unit equal to the minimum amount of coverage for a 1 unit property as specified above. 3. Deductible <ul style="list-style-type: none"> • Individual unit (if required) – The maximum deductible available from the NFIP (currently \$10,000) • Condominium Project- The maximum deductible available from the NFIP (currently \$25,000) 13. Properties Located in the Coastal Barrier Resources System or in an Otherwise Protected Area <p>Federal flood insurance may not be available for Loans in the Coastal Barrier Resources System (CBRS) or Otherwise Protected Area (OPA), as defined by the Coastal Barrier Resources Act. Private flood insurance is acceptable for these Loans. Coverage amounts and deductible must meet the requirements in this Chapter. The carrier must meet the minimum rating requirements for insurance underwriters specified in the Hazard Insurance Chapter.</p>
<p>HAZARD INSURANCE REQUIREMENTS</p>	<p>A. General Hazard Insurance Requirements</p> <p>1. Carrier</p> <p>The hazard insurance policy for a property securing any first mortgage – including blanket policies for condos and PUDs - must be underwritten by a carrier that meets the following rating requirements:</p> <p>a) An Insurer With An Acceptable Rating</p> <p><u>Carriers Rated by A.M. Best Company, Inc</u></p> <ul style="list-style-type: none"> • “B” or better Financial Strength Rating in <i>Best’s Insurance Reports</i> • “A” or better Financial Strength Rating and a Financial Size Category of “VIII” or greater in <i>Best’s Insurance Reports Non-US Edition</i> <p><u>Carriers Rated by Demotech, Inc.</u></p> <ul style="list-style-type: none"> • “A” or better rating in <i>Demotech’s Hazard Insurance Financial Stability Ratings</i>

**HAZARD
INSURANCE
REQUIREMENTS
CONTINUED**

Carrier’s Rated by Standard and Poor’s

- “BBB” or better Insurer Financial Strength Rating in *Standard and Poor’s Ratings Direct Insurance Service*.
 - Insurers rated by more than one rating company need only meet one of the rating requirements.

An Insurer Covered by a Reinsurance Policy

- The reinsurance company must meet either one of the A.M. Best ratings or the Standard & Poor’s rating specified above.
- The primary insurer and the reinsurance company must be authorized (or licensed, if that is required) to transact business within the state where the property is located.
- The reinsurance agreement must have a “cut-through” endorsement that provides for the reinsurer to become immediately liable for 100% of any loss payable by the primary insurer in the event that the primary insurer becomes insolvent. The endorsement must be attached to each insurance policy that is covered by the reinsurance agreement.
- Both the primary insurer and the reinsuring company must execute an Assumption of Liability Endorsement Form 858 or any equivalent endorsement that provides for 100% reinsurance of the primary insurer’s policy and 90-day written notice of termination of the reinsurance arrangement. The endorsement must be attached to each insurance policy that is covered by the reinsurance agreement.
- A reinsurer can limit its coverage exposure by specifying a dollar limitation in the reinsurance endorsement. However, the insurance written under the policy cannot exceed that amount.

c) Other Acceptable Insurance Underwriters

- A state insurance pool created by statutory authority to provide insurance for geographic areas or insurance lines which suffer from lack of voluntary market availability, if that is the only coverage that is available. Such pool may be designated as a property insurance plan, a Fair Access to Insurance Requirements (FAIR) plan, an underwriting association, a joint underwriting association or an insurance authority. The following are examples of such plans:
 - Hawaii Property Insurance Association (HPA); and
 - Florida Citizens Property Insurance Corporation

In addition, all insurance companies (insurers) and insurance companies which guarantee coverage provided by other insurance companies (reinsurers) must also be licensed or otherwise authorized by law to conduct business in the jurisdiction where the Mortgaged Premises are located.

2. Assessments

Insurance contracts must provide that no assessment may be made against the lender or the servicer, or any subsequent assignees, and that any assessment made against other may not become a lien on the Mortgaged Premises superior to the lien of the lender or any subsequent assignee.

**HAZARD
INSURANCE
REQUIREMENTS
CONTINUED**

3. Mortgagee Clause; Endorsement

The mortgagee clause on all mortgage policies, binders, and certificates of insurance must show the mortgagee using the following language:

LoanCare, LLC
 ISAOA/ATIMA
 PO Box 202049
 Florence, SC 29502-2049

The mortgagee clause must provide that the insurer will notify the named mortgagee at least 10 days before cancellation of the policy.

4. Policy Term

The policy must be written for at least a one year term or be continuous until cancelled.

5. Policy Effective Date

The policy effective date must be on or before the date the Borrower's loan is funded.

6. Evidence of Insurance

At closing, the Borrower must provide evidence that the property is covered by hazard insurance in one of the following forms:

- Hazard Insurance Policy;
- A Certificate of Insurance, Evidence of Insurance Form, Declaration Page, or Insurance Binder (Temporary Insurance Contract) that contains at least the following information:
 - Name of insured (for condominiums and PUDs, the homeowners association is the named insured);
 - Name of mortgagee
 - Property address, including zip code. A legal description must be shown for rural properties, condominiums, or other properties if the property address does not adequately define the location of the property. (Example: Route 1, Box 5, is inadequate).
 - Mailing address, if different from property address (second homes and non-owner occupied investment property)
 - Type, amount and effective dates of coverage
 - Deductible amount and coverage to which each such deductible applies;
 - Any endorsement or optional coverage obtained and made part of the original policy;
 - Insurer's agreement to provide at least 10 days' notice to the mortgagee (including any applicable PUD or Condominium Unit or ground lease community leasehold mortgagee) before cancellation of the policy; and
 - Signature of an authorized representative of the insurer, if required by law
 - At closing, the borrower must provide a paid receipt for the first year's premium

**HAZARD
INSURANCE
REQUIREMENTS
CONTINUED**

Condominiums and PUDs

(a) Type of Coverage

This insurance policy must provide, at a minimum, fire and all other hazards that are normally covered by the standard extended coverage endorsement and all other perils customarily covered for similar types of projects, including those covered by the standard “all risk” endorsement

- **Condominium Requirements** – the Condominium association must maintain a master or blanket type of insurance policy, with premiums that are paid as a common expense. The policy must cover all general and limited common elements normally included, such as fixtures, building service equipment, and common personal property and supplies belonging to the homeowner’s association. The policy also must cover fixtures, and other personal property inside individual units (e.g., stoves and refrigerators), whether or not the property is part of the common element.

If the master policy does not reflect “all-in” insurance or betterments, the HO-6 policy with coverage, as determined by the insurer is required which is sufficient to repair the condo unit to its condition prior to a loss claim event.

In addition, the hazard insurance policy should include the following provisions:

- Any Insurance Trust Agreement must be recognized
- The right to subrogation against unit owners must be waived
- The insurance must not be prejudiced by any acts or omissions of individual unit owners that are not under the control of the homeowner’s association
- The policy must be primary, even if a unit owner has other insurance that covers the same loss
- A special Condominium Endorsement usually covers these four requirements
- **PUD Requirements** – the homeowners’ association must maintain a property insurance policy, with premiums being paid as a common expense. The policy must cover all of the common elements except for those that are normally excluded from coverage, such as land, foundation, excavations, etc. Fixtures and building service equipment that are considered part of the common elements, as well as common personal property and supplies, should be covered.

Individual insurance policies are also required for each unit in the PUD project. If the project’s legal documents allow for blanket insurance policies to cover both the individual units and the common elements, a blanket policy is acceptable in lieu of the insurance for the unit.

<p>HOMEBUYER EDUCATION</p>	<p>Homebuyer Education is required for one occupying first-time homebuyer.</p> <ul style="list-style-type: none"> • Effective May 1, 2017, CalHFA will require a one-on-one homebuyer counseling session <u>in addition</u> to its current eHome America online homebuyer education. • This one-on-one counseling lasts up to an hour, and may be completed via telephone, video or in person after the education course is completed. • Upon completion of both the eHome online homebuyer education course and the counseling session, the homebuyer counseling provider will provide PBM and the homebuyer with a certificate of completion for submission to CalHFA at loan approval. <ul style="list-style-type: none"> ○ Fee for eHome America’s online course increased to \$99 ○ eHome certificates completed prior to May 1, 2017, which do not include the counseling component, will continue to be honored for up to one year after the course completion dated. ○ Borrowers can also continue to use CalHFA’s other approved homebuyer education and counseling courses through NeighborWorks America or any HUD approved Housing counseling Agency ○ MUST use link below <ul style="list-style-type: none"> ▪ http://ehomeamerica.org/calhfa • Face-to-Face Homebuyer Education through <u>NeighborWorks America</u> http://www.calhfa.ca.gov/homebuyer/calhfa_neighborworks_america.pdf • <u>HUD approved Housing Counseling Agencies</u> http://hud.gov/offices/hsg/sfh/hcc/hcs.cfm?weblistaction=summary • Up-to-date information can be found on CalHFA’s Homebuyer Education page Or through one of the <u>HUD approved Housing Counseling Agencies</u> http://hud.gov/offices/hsg/sfh/hcc/hcs.cfm?weblistaction=summary
<p>INCOME & SALES PRICE LIMITS</p>	<ul style="list-style-type: none"> • The following reference materials disclose income and sales price limits by county: <ul style="list-style-type: none"> ○ <u>CalHFA Income Limits</u> http://www.calhfa.ca.gov/homeownership/limits/income/income-fha.pdf ○ <u>Sales Price Limits-</u> http://www.calhfa.ca.gov/homeownership/limits/salesprice/salesprice.pdf



INCOME REQUIREMENTS

- Underwriters are required to calculate income to qualify borrower(s) for loan approval using FHA guidelines; in addition, CalHFA will review the borrower’s income pursuant to program compliance.
- **QUALIFYING INCOME VS. PROGRAM COMPLIANCE INCOME**
 - Qualifying income is the income used by the Underwriter to determine that the borrowers have the ability to meet their monthly obligation. Underwriters will continue to adhere to the guidelines of their internal underwriting guidelines, mortgage insurer, master servicer and this program handbook.
 - This income may differ from the income used by CalHFA for program compliance purposes. All sources of income must be used to determine program compliance income limits.
- **MAXIMUM PROGRAM COMPLIANCE INCOME LIMITS**
 - The income of all borrowers cannot exceed the published CalHFA income limits detailed in these guidelines established for the county which the property is located.
 - When multiple CalHFA loan programs are used in combination, the most restrictive income limits will apply.
 - CalHFA will calculate family income for FHA loan eligibility. “Family income” is defined as the annualized gross income or a mortgagor, and any other person who is expected to:
 - be liable on the mortgage
 - be vested on title and
 - live in the residence being financed
- Due to federal regulations, CalHFA is required to compile all information regarding borrower’s income.


IRS TRANSCRIPTS REQUIREMENTS

IRS Transcripts Requirements		
Application Date	All transactions (2 years tax returns required per AUS findings)	
January 1, 2017- January 31, 2017	<ul style="list-style-type: none"> • 2014 and 2015 tax returns • 2014 and 2015 IRS transcripts • Note date must be prior to 4/18/2017 	
February 1, 2017- April 18, 2017	2016 tax return filed	2016 tax return not filed
	<ul style="list-style-type: none"> • 2015 and 2016 tax returns • 2015 and 2016 IRS transcripts 	<ul style="list-style-type: none"> • Copy of 2016 transcript indicating “No Record Found” • 2014 and 2015 tax returns • 2014 and 2015 IRS transcripts • Note date must be prior to 4/18/2017
April 19, 2017 – October 17, 2017	2016 tax return filed	2016 tax return not filed
	<ul style="list-style-type: none"> • 2015 and 2016 tax returns • 2015 and 2016 IRS transcripts 	<ul style="list-style-type: none"> • 2014 and 2015 tax returns • 2014 and 2015 IRS transcripts • W2’s for a corporation • 1099’s for a commission income • Balance Sheet for the prior calendar year if the business is a sole proprietorship that has significant assets, has employees other than the owner and spouse, and regularly prepares a separate business financial balance sheet

CalHFA FHA 1st LOAN PROGRAM

Product Codes: FHAMHM & FHA ECTP



<p>TAX TRANSCRIPTS REQUIREMENTS CONTINUED</p>		<ul style="list-style-type: none"> • If transcripts are not available, the following is required: <ul style="list-style-type: none"> ○ Most recent tax returns and IRS transcripts available based on program requirement ○ Copy of 2016 transcript indicating “No Record Found” ○ 2014 and 2015 IRS transcripts ○ Copy of 2016 IRS form 4868 (Application for Automatic Extension of Time to File U.S. Individual Income Tax Return) filed with the IRS ○ Proof that 2016 tax liability as indicated on form 4868 has been paid via canceled check ○ Note Date must be prior to 10/18/2017 <ul style="list-style-type: none"> ▪ When calculating income, the Underwriter must compare the current tax liability to prior year tax returns and obtain satisfactory explanations for any increase or decrease in earnings.
	<p>On or after October 18, 2017</p>	<ul style="list-style-type: none"> • 2015 and 2016 tax returns • 2015 and 2016 IRS transcripts • Use of 2016 Tax extension is not permitted • Current year profit and loss • 2016 personal tax returns may be a condition of the loan approval based on the application date. For example, if the borrower applies for the loan on October 23rd and is not closing until November 15th, the 2016 personal tax returns may be required.
<p>LOAN PURCHASE CHECKLIST</p>	<ul style="list-style-type: none"> • CalHFA Loan Submission Checklist is located in Form or link below: http://www.calhfa.ca.gov/homeownership/forms/checklist-submission.pdf 	
<p>LTV/CLTV</p>	<ul style="list-style-type: none"> • Loan –to-Value (LTV) to follow FHA first mortgage underwriting guidelines • Combined Loan-to-Value (CLTV) cannot exceed 105.00% • CalHFA subordinate loan(s) may also be eligible to be layered with the CalHFA FHA 1st loan. <ul style="list-style-type: none"> ○ FHAMHM2nd ○  OR ○ ECTP 	
<p>MANDATORY FEES</p>	<ul style="list-style-type: none"> • Branch Allowable fees (Origination & Processing) <ul style="list-style-type: none"> ○ Customary branch origination fees not to exceed the greater of 3% of the loan amount or \$3,000 <ul style="list-style-type: none"> ▪ Master Servicer (LLS) fees are excluded from this fee calculation. ○ Additional discount fee applies on all High Balance loans. <ul style="list-style-type: none"> ▪ See rate sheet for applicable High Balance Fees ▪ Must be disclosed on the LE/CD as a Discount Fee ○ Other customary third party fees such as credit report fee, appraisal fee, insurance fee or similar settlement or financing cost ○ In all cases the Branch must meet the federal and California lending laws regarding fees and charges. 	

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<p>MANDATORY FEES CONTINUED</p>	<ul style="list-style-type: none"> • Master Servicer Fees <ul style="list-style-type: none"> ○ The master servicer Funding Fee is \$250.00 per loan ○ The master servicer Tax Service Fee is \$75.00 per loan ○ The master servicer Life of Loan Flood Certificate fee is \$10.00 per loan • Funding fees paid by the borrower or seller must be disclosed and documented on the Closing Disclosure <ul style="list-style-type: none"> ○ The above-mentioned master servicer fees should not be listed as payable to “Lakeview” on the CD. Payee must show as “Master Servicer” on the CD. • Other customary master servicer fees may apply • LLS will not purchase high cost loans • MyHome or ECTP \$250.00 Processing Fee • Interest rates are available on the CalHFA Interest Rate page. Interest rates are subject to change at any time without notice. <p style="text-align: center;">http://www.calhfa.ca.gov/apps/rates/</p>
<p>MANDATORY FORMS</p>	<ul style="list-style-type: none"> • The following forms will be needed when submitting a CalHFA FHA loan to CalHFA: <ul style="list-style-type: none"> ○ CalHFA Borrower Affidavit <ul style="list-style-type: none"> ▪ http://www.calhfa.ca.gov/homeownership/forms/affidavit-borrower.pdf ○ Tax Return Affidavit <ul style="list-style-type: none"> ▪ http://www.calhfa.ca.gov/homeownership/forms/affidavit-tax-return.pdf ○ CalHFA Loan Submission Checklist <ul style="list-style-type: none"> ▪ http://www.calhfa.ca.gov/homeownership/forms/checklist-submission.pdf
<p>MANDATORY HOME WARRANTY INSURANCE COVERAGE</p>	<ul style="list-style-type: none"> • CalHFA requires that all first-time homebuyer(s) obtain a one-year home warranty protection policy <ul style="list-style-type: none"> ○ Non-first-time homebuyers are not required to obtain a home warranty protection • The insurance must cover the following items at a minimum: <ul style="list-style-type: none"> ○ Water Heater(s) ○ Air Conditioning ○ Heating ○ Oven/Stove/Range • Home Warranty to be paid through close of escrow • Home Warranty must be disclosed on Loan Estimate (LE) and Closing Disclosure (CD) <ul style="list-style-type: none"> ○ Home Warranty is only disclosed on the LE if the borrower is paying for it. • Exception to Home Warranty: <ul style="list-style-type: none"> ○ 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
<p>MAXIMUM LOAN AMOUNT</p>	<ul style="list-style-type: none"> • The maximum loan amount (excluding UFMI) cannot exceed FHA loan limits for the county in which the property is located.

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<p>MAXIMUM SALES PRICE LIMITS</p>	<ul style="list-style-type: none"> • The Sales Price of the home cannot exceed CalHFA Sales Price Limits for the county in which the property is located. http://www.calhfa.ca.gov/homeownership/limits/salesprice/salesprice.pdf
<p>MINIMUM CREDIT SCORE</p>	<ul style="list-style-type: none"> • Credit score 640 • 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 <ul style="list-style-type: none"> ○ Non-traditional credit reports are not acceptable. • 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. <ul style="list-style-type: none"> ○ 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 • Use of non-traditional credit is not acceptable.
<p>MISCELLANEOUS UNDERWRITING</p>	<ul style="list-style-type: none"> • Credit Underwriting is the responsibility of the PBM Underwriter • Underwriters must consider the income, assets, liabilities and credit histories of co-signers • Underwriters MUST: <ul style="list-style-type: none"> ○ Make sound credit decisions ○ Assure date 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 <ul style="list-style-type: none"> ○ IRS Transcripts (1040, 1099, W-2 as applicable) are required for each borrower whose income is used to qualify • Verification of Mortgage/Verification of Rents as stand-alone document is not permitted; 12 months cancelled checks are required if required by AUS • Non-arm's length transactions must be fully disclosed • All loans are subject to audit by both CalHFA and the master servicer (Lakeview Loan Servicing) • 2-1 temporary buydowns are NOT permitted. • In the case of conflicting guidelines, Underwriter must follow the more restrictive to meet the credit, income limits, total debt ratio and loan and property requirements of CalHFA, FHA, Provident Bank Mortgage or master servicer. • All loans are subject to audit by both CalHFA and LLS Master Servicer. • Underwriter to pull and review a Soft Pull (Credit Report) prior to 48 hours of funding. <ul style="list-style-type: none"> ○ No Exceptions

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<p>NON-CALHFA SUBORDINATE</p>	<ul style="list-style-type: none"> • This program may be layered with FHA and Provident Bank Mortgage approved subordinate program used for closing cost and/or down payment assistance per individual requirements. <ul style="list-style-type: none"> ○ The locality subordinate loan must meet FHA Subordinate Financing guidelines. ○ The maximum CLTV must meet CalHFA requirements ○ In the case of conflicting guidelines the Underwriter must follow the more restrictive
<p>OTHER PROGRAMS AND ASSISTANCE</p>	<ul style="list-style-type: none"> • This program may be layered with CalHFA Mortgage Credit Certificate Tax Credit Program (MCC Tax Credit Program) or other Mortgage Certificated (MCC) programs for first-time homebuyers only. <ul style="list-style-type: none"> ○ The MCC Credit May be used for credit qualifying purposes as per investor guidelines. http://www.calhfa.ca.gov/homeownership/programs/mcc.pdf ○ In the case of conflicting guidelines, the Underwriter must follow the more restrictive ○ For Full CalHFA MCC Tax Credit Program underwriting guidelines and details see link below for MCC Tax Credit Program Handbook, log onto the MCC Administrator’s web site at www.ehousingplus.com
<p>OWNER OCCUPANCY</p>	<ul style="list-style-type: none"> • All borrowers must occupy the property as their primary residence within sixty (60) days of closing • Non-occupant co-borrowers are <u>not allowed</u> • Non-occupant co-signers are allowed per FHA Guidelines • Non-occupant co-signers <ul style="list-style-type: none"> ○ must not occupy the property ○ must not be on title or have vested interest in the property ○ must sign all loan documents(s) except the security instrument(s) ○ will have their income, assets, liabilities and credit histories considered by underwriting.
<p>PACE/HERO</p>	<ul style="list-style-type: none"> • Properties having energy retrofit upgrades encumbered by property tax assessed loans, including Property Assessed Clean Energy (PACE) and Home Energy Renovation Opportunity (HERO) loans, are not eligible for CalHFA first mortgage and/or down payment & closing costs assistance programs <u>unless these property tax assessed loans are paid off prior to CalHFA loan closing.</u>
<p>POST-CLOSING LOAN DELIVERY & PURCHASE</p>	<p>All CalHFA First Loans:</p> <p>Use the master servicer Loan Purchase Checklist located on the Lakeview Correspondent Lending website to ensure you are submitting a complete and accurate package.</p> <ul style="list-style-type: none"> • Notes are to be endorsed to Lakeview Loan Servicing, LLC

**POST-CLOSING
LOAN DELIVERY &
PURCHASE
CONTINUED**

- Deed of Trust to be assigned to Lakeview Loan Servicing, LLC
 - Loans are to be registered via Mortgage Electronic Registration Systems (MERS)
 - Register via MERS:
 - Investor: 1010298 Lakeview Loan Servicing
 - Servicer: 1010298 Lakeview Loan Servicing
 - Subservicer: 1000723 LoanCare LLC

CalHFA 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:
LoanCare, LLC
ISAOA/ATIMA
PO Box 202049
Florence, SC 29502-2049
- 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 PBM's name
 - Note to be endorsed to CalHFA
 - MERS Deed of Trust must be assigned to CalHFA
 - Loans are to be registered via Mortgage Electronic Registration Systems (MERS)
 - Register via MERS:
 - ✓ Investor: 1000645
California Housing Finance Agency
 - ✓ Servicer: 1000645
California Housing Finance Agency
- All CalHFA subordinate loan purchase packages are to be sent to CalHFA at:
CalHFA
Single Family Lending – MS 300
500 Capitol Mall, Suite 400
Sacramento, CA 95814
877.922.5432

<p>POST-CLOSING LOAN DELIVERY & PURCHASE CONTINUED</p>	<ul style="list-style-type: none"> 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 <p>ZIP Lien Position</p> <ul style="list-style-type: none"> The ZIP must be in second position or may be recorded in third lien position behind a MyHome Assistance Program or Extra Credit Teacher. <p>CalHFA MCC Tax Credit Closing Package(s):</p> <ul style="list-style-type: none"> All final Closing Packages for the MCC application and documents should be submitted to the MCC Program Administrator at: eHousingPlus 3050 Universal Boulevard Suite 190 Weston, FL 33331 954.217.0817
<p>PRE-CLOSING LOAN SUBMISSION TO CALHFA</p>	<p><u>Loan Submission Process</u></p> <ul style="list-style-type: none"> The Branch must be locked by PBM Secondary Refer to the Loan Submission Checklist for minimum documentation requirements. http://www.calhfa.ca.gov/homeownership/forms/checklist-submission.pdf CalHFA FHA Loan submission packages are to be sent electronically through MAS https://mortgageaccess.calhfa.ca.gov/UserAccount/Home The branch 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. Upon receipt of the Conditional Approval, the lender is authorized to close the loan(s). After closing, PBM will upload a closed first mortgage purchase package to CalHFA’s master servicer Lakeview Loan Servicing and any CalHFA subordinate loan(i.e. ZIP, Extra Credit Teacher or (MyHome) purchase packages(s) to CalHFA for purchase PBM must submit applicable Zip, Extra Credit Teacher or MyHome 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. Click Link below for CalHFA Daily Turn Times http://www.calhfa.ca.gov/homeownership/programs/index.htm

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<p>PROPERTY REQUIREMENTS</p>	<ul style="list-style-type: none"> • Sales price of the home cannot exceed <u>CalHFA’s sales price limits</u> established for the county in which the property is located. http://www.calhfa.ca.gov/homeownership/limits/salesprice/salesprice.pdf • Property must be a single-family, one-unit residence, including FHA-approved condominiums/PUDs. • Manufactured housing is not permitted. • Additional Property Guidelines – Accessory Dwelling Units (ADUs) <ul style="list-style-type: none"> ○ Guest houses, “granny” units, and “in-law” quarters are eligible <ul style="list-style-type: none"> ▪ Must be zoned for Single Family Occupancy ▪ Cannot be zoned for 2-4units ▪ Must meet investor guidelines and city/county zoning ordinances. ▪ Rental income from ADUs may be used for qualifying <ul style="list-style-type: none"> • if rental income from the ADU is used for credit qualifying, CalHFA will also use the gross rental income for the compliance income calculation with respect to income limits. • Leaseholds/Land Trust 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 • Defects and/or repair conditions identified by the appraiser on the appraisal report must be corrected prior to purchase by CalHFA’s master servicer LLS. <ul style="list-style-type: none"> ○ All units must be complete with respect to construction or repairs and ready to occupy. ○ Escrow Holdbacks must be released prior to purchase • Property Flipping <ul style="list-style-type: none"> ○ 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.
<p>QUALIFYING RATIOS</p>	<ul style="list-style-type: none"> • The maximum total Debt-to-Income (DTI) ratio cannot exceed 45.00% regardless of automated underwriting decision or compensating factors.
<p>REAL ESTATE CERTIFICATION AND AMENDATORY CLAUSE</p>	<ul style="list-style-type: none"> • Real Estate Certification and Amendatory Clause signed and dated by all borrower(s) and seller(s) must be signed and dated prior to the Note Date, cannot be signed and dated the same day as funding. • Click the link and see attached for an example of the FHA Amendatory Clause. http://portalapps.hud.gov/FHAFAQ/controllerServlet?method=showPopup&faqId=1-6KT-2099

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<p>RESERVATION & RATE LOCK</p>	<ul style="list-style-type: none"> • The subject property appraisal MUST be received prior to locking and reserving a Provident Bank Mortgage CalHFA loan program. <ul style="list-style-type: none"> ○ <u>NO EXCEPTIONS</u> • Locks will only be accepted between the hours of 8:00am and 3:00pm Pacific Time Monday through Friday, excluding state-recognized holidays, and days that the U.S. financial markets are closed for business. • Interest rates are available on the CalHFA Internet Rate page. <ul style="list-style-type: none"> ○ CalHFA interest rate link below http://www.calhfa.ca.gov/apps/rates/ • <i>Interest rates are subject to change at any time without notice.</i> • A Sales Contract must be executed prior to reservation • <u>ALL</u> loans must be locked prior to submission to CalHFA • Provident Bank Mortgage CalHFA’s Reservation form must be completed <ul style="list-style-type: none"> ○ Located in forms on the intranet and wholesale website in “Forms”. • Rate lock period will be for thirty (30) days for all existing/resale properties and new constructions properties. <ul style="list-style-type: none"> ○ All MyHome or Extra Credit Teacher products will be reserved and locked concurrently with the Provident Bank Mortgage CalHFA 1st loan program. <ul style="list-style-type: none"> ▪ The MyHome or Extra Credit Teacher products will receive the same reservation, lock and purchase periods as the first mortgage. • Contact PBM-Secondary Locks when the loans are ready to be locked. <ul style="list-style-type: none"> ○ When requesting the Rate Lock, the request MUST be at the same or lower interest rate than the rate which the previously file was underwritten or rate lock request will NOT be accepted. ○ Loans must be shipped to Provident Bank Mortgage Vault by the Provident Bank Mortgage lock expiration date. <ul style="list-style-type: none"> ▪ <u>NO EXCEPTIONS</u>
<p>SALES CONCESSIONS/ CONTRIBUTIONS</p>	<ul style="list-style-type: none"> • Concessions/contributions as per FHA guidelines except the following: <ul style="list-style-type: none"> ○ Payment of condominium fees ○ Personal Property ○ Down Payment assistance
<p>TERM</p>	<ul style="list-style-type: none"> • Up to 30 years
<p>TRANSACTION TYPE</p>	<ul style="list-style-type: none"> • Purchase Transactions <u>ONLY</u>