CalHFA Conventional / MyHome Combo Program Guidelines

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Section 1 Program Summary

The CalHFA Conventional MyHome Combo program is designed to expand homeownership opportunities for low-to-moderate income, first-time homebuyers throughout California. The program combines a CalHFA Conventional first mortgage of up to 97% LTV — based on Fannie Mae HFA Preferred™ guidelines — with CalHFA's MyHome Assistance Program second lien of up to 3% for down payment and/or closing costs for a combined CLTV up to 100%.

These Program Guidelines supplement Plaza's Credit Guidelines. Refer to Fannie Mae's Selling Guide for any information not specified in the Program Guidelines and Credit Guidelines.

Program Highlights:

- 30-year fixed-rate Conventional first mortgage up to 97% LTV based on Fannie Mae HFA Preferred™
- Deferred-payment, simple interest subordinate loan (no payment required), up to 3% of purchase price/appraised value for down payment and/or closing costs.
- No Loan Level Price Adjustments on first or second lien
- Income must not exceed CalHFA published county income limits.
- All Borrowers must be first-time homebuyers.

Section 2 Product Codes

Product Name	Product Code	Available Term in Months
CalHFA Conventional 1st Lien Conforming 30 Year Fixed	HCACF30	360
CalHFA Conventional 1st Lien High Balance 30 Year Fixed	HCACF30HB	360
CalHFA Conventional 1st Lien Conforming 30 Year Fixed w/2-1 Buydown	HCACF30BD21	360
CalHFA Conventional 1st Lien Conforming 30 Year Fixed w/1-0 Buydown	HCACF30BD10	360
CalHFA MyHome 2nd Lien 30 Year Fixed	SFHCAMH30	360

Section 3 Program Matrix

CALHFA CONFORMING BALANCE						
Primary Residence Purchase						
Property Type	LTV	CLTV	Min Credit Score		Max DTI	
			<= 80% AMI	> 80% AMI	FICO >= 700	FICO < 700
1 Unit SFR, Condo, MH Advantage	97%	100%	660	680	50%	45%
Manufactured Housing	95%	98%	660	680	45%	45%

CALHFA HIGH BALANCE						
Primary Residence Purchase						
Property Type	LTV	CLTV	Min Credit Score		Max DTI	
			<= 80% AMI	> 80% AMI	FICO >= 700	FICO < 700
1 Unit SFR, Condo	95%	98%	660	680	50%	45%

- Max LTV 97%
  - Conforming Standard Balance
  - Attached/detached SFRs
  - Attached/detached PUDs
  - Condos
  - Manufactured Home Advantage (MH Advantage)
- Max LTV 95%
  - High Balance
  - Manufactured Housing (MH, including MH Advantage, not eligible on High Balance)
- Max CLTV 100%
- FICO:
  - 680 if income > HomeReady AMI Limit
  - 660 if income <= HomeReady AMI Limit
- DTI:
  - 50% if FICO >= 700
  - 45% if FICO < 700
  - 45% for manufactured housing that is not MH Advantage

Section 4 Occupancy

Owner-occupied primary residences.

- All borrowers must occupy the property as their primary residence.
- Non-occupant co-borrowers are not allowed.

Section 5 Transactions

Purchase transactions only.

Section 6 Property Eligibility

Eligible Properties:

- Attached/detached SFRs
- Attached/detached PUDs
- Condos
- Manufactured Housing including MH Advantage

Manufactured Housing:

- Maximum DTI 45%
- Must be classified as Real Property
- Single-wide manufactured homes are ineligible.
- Manufactured homes must have been built on or after 1994.
- Condos: Manufactured homes in condo projects require PERS approval
- Appraisal for MH Advantage requires a picture of the MH Advantage Sticker and MH Advantage properties must meet Fannie Mae MH Advantage guidelines.
- Leasehold properties are ineligible.
- All manufactured homes must meet Fannie Mae guidelines, restrictions in these Program Guidelines, and **Plaza's Manufactured Housing Guidelines**.

Accessory Dwelling Units (ADUs): Accessory Dwelling Units, guest houses, "granny" units, and "in-law" quarters are eligible with the following parameters:

- The property must be defined as a one-unit property.
- Multiple ADUs are not permitted.
- Must meet city/county zoning ordinances.
- If rental income from an ADU is used for credit qualifying, CalHFA will also use the gross rental income for the compliance income calculation.

Other Requirements:

- Properties must meet the requirements of the California Health and Safety Code
- Escrow Holdbacks may be allowed for minor outstanding repairs not completed prior to loan closing.
  - Follow Fanie Mae guidelines.
  - The property must be habitable and safe for occupancy at the time of loan closing.
  - The property must be eligible for immediate delivery to Fannie Mae.

Ineligible Properties:

- Properties with condition rating of C5/C6
- Properties with construction rating of Q6
- 2–4-unit properties
- Co-ops
- Commercial properties
- Community Land Trusts (CLTs)
- Condotels
- Geothermal homes
- Log Homes
- Mixed use
- Mobile homes
- Non-warrantable condos
- Timeshares
- Working farms, ranches, orchards

Section 7 Identity of Interest and Non-Arm's Length

Non-arm's length transactions are purchase transactions in which there is a relationship or business affiliation between the seller and the buyer of the property. Identity of Interest describes certain transactions between parties with family or business relationships that may pose increased risk and warrant additional precautions when evaluating that risk.

Non-arm's-length transactions and Identify of Interest relationships must be fully disclosed, explained and supported by documentation in the loan file.

Section 8 Loan Limits

The maximum first mortgage loan amount cannot exceed the current **Fannie Mae Loan Limits**.

Standard Conforming Balance and High Balance loan amounts are eligible.

Section 9 Income Limits

Income of all borrowers cannot exceed **CalHFA Income Limits** for the county in which the property is located.

- Income must be calculated using Fannie Mae guidelines.
- CalHFA will use the lender's credit-qualifying income to determine if the loan exceeds the maximum program income limit. Income not used by the lender for credit-qualifying will not be used by CalHFA.
  Use Fannie Mae's HomeReady® Lookup tool to determine if the borrower's income is less than or equal to the HomeReady 80% Area Median Income (AMI) Lower Income (LI) limit to be eligible for CalHFA's LI interest rate.
- MCC may not be used for credit qualifying purposes.

Section 10 Borrower Eligibility

Eligible Borrowers:

- Must be first-time homebuyer (all borrowers)
- U.S. citizens
- Permanent resident aliens

First-Time Homebuyer Definition: A first-time homebuyer is defined as a borrower who has not had an ownership interest in any principal residence and has not resided in a home owned by a spouse during the previous three years.

- **FTHB Documentation**: Obtain signed CalHFA Borrower's Affidavit & Certification. Review URLA, credit report, and available ownership records. When prior property ownership is identified, document that borrower(s) did not own and occupies a principal residence during the three-year lookback period.

Homebuyer Education: Homebuyer education and counseling are required for one occupying first-time homebuyer. Certificates are valid for one year.

- Online Homebuyer Education through **eHome™** — eHome's eight-hour Homebuyer Education and Counseling course (fee: $100)
- In-Person or Virtual Live Homebuyer Education through **NeighborWorks America** or any **HUD-Approved Housing Counseling Agency** (fee: varies by agency)
- Homebuyer education course information for CalHFA can be found **here** (under Step 3).
- Please utilize the links provided above and do not independently search and select the education/counseling courses.
- Other online courses such as Frameworks, HomeView, or CreditSmart are not acceptable.
- A copy of the Certificate must be in the loan file.

Ineligible Borrowers:

- Non-purchasing spouse (all borrowers on mortgage must also be on note)
- Non-occupant co-borrowers
- Borrowers without a credit score / non-traditional credit
- Non-permanent resident aliens
- Foreign nationals
- Partnerships
- Corporations
- All trusts
- Borrowers with diplomatic immunity

Section 11 Underwriting Method

All first mortgage loans must be submitted through Fannie Mae Desktop Underwriter® (DU®) and receive an Approve/Eligible recommendation. Manual underwriting is not allowed on first lien. Note: Regardless of first lien underwriting method, all second liens are considered manually underwritten.

- Fannie Mae HFA Preferred™ must be selected in the Community Lender Product field in DU.
- CalHFA subordinate loans must be entered as Community Seconds in DU
- For items not referenced in our program guidelines refer to Fannie Mae HomeReady guidelines.

Section 12 Credit

Credit report required in the first lien loan file. MyHome second lien does not require a separate credit report.

Credit Score:

- 680: Borrowers with income greater than the **HomeReady 80% AMI LI Income Limit**
- 660: Borrowers with income less than or equal to the **HomeReady 80% AMI LI Income Limit**

Valid Credit Score:

- A tri-merged credit report is required on all loans.
- All borrowers must have a valid credit score.
- Non-traditional credit is not accepted.
- Qualifying score methodology:
  - Where three scores are reported, the middle score is the qualifying score.
  - Where two scores are reported, the lower score is the qualifying score.
  - Where only one score is reported that score is the qualifying score.
- The lowest qualifying score of all borrowers is used.
- All borrowers must meet the minimum credit score requirement.

Housing History: Per DU and Fannie Mae Selling Guide requirements.

Bankruptcy / Foreclosure / Deed in Lieu / Short Sale: Must meet all applicable Fannie Mae Selling Guide waiting periods and seasoning requirements.

Collections / Judgments / Charge-offs / Disputed Accounts: Per DU Approve/Eligible findings and Fannie Mae Selling Guide.

Section 13 Income and Employment

Income and employment documents are required in the first lien loan file. The MyHome second lien does not require separate income and employment documentation.

Income of all borrowers cannot exceed **CalHFA Income Limits** for the county in which the property is located.

- Employment and income documentation must comply with the requirements of the DU Findings and the Fannie Mae Selling Guide. *Self-employment income and verification of the borrower's business must continue to be assessed and verified in accordance with Fannie Mae temporary COVID-19 guidance.
- In determining whether a mortgage is eligible under the borrower income limits, income from all of the borrowers who will be listed on the Mortgage Note must be counted, to the extent that the income is considered in evaluating creditworthiness for the mortgage loan.
- CalHFA will use the lender's credit-qualifying income to determine if the loan exceeds the maximum program income limit. Income not used by the lender for credit-qualifying will not be used by CalHFA.
  Use Fannie Mae's HomeReady® Lookup tool to determine if the borrower's income is less than or equal to the HomeReady 80% Area Median Income (AMI) Lower Income (LI) limit to be eligible for CalHFA's LI interest rate.
- MCC may not be used for credit qualifying purposes.

Regardless of DU findings, the following is required on all loans:

- **1003**: A completed and signed 1003 including a 2-year employment history is required for all borrowers.
- **4506-C/Tax Transcripts:** A signed 4506-C for all years in which income was used in the underwriting decision is required regardless of DU findings. Tax transcripts are required in the following circumstances:
  - When tax returns are used to qualify the borrower's income (i.e., self-employment income, rental income, etc.). The number of years provided is based on the DU findings.
  - When a borrower is employed by family members.
  - When amended tax returns have been filed. A record of account transcripts is required and must support the amended income.
  - NOTE: If the current tax return has been filed but the corresponding tax transcript is unavailable due to IRS processing delays, the prior year's transcripts are required (as determined by AUS requirements) along with the current tax return, and a transcript request for the current year showing "No Record Found."
  - In FEMA declared disaster areas, the IRS may grant tax filing extensions to citizens of specific Counties. If a taxpayer takes advantage of these extensions, a copy of the extension, the "No Record Found" result, and the prior year's transcripts are required.
- **Income/Employment:**
  - **Validated by DU:** When income and employment have been validated by DU, the DU findings along with Employment and Income Verification report is acceptable documentation. When relying on DU validation services all Fannie Mae requirements must be met. Refer to Fannie Mae's Selling Guide for additional information.
  - **Not Validated by DU** (either DU Validation Services not utilized or DU unable to validate income): If income and employment have not been validated by DU, standard documentation per Fannie Mae's Selling Guide is required; however, for non-self-employed borrowers a year-to-date paystub, at minimum, is required and cannot be replaced with a handwritten VOE.
- **Verbal Verification of Employment:**
  - **Employment Validated by DU:** DU employment validation obtained within 10 days of closing is acceptable to satisfy the VVOE requirement.
  - In all other situations and for all other employment verification methods, standard VVOE requirements apply.

Section 14 Qualifying Ratios

Maximum DTI:

- 50% if FICO >= 700
- 45% if FICO < 700
- 45% for manufactured housing that is not MH Advantage

Refer to Fannie Mae Selling Guide for treatment of liabilities and determination of qualifying ratios.

Section 15 Down Payment

Asset documentation is required in the first lien loan file. The MyHome second lien file does not require separate asset documentation.

Down Payment and Closing Costs:

- The minimum borrower contribution required is per DU Findings.
- When MyHome funds cover the full required down payment, no additional borrower down payment contribution is required beyond closing costs.
- All funds used for the purpose of qualifying for or closing the mortgage must be documented.

Gift Funds: Allowed per Fannie Mae guidelines.

Section 16 Reserves

Reserve Requirements: Per DU Findings.

Asset documentation is required in the first lien loan file. The MyHome second lien file does not require separate asset documentation.

Section 17 Interested Party Contributions

Interested party contributions, as a percentage of the sales price or appraised value, whichever is less, are limited to 3%:

Section 18 Subordinate Financing

MyHome Assistance Program (Second Lien): This program provides a concurrent second mortgage of up to 3% to cover down payment and/or closing costs. The MyHome Assistance Program is a deferred-payment, simple interest rate subordinate loan that must be combined with a CalHFA first mortgage.

- Deferred payment (no payment required. See paragraph below)
- Maximum loan amount is 3% of the sales price or appraised value, whichever is less.
- May be used for closing costs and/or down payment assistance.
- MyHome funds may not be used to pay off borrower debt.
- Borrower(s) may not receive any cash back from the MyHome loan.
- MyHome may be combined with other down payment and/or closing cost assistance programs but must remain in second lien position.

MyHome Terms and Repayment:

- Term of the MyHome matches the term of the CalHFA first mortgage.
- Interest rate of second mortgage is 1% simple interest fixed.
- Payments on MyHome are deferred for the life of the first loan.
- Repayment of the principal and interest on the MyHome loan shall be due and payable at the earliest of the following events:
    - Transfer of title
    - Sale of the property
    - Payoff of the first loan (second lien will not subordinate)
    - Refinance of the first loan
    - The formal filing and recording of a Notice of Default (unless rescinded)

Second Lien Loan File / Documents:

- Separate first lien and second lien loan files are required.
- 2nd lien specific URLA required.
- 2nd lien must be fully disclosed (LE, COC, CD, state specific disclosures, etc.)
- CalHFA MyHome Registration Confirmation (obtained by Plaza prior to the note date)
- CalHFA MyHome DPA Funding Commitment Notice (obtained by Plaza prior to the note date)
- Homebuyer Education Certificate (see info in Borrower Eligibility section below)
- Separate appraisal is not required for the second lien.
- Title policy is not required for the second lien.

Non-CalHFA Subordinate Financing: The CalHFA 1st lien program may be used with other (non CalHFA MyHome) Fannie Mae approved Community Second closing costs and/or down payment assistance programs.

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

Other Programs and Assistance: This program may be combined with a Mortgage Credit Certificate (MCC). The MCC credit may not be used for credit qualifying purposes.

Fees:

- No originator or lender fees may be charged.
- Customary 3rd party fees related to closing the second lien are allowed.

Section 19 Appraisal

Appraisal required in the first lien loan file. The MyHome second lien loan file does not require a separate appraisal.

Appraisal requirements per the final DU Findings report and Fannie Mae Selling Guide.

Property Inspection Waiver (PIW): Not Allowed

Transferred Appraisals: Plaza will accept transferred/assigned appraisals from the original transferring lender when all of the requirements outlined the Appraisal Policy in Plaza's **Credit Guidelines** are met.

Section 20 Geographic Restrictions

This program is available for properties located in the State of California only.

Section 21 Mortgage Insurance

Loans with LTV's greater than 80% require Mortgage Insurance from a Plaza approved Mortgage Insurance provider.

Mortgage Insurance guidelines are subject to change. It is the underwriter's responsibility to check Mortgage Insurance Underwriting Guidelines and verify eligibility at the time of underwriting approval.

- Borrower-paid monthly, split-premium, or single-premium mortgage insurance is acceptable.
- Lender-paid mortgage insurance is not eligible.

Coverage Requirements: Per DU Findings, borrowers with income less than or equal to the HomeReady 80% AMI income limit are eligible for HFA Preferred Charter MI — discounted coverage and MI rates.

Mortgage Insurance Coverage		
LTV Ranges	**Income <= 80% AMI**	**Income > 80% AMI**
95.01 – 97%	18%	35%
90.01 – 95%	16%	30%
85.01 – 90%	12%	25%
80.01 – 85%	6%	12%

Section 22 Escrow / Impounds

Escrow/Impound Accounts: Required on the 1st lien for property taxes, hazard insurance, and flood insurance as applicable.

Escrow Holdbacks: May be allowed for minor outstanding repairs not completed prior to loan closing.

- Follow Fannie Mae guidelines.
- The property must be habitable and safe for occupancy at the time of loan closing.
- The property must be eligible for immediate delivery to Fannie Mae.

Section 23 Basic Home Protection Coverage

CalHFA requires borrower(s) to obtain a one-year home warranty protection policy.

Exception to Home Warranty Requirement: Borrower(s) purchasing a new construction property where the builder is the seller, the property has never been occupied, and the contract includes a builder-provided home warranty are not required to obtain a home warranty.

Required Coverage Items: The Home Warranty must cover, at minimum, the following items:

- Water Heater(s)
- Air Conditioning
- Heating
- Oven/Stove/Range

Home Warranty must be disclosed on the Final Closing Disclosure, or a copy of the warranty coverage will be required.

Section 24 ARM Adjustments

Not applicable.

Section 25 Temporary Buydowns

Temporary Buydowns are eligible subject to the following:

- 2-1 and 1-0 buydowns are offered.
- Qualify at the note rate.
- Funds may come from the seller or other eligible interested party.
  - Interested Party Contribution (IPC) limits apply.
  - Seller paid buydowns should be disclosed in the purchase contract and must be provided to the appraiser with all appropriate financing data and IPCs for the subject property.
  - The amount and source of all IPCs must be submitted to DU as applicable.
- SFC 009 required
- Buydown Agreement required and will print with Plaza loan docs
- **Plaza's Buydown Calculator** can be used to estimate the buydown payment and total contribution amount.

Section 26 Insurance

For Insurance requirements refer to Plaza's **Hazard and Flood Insurance Policy**.

Section 27 Other Program Information

CalHFA Review Required Prior to Docs:

All CalHFA loans are subject to review by CalHFA. Their review must be completed and approved before the loan can proceed to final funding. Loans must be locked prior to submission to CalHFA for review. Please allow 24-48 hours for CalHFA review once loan submission package provided.

Allowable Fees First Lien:

- Total lender/originator fees, including Plaza lender fees of $1,195, may not exceed the greater of 3.0% of the transaction value or $3,000.
- Other customary third-party fees such as credit report fee, appraisal fee, insurance fee, or similar settlement fees.

Special Feature Codes:

- 781/782 – Applies to HFA Preferred
- 118 – Community second; applies to CalHFA MyHome second
- 009 – Buydown
- 808 – High-Balance
- 859 – MH Advantage

Section 28 Process Flow

- **Lock Requests:**
    - Loan must be in Underwriting Approved status prior to client requesting a lock.
    - All locks must be requested by calling the lock desk. Online locks are not available for this program.
    - CalHFA Conventional rates can be viewed: **CalHFA-Today's Interest Rates**

- **CalHFA Review**:
    - Loans must be locked prior to Plaza submitting for CalHFA review.
    - Once all PTD conditions have been cleared and before file advances to CTC, the loan must be reviewed and approved by CalHFA. Allow 72 hours for CalHFA review prior CTC.