

For CalHFA loans rate locked on or before 03/16/2025



California Housing Finance Agency

# Conventional Loan Programs Handbook

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# CalHFA Conventional Loan Programs

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## CalPLUS<sup>SM</sup> Conventional

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

## CalHFA Conventional

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

## Dream For All Conventional

Fannie Mae HFA Preferred™ first mortgage. This loan may only be combined with the Dream For All Shared Appreciation Loan (Shared Appreciation Loan).

# Eligibility

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## Borrower Requirements

Each borrower must:

1. Be either a citizen or other national of the United States, or a “Qualified Alien” as defined at 8 U.S.C. § 1641
2. Meet the credit, income, property and loan requirements detailed in this program handbook, as well as [CalHFA's Lender Manual](#), Fannie Mae, the CalHFA-approved lender, the mortgage insurer, and CalHFA's master servicer's requirements
3. Be a first-time homebuyer

**Exception to First-time Homebuyer Requirement:** CalHFA Conventional first mortgage without any subordinate financing.

## Homebuyer Education

Homebuyer education and counseling is required for one occupying first-time homebuyer. Certificates are good for one year. Homebuyer education and counseling is not required for non-first-time homebuyer(s).

- Online Homebuyer Education through [eHome™](#)
- In-Person or Virtual Live Homebuyer Education through [NeighborWorks America](#) or through one of the [HUD approved Housing Counseling Agencies](#)
- Additionally, the Dream For All Conventional requires borrowers to complete [CalHFA homebuyer education specifically for Shared Appreciation loans](#)

Eligibility continues from previous page

## First-Time Homebuyer Definition

To qualify for a CalHFA Conventional loan program, all borrowers, including co-borrowers, must reside in the home and meet the definition of a first-time homebuyer.

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

## First-Generation Homebuyer Definition

To qualify for the Dream For All Conventional loan program only, at least one borrower must meet the definition of a first-generation homebuyer.

- A first-generation homebuyer is defined as a homebuyer who has not been on title, held an ownership interest or have been named on a mortgage to a home (on permanent foundation and owned land) in the United States in the last 7 years, and;
- To the best of the homebuyer's knowledge whose parents (biological or adoptive) do not have any present ownership interest in a home in the United States or if deceased whose parents did not have any ownership interest at the time of death in a home in the United States, or;
- An individual who has at any time been placed in foster care or institutional care (type of out of home residential care for large groups of children by non-related caregivers).

## Owner Occupancy

- All borrowers must occupy the property as their primary residence within sixty (60) days of closing
- Non-occupant co-borrowers are not allowed
- Non-occupant co-signers are not allowed

## Property Requirements

### Eligible property types:

- **Single-family, one-unit residence**
  - Accessory Dwelling Units (ADU), guest houses, “granny” units, and “in-law” quarters are eligible within the following parameters:
    1. The property must be defined as a one-unit property
    2. Multiple accessory units are not permitted
    3. Must meet investor guidelines and city/county zoning ordinances
    4. Per investor guidelines: If rental income from the ADU is used for credit qualifying, CalHFA will also use the gross rental income for the compliance income calculation

Eligibility continues from previous page

Loan Program	Max. LTV	Max. CLTV	Desktop Underwriter (DU)*
Fannie Mae MH Advantage	97%	105%	Select** <i>MH Advantage</i>
Fannie Mae Standard MH	95%	105%	Select** <i>Manufactured Home or Manufactured Home: Condo/PUD/Co-op</i>

\* Use with Fannie Mae HFA Preferred™ only. \*\* In the Subject Property Type field

- **Condominium/PUDs** which are Fannie Mae-eligible and meet CalHFA’s master servicer, Lakeview Loan Servicing’s (LLS), guidelines
- **Manufactured homes** are permitted per [Fannie Mae MH Advantage](#) and [Fannie Mae Standard MH-guidelines](#) with the following parameters:
  - Single-wide manufactured homes are not eligible
  - Fannie Mae Desktop Underwriter® (DU®) with Approve/Eligible Findings only
  - Maximum DTI: 45.00%
  - Leaseholds are not permitted
  - Appraisal for MH Advantage requires picture of [MH Advantage Sticker](#)
- **Leasehold Estates**
  - Not permitted with manufactured homes
  - All Leasehold Estate documentation must be submitted to CalHFA’s master servicer with purchase package for review and approval
- **Community Land Trust (CLT)**
  - CLT loans will only be accepted from a [California Community Land Trust Network \(CA CLTN\)](#) approved lender
  - Can be combined with MyHome
    - MyHome loan amounts will be based on the leasehold sale price, including any enforceable restrictions on future re-sale prices
  - All CLT documentation must be submitted to CalHFA’s master servicer with purchase package for review and approval
  - Must be Fannie Mae-approved
  - CLTs are not allowed with Dream For All Conventional

**Other Requirements**

- Properties must meet the requirements of the California Health and Safety Code
- Refer to the Lakeview program matrix for their Disaster Policy. See [www.LakeviewCorrespondent.com](http://www.LakeviewCorrespondent.com) for details
- Below Market Rate (BMR) loans can’t be combined with Dream For All Shared Appreciation Loan.

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- Escrow Holdbacks will be allowed for minor outstanding repairs not completed prior to loan closing
  - The Property must be habitable and safe for occupancy at the time of loan closing
  - Lenders and/or closing agent will be responsible for managing and disbursing holdbacks
  - Lender must deliver loans that were originated in accordance with FHA and Fannie Mae guidelines
  - Please see Lakeview Loan Servicing website for required documents

## Underwriting & Compliance

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### Transaction Type

Purchase transactions only

### Term

30 years

### Loan Program Type

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

### LTV and CLTV

- Loan-to-Value (LTV) cannot exceed 97.00%
- Combined Loan-to-Value (CLTV) cannot exceed 105.00%
- Combined Loan-to-Value (CLTV) between 95.00% and 105.00% for Dream For All Conventional only

### Maximum Loan Amount

The maximum first mortgage loan amount cannot exceed the current Fannie Mae conforming loan limit.

- All loans with a loan amount exceeding the current Fannie Mae-conforming loan limit will be subject to an additional fee that is net-funded at the time of purchase by CalHFA's master servicer. See [CalHFA rate sheet](#) for applicable fees
- Maximum LTV for a High Balance Loan cannot exceed 95.00%

### Income Limits

Income cannot exceed [CalHFA Income Limits](#).

Underswriting & Compliance *continues from previous page*

## Income Requirements

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

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

## Qualifying Ratios

The maximum total Debt-to-Income (DTI) ratio cannot exceed:

- 50.00%, for borrowers with credit scores greater than or equal to 700
  - 45.00%, for borrowers with credit scores less than 700
    - Also applies to lending on properties with Manufactured Homes
- MCC may not be used for credit qualifying purposes.

## Minimum Credit Score

- The minimum credit score is 680 for borrowers with income greater than the HomeReady 80% AMI LI income limit
- The minimum credit score is 660 for borrowers with income less than or equal to HomeReady 80% AMI LI income limit
- Borrower(s) with no credit score are not permitted
- Non-traditional credit is not accepted
- All borrowers must meet the minimum representative credit score requirement. The middle score of the lowest-scoring borrower should be used to determine eligibility
  - If a tri-merged credit report is used, use the middle score
  - If a merged credit report only returns two scores, use the lower score
  - If a merged credit report only returns one score, that score must be used

## Automated Underwriting

### Acceptable Automated Underwriting System (AUS):

- Fannie Mae Desktop Underwriter (DU®) with an Approve/Eligible recommendation
  - *HFA Preferred* must be selected in the *Community Lender Product* field
  - CalHFA subordinate loans must be entered as *Community Seconds*
- Freddie Mac Loan Prospector (LP®) and other customized automated underwriting systems are not permitted

Underswriting & Compliance *continues from previous page*

- Manual Underwriting is not permitted

### Miscellaneous Lakeview Loan Servicing (LLS) Underwriting Guidelines

- Credit and property underwriting are the responsibility of the CalHFA approved lender
- LLS will not purchase High Cost Loans
- Underwriters should:
  - Make sound credit decisions
  - Assure data integrity
  - Include all necessary documents in support of the underwriting decision
- Non-arm's-length transactions must be fully disclosed
- Appraiser must meet all master servicer guidelines. For details, see [LakeviewCorrespondent.com](http://LakeviewCorrespondent.com)
- UCDP-submission Summary Reports from both Fannie Mae and Freddie Mac are required. LLS will not purchase any loan including the recently added proprietary messages indicating 100% of the loans submitted with appraisals from an identified appraiser will be reviewed or Fannie Mae will not accept appraisals from an identified appraiser
- 2-1; 1-1; and 1-0 temporary buydowns are permitted as per Fannie Mae and master servicer guidelines
- Loan must be credit-qualified at Note rate
- Temporary buydowns must be disclosed on the Final CD
- Buydown Agreement must be forwarded to LLS prior to loan purchase
- Buydown Funds will be net funded by LLS at time of first mortgage purchase

All loans are subject to audit by both CalHFA and LLS.

### Mortgage Insurance

- Mortgage insurance is required for all loans that are 80.01% LTV or higher
- Mortgage insurance must be ordered through a Mortgage Insurance Company approved by Fannie Mae
- Per DU Findings, Borrowers with income less than or equal to the HomeReady 80% AMI LI income limit are eligible for HFA Preferred Charter MI-discounted coverage and MI rates
- Borrower-paid monthly, split-premium, or single-premium mortgage insurance is acceptable
- Financed mortgage insurance premiums must be included in the LTV and CLTV.

### Impounds

CalHFA requires that all first mortgage loans have impounds regardless of loan-to-value (LTV)



## Basic Home Protection Coverage

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### Mandatory Home Warranty Coverage

CalHFA requires that all first-time homebuyers obtain a one-year home warranty protection policy.

#### Exception to Home Warranty:

- Borrower(s) purchasing a new construction property
- Borrower(s) are not first-time homebuyers and are not using MyHome

#### The Home Warranty must cover the following items:

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

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

## Subordinate Financing

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### MyHome Assistance Program

- Must be a first-time home buyer
- May be used for closing cost and/or down payment assistance
- Cannot be used for debt payoff
- Must be recorded in Second Lien Position

For full MyHome underwriting guidelines and details, please refer to the [MyHome Program Handbook](#).

### Dream For All Shared Appreciation Loan

- Can only be used with Dream For All Conventional
- All borrowers must be a first-time home buyer
- One borrower must be a first-generation homebuyer
- One borrower must be a current California resident
- May be used for closing cost and/or down payment assistance

Subordinate Financing *continued from previous page*

- Cannot be used for debt payoff
- Must be recorded in Second Lien Position

For full shared appreciation loan underwriting guidelines and details, please refer to the [Dream For All Shared Appreciation Loan Handbook](#).

### CalHFA Zero Interest Programs (ZIP)

- Can only be used with CalPLUS Conventional
- Must be a first-time home buyer
- Can only be used for closing costs
- Cannot be used for down payment or debt payoff
- Zero interest rate
- Term matches the term of the first mortgage
- Payments on the ZIP is deferred for the life of the CalPLUS Conventional first mortgage loan
- The maximum ZIP loan amount options are based on [daily rate sheet pricing](#)
  - Either 2.00% or 3.00% of the CalPLUS Conventional first mortgage loan amount
- ZIP must be in second position unless it is combined with the MyHome Assistance Program only
- Repayment of the principal on the ZIP loan shall be due and payable at the earliest of the following events:
  - Transfer of title
  - Payoff or refinance of the *CalPLUS Conventional first mortgage*
  - Formal filing and recording of a *Notice of Default* (unless rescinded)

### Non-CalHFA Subordinate

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

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

### Other Programs and Assistance

This program may be layered with Mortgage Credit Certificate (MCC). The MCC credit may not be used for credit qualifying purposes.

Subordinate Financing *continued from previous page*

## Fees

- There are no Loan Level Price Adjustments when using HFA Preferred™
- Lenders will earn a 1.00% Service Release Premium to release servicing to Lakeview Loan Servicing at time of purchase
- Lakeview Loan Servicing will purchase loans directly from lender on a daily basis

### Lender Allowable Fees (Origination & Processing)

- Customary lender origination fees are not to exceed the greater of 3% of the loan amount or \$3,000
- Other customary third-party fees such as credit report fee, appraisal fee, insurance fee or similar settlement or financing cost
- Lender may charge a total, maximum processing fee of \$50 on a ZIP loan
- In all cases, the lender must meet federal and California lending laws regarding fees and charges

### Master Servicer Fees

Lakeview Loan Servicing Fees	Per Loan
Funding Fee	\$250
Tax Service fee	\$85

- Funding fees paid by the borrower or seller must be disclosed and documented on the final Closing Disclosure
- Other customary master servicer fees may apply
- Lenders should refer to their legal/compliance department on how to disclose fees

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