

CalHFA VA 1st LOAN PROGRAM

Product Codes: VACalHFA/FIXS



PROGRAM SUMMARY	<ul style="list-style-type: none"> The CalHFA VA program is a VA-guaranteed 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 either the MyHome Assistance Program (MyHome) or School Teacher and Employee Assistance Program (School Program) <i>The CalHFA VA loan is not subject to Recapture Tax.</i>
LOAN SCENARIO CALCULATOR	<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
INELIGIBLE PROVIDENT BANK MORTGAGE LOAN FEATURES OR CALHFA PRODUCTS	<ul style="list-style-type: none"> Financed MI Cal-EEM + Grant Program Manual Underwrites Manufactured Homes
LOAN OPERATING SYSTEM (LOS)	<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 VA Fixed Doc Package. 2nd MyHome or School Program requires disclosures from LOS, LE (Loan Estimate), CD(Closing Disclosure), Note, Deed From Doc Magic \$250 Processing fee for MyHome or School Program Closing Doc package from LOS <p><u>Note: All loan documents must be in Provident Bank Mortgage Name</u></p>
PRODUCT CODES	<ul style="list-style-type: none"> VA CalHFA <ul style="list-style-type: none"> MyHome ECTP
FUNDING/DOCS	<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 School Program 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

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<p>AUTOMATED UNDERWRITING</p>	<ul style="list-style-type: none"> • All loans must be submitted through Fannie Mae Desktop Underwriter (DU) and receive an “Approve/Eligible”, Freddie Mac Loan Product Advisor (LPA) and receive an “Accept” recommendation. • Other customized automated underwriting systems are not acceptable. • Manual Underwriting is not allowed
<p>BORROWER REQUIREMENTS</p>	<ul style="list-style-type: none"> • Each borrower must <ul style="list-style-type: none"> ○ Be a U.S. citizen, permanent resident alien or qualified alien ○ Meet the credit, income and loan requirements detailed in these guidelines, as well as CalHFA Lender Manual, VA and CalHFA’s master servicer’s requirements. ○ Present a valid Certificate of Eligibility per VA guidelines
<p>CALHFA SUBORDINATE FINANCING</p>	<p>This program may be layered with the following down payment and/or closing cost assistance options, for first-time homebuyers only:</p> <ul style="list-style-type: none"> • MyHome Assistance Program <ul style="list-style-type: none"> ○ May be used for non- allowable Provident Bank Mortgage and third party closing cost up to 1% or ○ 1% Origination or ○ Allowable Closing Cost and/or ○ Down payment ○ In case of conflicting guidelines, the underwriter must follow the more restrictive guidelines. ○ Must be recorded in Second Lien Position. ○ For fully PBM MyHome underwriting guidelines and details see PBM MyHome guidelines posted on the intranet and/or the wholesale website. • School Teacher and Employee Assistance Program (School Program) <ul style="list-style-type: none"> ○ May be used for non- allowable Provident Bank Mortgage and third party closing cost up to 1% or ○ 1% Origination or ○ Allowable Closing Cost and/or ○ Down payment ○ In case of conflicting guidelines, the underwriter must follow the more restrictive guidelines. ○ Must be recorded in Second Lien Position. ○ For fully PBM School Program underwriting guidelines and details see PBM School Program guidelines posted on the intranet and/or the wholesale website. • MyHome and School Program may not be combined.

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<p>NON-CALHFA SUBORDINATE FINANCING</p>	<p>This program may be layered with locality programs which may be used for non-allowable seller and third party closing cost up to 1% or 1% Origination or Allowable Closing Cost and/or Down payment as per individual requirements.</p> <ul style="list-style-type: none"> ○ The locality subordinate loan must meet VA underwriting guidelines ○ The maximum CLTV must meet VA/CalHFA requirements ○ In the case of conflicting guidelines, the underwriter must follow the more restrictive. ○ Must be recorded in subordinate lien position to CalHFA Subordinate Financing
<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: <ul style="list-style-type: none"> ○ 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 VA roster appraiser ○ Appraisal update and/or Completion Report signed by the original VA roster appraiser ● VA roster appraiser in good standing with geographic competence in the affected market may be used. ● 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 ● IRS transcripts (1040, 1099, W-2, as applicable) are required for each borrower whose income is used to qualify ● A 4506-T is required to be signed at closing for all transactions ● For future income, paystubs are required prior to funding

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<p>ESCROW HOLDBACKS</p>	<ul style="list-style-type: none"> • Escrow repairs are permitted in accordance with all CalHFA VA loan program guidelines • Escrow is permitted for outstanding minor repairs for incomplete construction or for alterations and repairs that cannot be completed prior to loan closing provided the subject property is habitable and safe for occupancy at the time of closing • Follow PBM VA Guidelines and Escrow Holdback procedures in <i>Quick Look Manual</i>
<p>FAMILY INCOME <u>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
<p>FAMILY INCOME <u>INCLUDES</u></p>	<ul style="list-style-type: none"> • Gross pay • Overtime • Bonuses • Commissions • Part-time employment • Dividends • Interest • Annuities • Child support payments • Deferred income • Veterans Administration (VA) compensation • Gross rental or leased income • Welfare payments • Unemployment Compensation • Any regularly occurring additional income • Human assistance/ services • Disability payments • Alimony/Spousal Support • Sick pay • Pensions • Social security benefits • Income received from Trust or Business & Investments from all sources (both taxable and nontaxable) including but not limited to earnings



<p>FAMILY INCOME INCLUDES (CONTINUE)</p>	<p>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 the CalHFA for loan approval.</p>
<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 Bank Mortgage 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 29505-2049

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 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:

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

**FLOOD INSURANCE
COVERAGE
CONTINUED**

- Contents coverage must equal the lesser of the following:
 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**
 - 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**
 - 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

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 Section. The carrier must meet the minimum rating requirements for insurance underwriters specified in the Hazard Insurance Section.



**HAZARD
INSURANCE
REQUIREMENTS**

A. General Hazard Insurance Requirements

1. Carrier

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:

a) An Insurer With An Acceptable Rating

Carries Rated by A.M. Best Company, Inc.

- “B” or better Financial Strength Rating in *Best’s Insurance Reports*
- “A” or better Financial Strength Rating and a Financial Size Category of “VIII” or greater in *Best’s Insurance Reports Non-US Edition*

Carriers Rate by Demotech, Inc.

- “A” or better rating in *Demotech’s Hazard Insurance Financial Stability Ratings*

Carriers Rated by Standard and Poors

- “BBB” or better Insurer Financial Strength Rating in Standard and Poors Rating 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 the amount.



**HAZARD
INSURANCE
REQUIREMENTS
CONTINUED**

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 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.

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 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;

**HAZARD
INSURANCE
REQUIREMENTS
CONTINUED**

- 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

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

<p>HAZARD INSURANCE REQUIREMENTS CONTINUED</p>	<ul style="list-style-type: none"> ○ 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 <ul style="list-style-type: none"> ● 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. <p>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>
<p>HOMEBUYER EDUCATION</p>	<ul style="list-style-type: none"> ● Homebuyer Education counseling is required for one occupying first-time homebuyer. ● Homebuyer Education is not required for non-first-time homebuyer(s). <ul style="list-style-type: none"> ○ Online Homebuyer Education Through eHome https://calhfa.ehomeamerica.org/sponsor_user/sponsor_main ○ Face-to-Face Homebuyer Education through NeighborWorks America http://www.calhfa.ca.gov/homebuyer/calhfa_neighborworks_america.pdf ○ Or one of the HUD Approved Housing Counseling Agencies https://apps.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: <ol style="list-style-type: none"> 1. CalHFA Income Limits <ul style="list-style-type: none"> ○ http://www.calhfa.ca.gov/homeownership/limits/income/income.pdf 2. Sale Price Limits <ul style="list-style-type: none"> ○ http://www.calhfa.ca.gov/homeownership/limits/salesprice/salesprice.pdf
<p>INCOME REQUIREMENTS</p>	<ul style="list-style-type: none"> ● Underwriters are required to calculate income to qualify borrower(s) for loan approval using Provident Bank Mortgage VA guidelines; in addition, CalHFA will review the borrower’s income pursuant to program compliance.
<p>QUALIFYING INCOME VS. PROGRAM COMPLIANCE INCOME</p>	<ul style="list-style-type: none"> ● Qualifying income is the income used by the underwriter to determine that the borrowers have the ability to meet their monthly obligation. The Underwriter will continue to adhere to PBM VA Guidelines, Master Servicer and these product guidelines. 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.

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MAXIMUM PROGRAM COMPLIANCE INCOME LIMITS	<ul style="list-style-type: none"> The income of all borrowers cannot exceed the published CalHFA income limits detailed in these product guidelines established for the county in which the property is located. CalHFA will calculate family income for CalHFA VA loan eligibility, “Family income” is defined as the annualized gross income of a mortgagor, and any other person who is expected to: <ol style="list-style-type: none"> 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.
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INELIGIBLE PROPERTIES	<ul style="list-style-type: none"> Manufactured Properties
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IRS TRANSCRIPTS REQUIREMENTS	IRS Transcripts Requirements		
	Application Date	All transactions (2 years tax returns required per AUS findings)	
	Prior to April 17, 2018	2017 tax return filed	2017 tax return not filed
		<ul style="list-style-type: none"> 2016 and 2017 tax returns 2016 and 2017 IRS transcripts¹ 	<ul style="list-style-type: none"> 2015 and 2016 tax returns 2015 and 2016 IRS transcripts
	April 17, 2018 – October 15, 2018	2017 tax return filed	2017 tax return not filed
<ul style="list-style-type: none"> 2016 and 2017 tax returns 2016 and 2017 IRS transcripts¹ 		<ul style="list-style-type: none"> 2015 and 2016 tax returns 2015 and 2016 IRS transcripts Copy of 2017 transcript indicating “No Record Found” Copy of 2017 IRS form 4868 (Application for Automatic Extension of Time to File U.S. Individual Income Tax Return) filed with the IRS <ul style="list-style-type: none"> The total tax liability reported on IRS Form 4868 must be reviewed and compared with the borrower’s tax liability from the previous two years as a measure of income source stability and continuance. An estimated tax liability that is inconsistent with previous years may make it necessary to require the current returns in order to proceed. 	
On or after October 16, 2018	<ul style="list-style-type: none"> 2016 and 2017 tax returns 2016 and 2017 IRS transcripts Use of 2017 Tax extension is not permitted 		

¹ Typically, tax transcripts are not available from the IRS until two to three weeks after a consumer e-files their tax returns and six to eight weeks after filing by mail. If the 2017 tax return has been filed but the corresponding tax transcript is not yet available due to IRS lag times, the prior two year’s transcripts are required in addition to the 2017 tax return and 2017 transcript request returned as “No Record Found”. The 2017 tax returns must be reviewed to validate the stability of income/business and determine the reasonableness of any positive trends for the purpose of considering as qualifying income.

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LOAN PURCHASE CHECKLIST	<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
LTV/CLTV	<ul style="list-style-type: none"> • Loan-to-Value (LTV) to follow VA first mortgage underwriting guidelines. • Combined Loan-to-Value (CLTV) cannot exceed 105.00% <ul style="list-style-type: none"> ○ MyHome ○ ECTP
MANDATORY FEES	<ul style="list-style-type: none"> • Branch Allowable fees (Origination & Processing) <ul style="list-style-type: none"> ○ The Veteran can pay up to 1% Origination Fee per VA Guidelines. <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, California lending laws and VA guidelines regarding fees and charges. • PBM Wholesale all fees must be Borrower Paid Only. NO Exceptions • 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 School Program \$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. <ul style="list-style-type: none"> ○ http://www.calhfa.ca.gov/apps/rates/
MANDATORY FORMS	<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

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MANDATORY HOME WARRANTY INSURANCE COVERAGE	<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
MAXIMUM LOAN AMOUNT	<ul style="list-style-type: none"> ● The maximum loan amount (excluding Financed Guaranty Funding Fee) cannot exceed VA loan limits for the county in which the property is located.
VA HIGH BALANCE LOAN LIMITS	<ul style="list-style-type: none"> ● All loans with a base loan amount exceeding \$453,100 will be subject to an additional fee. <ul style="list-style-type: none"> ○ See CalHFA rate sheet for applicable fees. ○ http://www.calhfa.ca.gov/apps/rates/ ● Funding Requirement. <ul style="list-style-type: none"> ○ All VA High Balance Loans fees will be <u>net funded</u> at the time of first mortgage purchase by the master servicer
MAXIMUM SALES PRICE LIMITS	<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.
MINIMUM CREDIT SCORE	<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 and receive an Approve/Eligible. <ul style="list-style-type: none"> ○ Non-traditional credit is not accepted ● When all borrowers have a credit score, they must meet the minimum representative credit score requirements. ● The middle score of the lowest-scoring borrower should be used to determine eligibility. <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 scored ○ If a merged credit report only returns one score, that score must be used.

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<p>MISCELLANEOUS UNDERWRITING GUIDELINES</p>	<ul style="list-style-type: none"> • Credit Underwriting is the responsibility of the originating lender • Underwriters must consider the income, assets, liabilities and credit histories of co-signers • Underwriters should: <ul style="list-style-type: none"> ○ Make sound credit decisions ○ Assure data integrity ○ Include all necessary documents in support of the underwriting decision • Tax transcripts are required for all years that income is used for credit qualifying • Non-arm's length transactions must be fully disclosed • Appraiser must meet all VA Guideline requirements and • Appraiser must meet all the PBM CalHFA VA 1st Loan Program guidelines. • Temporary buydowns are not permitted • In the case of conflicting guidelines, the Underwriter must follow the more restrictive to meet the credit, income limits, total debt-to-income ratio, loan and property requirements of PBM, CalHFA and VA. • All loans are subject to audit by both CalHFA and Master Servicer.
<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 Credit Certificate (MCC) programs for first-time homebuyers only. <ul style="list-style-type: none"> ○ The MCC credit may be used for credit qualifying purposes ○ In the case of conflicting guidelines, the underwriter must follow the more restrictive guidelines ○ For full CalHFA MCC Tax Credit Program underwriting guidelines and details see MCC Tax Credit Program Handbook www.ehousingplus.com
<p>OWNER OCCUPANCY</p>	<ul style="list-style-type: none"> • All borrowers (or a spouse and/or dependent for active duty members) must occupy the property as their primary residence within sixty (60) days of the loan closing or per VA guidelines. • Non-Occupant co-borrowers are not allowed • Non-Occupant co-signers are allowed if Non-Occupant is a current veteran • Non-occupant co-signers: <ul style="list-style-type: none"> ○ Must not occupy the property ○ Must not be on title or have a vested interest in the property ○ Must sign all loan documents 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>

**POST-CLOSING
LOAN DELIVERY &
PURCHASE**

All CalHFA First Loans:

Use the master servicer Loan Purchase Checklist located on the Lakeview Correspondent Lending website to ensure you are submitting a complete and accurate package.

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

CalHFA VA 1st LOAN PROGRAM

Product Codes: VACalHFA/FIXS



<p>POST-CLOSING LOAN DELIVERY & PURCHASE CONTINUED</p>	<ul style="list-style-type: none"> • 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 • 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>PROPERTY REQUIREMENTS</p>	<ul style="list-style-type: none"> • Sales price of the home cannot exceed CalHFA’s sales price limits established for the county in which the property is located <ul style="list-style-type: none"> ○ http://www.calhfa.ca.gov/homeownership/limits/salesprice/salesprice.pdf • Property must be a single-family one-unit residence, including VA-approved condominiums/PUDs. It is the responsibility of the underwriter and not the master servicer to meet these guidelines. • Manufactured homes are not permitted. • Additional Property Guidelines. <ul style="list-style-type: none"> ○ Accessory Dwelling Units (ADU), 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 2-4 units ▪ Must meet city/county zoning ordinances. • If rental income from ADU is used for credit qualifying, CalHFA will also use the gross rental income for the compliance income calculation. • Leaseholds/Land Trusts and Co-ops are not permitted • Non-permitted additions/alterations must follow PBM VA Guidelines • Lot Size cannot exceed five (5) acres maximum • Properties must meet the requirements of VA and the California Health and Safety Code • Escrow Holdbacks will be allowed for minor outstanding repairs not completed prior to loan closing <ul style="list-style-type: none"> ○ The Property must be habitable and safe for occupancy at the time of loan closing ○ Follow Provident Bank Mortgage Escrow Hold Back Policy • Property Flipping <ul style="list-style-type: none"> ○ Follow PBM VA First-Mortgage underwriting guidelines. • CalHFA requires a copy of all appraisal as required by VA • When multiple appraisals are required CalHFA will base the subordinate loan amount(s) on the lesser of the sales price or lowest appraised value.

CalHFA VA 1st LOAN PROGRAM

Product Codes: **VACalHFA/FIXS**



QUALIFYING RATIOS	<ul style="list-style-type: none"> • The maximum total Debt-to-Income (DTI) ratio cannot exceed 45.00% • A MCC may not be used for credit qualifying purposes
RESERVATION & RATE LOCK	<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 2:00pm 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 School Program 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 School Program 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>
SALES CONCESSIONS/ CONTRIBUTIONS	<ul style="list-style-type: none"> • Concessions/contributions as per Provident Bank Mortgage VA guidelines except for the following: <ul style="list-style-type: none"> ○ Payment of condominium fees ○ Personal property ○ Down payment assistance
TERM	<ul style="list-style-type: none"> • 30 year
TRANSACTION TYPE	<ul style="list-style-type: none"> • Purchase transactions only



**VERBAL
VERIFICATION OF
EMPLOYMENT**

- All loan files must contain a verbal verification of employment for each borrower whose income was used to qualify the loan. If borrower is in the military a military Leave and Earnings Statement dated within 30 days of closing is acceptable in lieu of a verbal verification. VVOE must have the following information:
 - Must be dated within 10 business days of closing
 - Borrower's date of employment
 - Borrower's employment status and job title
 - Name, phone number, and title of individual contact at employer
 - Name of the employer contacted
 - Name and title of associate contacting employer from PBM