

**Southern California
Home Financing Authority
(SCHFA)**

2009 Single Family Program

LENDER TRAINING

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SCHFA 2009 Single Family Program



THE PRODUCTS



FIRST MORTGAGE OPTIONS

Low Rate Loan 30-Year Fixed Rate Loan at 4.70%

Assisted Rate Loan 30-year, Fixed Rate Loan at 5.125% with a grant of 3.00% of the note amount that may be used as down payment/closing cost assistance.

Origination or Discount

For the Low or Assisted Rate, 1.00% may be charged as either Origination or Discount but not both. Lenders cannot charge any additional points. Rates in this program may be adjusted from time to time.

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DOWN PAYMENT ASSISTANCE

3.00%

Of loan amount as a Grant

1. Funds may be used for down payment, closing costs, and reimbursement of prepaids and earnest money deposit to the extent any minimum contribution has been satisfied.
2. There is no cash-back to the borrower.

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PROGRAM REQUIREMENTS



Eligible Borrowers:

- **Buyers and their spouses must meet first-time buyer requirement but waived for Targeted Areas, & Vets Exception and must be able to permanently reside in the US.** (/First time buyer is someone who has not owned their principal residence in the last 3 years).

BONUS

- **FOR FIRST TIME BUYERS: THEY MAY QUALIFY FOR THE FEDERAL \$8,000 TAX CREDIT.**



Eligible Area

All of Los Angeles County (excluding the City of Los Angeles) and all of Orange County.

Please note: If a property is located in Los Angeles County and has a Census Tract Number of 2999.00 or lower, that property is located in the City of Los Angeles and does not qualify in this program.



Eligible Borrowers

1. With respect to non-permanent residents, persons who qualify for Agency (Fannie, Freddie, etc) products that are permitted in the program qualify in this program.
2. Those with **permanent asylum do qualify** & should provide an I-9.
3. Buyers must live in the property they purchase as their principal residence.
4. All applicants must be considered irrespective of age, race, color, religion, national origin, sex, marital status, military status or physical handicap.
 - Buyers must occupy the property purchased within 60 days of closing. Contact Bond Compliance with questions regarding eligibility.
1. The past three years federal income tax returns are **NOT** required for Targeted Area buyers or those meeting Veterans Exception



Veterans Exception

Qualified Veterans were discharged or released under conditions **other than dishonorable**. They **cannot have owned a home previously** as a non-first-time buyer as a result of using a bond or MCC program.

There is verbiage on the first page of the Affidavit that must be checked.



Cosigners are permitted for FHA loans under very specific conditions. Follow FHA guidelines for credit purposes only. Treat cosigner credit/income as directed by FHA.

Cosigners are allowable in an FHA transaction when meeting the following conditions (1) a cosigner cannot have any ownership interest in the property (they cannot be on the Mortgage/Deed) and (2) the cosigner cannot reside in the property being purchased. Cosigner income is not considered for bond program purposes, tax returns are not required and cosigners do not sign any bond documents



MINIMUM CREDIT SCORE

SCHFA requires a minimum credit score of 620. Manual underwrites are permitted for non-traditional credit loans there is no FICO score.



Qualified Refinancing Mortgage

This is a Mortgage Loan that refinances a Qualified Subprime Loan -- that is an adjustable rate single-family residential mortgage loan made after December 31, 2001 and before January 1, 2008 that the Issuer has determined would be reasonably likely to cause financial hardship to the borrower if not refinanced.

The regular first mortgage rules apply....rate, term, income and sales price limits and minimum FICO.



HOUSEHOLD INCOME LIMITS

Include income of borrower(s) and spouse (s) and any person who will live in the household who is 18 years of age or older and will be secondarily liable on the loan. Program income is not averaged. It's annualized. See Bond Compliance Underwriting in the Administrator's Guidelines.



MAXIMUM HOUSEHOLD INCOME LIMITS

The Households Income Limits are as follows--

Los Angeles County \$84,480

Orange County \$103,320



Eligible Properties include

- New or existing, one unit, detached or attached, condos,
- Homes are considered new if never previously occupied.
- Mobile, recreational, seasonal or other types of vacation or non-permanent homes are not permitted.
- Land may not exceed the size required to maintain basic livability.
- Properties purchased in the program must be residential units.
- No more than 15% of the square footage of the home being purchased may be used in connection with a trade or business including Child Care services (other than incidental rental from eligible multi-unit structures).

U S Bank will provide information concerning acceptable loan types.



**Maximum Acquisition Cost
(Maximum Sales Price)**

Los Angeles and Orange Counties

\$708,495



Targeted Areas

Designated by HUD for this program.

Funds set aside for 1 year.

Census Tracts are in the guidelines



ABOUT THE FINANCING

Appraisal must indicate that the home has at least a 30 year remaining useful life.

Assumptions - First mortgage loans may be assumed by a qualified borrower meeting qualifying requirements, income and acquisition price restrictions in place at the time of the assumption. Such loans must continue to fully comply and be insured or guaranteed by the *insurer/guarantor* or the mortgage insurer.

Buyer/seller buydowns are permitted under specific conditions: Buydown must be FHA or VA as long as permitted Term of buydown is one or two years and reduction of buydown occurs annually. Interest rate will not increase more than 1.00% per year



Construction to perm is not permitted.

Minimum Loan Amount - There is **no minimum loan amount** in this program.

Prepayments - The first and second mortgages may be prepaid at any time without penalty.

Recapture Tax - The conditions of repayment of the federal subsidy of these loans is explained in a separate brochure provided on the Website. Basically, if the property is disposed of in the first full nine years AND a net profit is made AND the borrowers income exceeds the income limits allowed at time of sale, recapture tax may have to be paid with the federal income tax return for the year in which the home is sold.



Refinances are not permitted. However, temporary, construction or bridge financing with a term of 2 years or less may be taken out with a bond program loan.

Remaining reserves are not established by the bond program. If any, these are determined by the type of financing used (i.e. FHA).

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THE PROCESS



TIMING IS EVERYTHING

- 1. Buyers MUST HAVE A FULLY- EXECUTED SALES CONTRACT FOR A SPECIFIC PROPERTY in order to have funds reserved or be on a waiting list.**
- 2. Buyers may be prequalified. However, if the buyer does not have a contract on a property, BOND FUNDS MAY NOT BE HELD for the buyer until such time as the buyer presents a valid contract.)**
- 3. Short Sales must be accepted by Lender before reserving.**

Loan Processing, Delivery and Purchase Timetable

Reservation to Underwriter Certification = **45 days**

Reservation to Closed & Delivered to Servicer = **85 days** Within 30 days of the Mortgage Loan closing, the Lender will submit a closed Compliance package for compliance review to the Administrator.

Reservation to Exceptions Cleared, Loans Purchased = **115 days**
(Penalties apply for not meeting this requirement.)

Loans not meeting the timetable cancel automatically without notice.

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PROGRAM FEES



FEES

FIRST MORTGAGE FEES

Lenders cannot charge any additional points.

Mortgages and notes are exempt from Documentary stamp tax and Intangible tax. Deeds are not exempt. Borrowers may not pay this charge (exception: homes purchased from HUD. Fannie, Freddie, bank in the case of a foreclosure).



FEES

ADMINISTRATOR FEE The program includes a non-refundable first mortgage **Bond Application Fee of \$225**. The fee is payable at closing. The fee must be disclosed on the HUD-1 as being paid to eHousingPlus.

SERVICER FEES

On the first mortgage, the program includes a Tax Service Fee of \$85 and a Transfer Fee of \$150 that will be netted by the Servicer at loan purchase. The fees must be disclosed on the HUD-1 as being paid to US Bank.



LENDER FEES

In addition to the allowed origination fee, Lenders are permitted to charge THE BORROWER OR SELLER processing fees, such as application, packaging or processing, document preparation and/or underwriting fees, etc., to a maximum of \$550 (\$350 for processing, underwriting and other miscellaneous fees plus \$200 for document preparation). Any pre-qualification fee charged up front to a Borrower whose loan ultimately closes as a SCHFA loan ,must be netted out of the allowed processing fee. All fees are subject to Agency and mortgage insurer restrictions and requirements.

JUNK FEES ARE NOT A DEFINED TERM AND MAY NOT BE CHARGED.

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PROGRAM FORMS

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The simple rule of who signs program forms if the person is named on the Mortgage/Deed, they sign the program forms. If they are not on the Mortgage/Deed, they do not sign the program forms.

Original, personal signatures of all borrowers and sellers are required and must match on all documents associated with the transaction.

Whenever a party is known in any of the documents by more than a single name, a Name Affidavit Will Be Required.

Powers of Attorney and/or Personal Representatives for the Borrower Are Not Acceptable. **Exception:** Active Duty Military Personnel may provide an Alive and Well letter.

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Now for a tour of the websites