Tip: To find specific information for a product, Press Ctrl+F (or use "Find" from the Edit Menu) and then search for the information or topic you are looking for. If you don't find the topic the first time, try variations, different terms or less words.

CalHFA CalPLUS FHA with CalHFA Zero Interest Program (ZIP)

FOR CASES ASSIGNED ON OR AFTER 9/14/15

DPA options subject to change based on market conditions Must confirm availability with Housing Authority.

30 Year Fixed

LTV	CLTV	Purpose	Units	Occupancy	Credit Score
96.50	105[1]	Purchase	1	O/O	640

1. On purchases, the CLTV is further limited to 100% (of the adjusted value) or the standard FHA LTV limit (96.50%) (depending on the type of financing) if the subordinate lien is NOT from an instrumentality of government or government agency that is providing down payment and/or closing cost assistance in the form of secondary financing.

PRODUCT NAMES	• CalHFA CalPLUS 30 Year FHA Fixed • CalHFA CalPLUS High Balance 30 Year FHA Fixed • CalHFA ZIP 2nd or 3rd DPA w/ FHA 1st
ALLOWABLE ORIGINATION CHANNELS	• Wholesale • Retail • May be originated through standard retail origination process
PRODUCT REQUIREMENT	• Housing Authority approval required. Loan must be submitted to the agency and approved by them in the required timeframe as outlined in the product profile and on their website. Loan may not proceed to docs or funding without agency approval.
CALHFA ZIP	• The CalHFA ZIP second loan is only available with CalPlus and is a silent second loan. The interest rate is zero percent (0.00%) and the payment(s) are deferred for the life of the first mortgage or until the property is transferred or the first mortgage loan is refinanced. Assistance to be used for closing costs ONLY. • Borrowers qualifying under this program must utilize the down payment assistance associated with this program. The first trust deed is not allowed to be used without using the DPA.

	• This is a second lien that will subordinate to the FHA first mortgage and must be considered “secured borrowed funds” • On the loan application, Question H “Is any part of the down payment borrowed” should show as Yes. • Additional loan must be created in FT360 to accommodate ZIP second and should be created at the same time the 1st lien is created for disclosure, document and funding purposes. • Additional CalHFA subordinate loan(s) and grants may also be eligible to be layered with the CalPLUS FHA Loan and ZIP loan • Credit underwriting guidelines and details are exactly the same as the CalHFA first • Interest Rate: 0.00% • For loans reserved prior to 11/1/16, cash back to the borrower is prohibited from this loan (the borrower’s earnest money deposit can be refunded, but no additional funds) • For loans reserved prior to 11/1/16, the ZIP loan will be either 3.5% or 4.5% of the CalHFA FHA total first mortgage loan amount. The entire ZIP loan amount based on the rate option chosen. • For loans reserved on or after 11/1/16, the maximum loan amount may be up to 3% or 4% of the total first mortgage loan amount • For loans reserved on or after 11/1/16, ZIP may be used for closing costs and/or prepaid items only. • For loans reserved on or after 11/1/16, any funds due to the borrower from ZIP financing must be applied to the borrower’s principal balance. • For loans reserved on or after 11/1/16, any funds that were refunded to the borrower will be net funded at time of loan purchase. • For loans reserved on or after 11/1/16, the ZIP loan combined with a CalPlus first mortgage is available for first-time homebuyers only. • Term matches the term of the first mortgage. Payment on FHA ZIP are deferred for the life of the CalPLUS FHA first mortgage • Repayment of the principal on ZIP shall be due and payable at the earliest of the following events: transfer of title, sale of property (ZIP may be assumed or paid off when the first mortgage is assumed) or payoff or refinance of the CalPLUS FHA first mortgage • Loan document must be drawn in lender’s name • ZIP must be in second (2nd) lien position or may be in third (3rd) lien position when combined with the MyHome Assistance or ECTP Programs only

DOWN PAYMENT ASSISTANCE	• The ZIP subordinate loan is to be used only for closing costs and cannot be used for down payment assistance.
	  • CalHFA will not purchase any ZIP loan or any other associated CalHFA subordinate loan when a lender applies ZIP funds to down payment. This may also result in a repurchase of the first loan from CalHFA's master servicer.
	  • In cases where a CalHFA first loan closes at a lower or higher loan amount than is reflected on the CalHFA Notice of Commitment, CalHFA will not purchase the associated subordinate loan(s). This may also result in a repurchase of the first loan from CalHFA's master servicer.
	  • In cases where, prior to loan closing, there are excess ZIP funds, lenders are to lower the ZIP loan amount and re-submit to CalHFA for re-approval. In cases where the loan has closed and there are excess ZIP funds, those funds must be applied as a principal reduction. Borrower may not receive cash back which exceeds the amount of their earnest money deposit

	• In addition to the ZIP, this program may be layered with the following down payment and/or closing cost assistance options for first-time homebuyers only:
	• MyHome Assistance Program
	  • May be used for closing cost and/or down payment assistance
	  • In the case of conflicting guidelines, the lender must follow the more restrictive
	  • Must be recorded in the Second Lien position
	  • For full MyHome underwriting guidelines and details, refer to the MyHome Product Profile, located on the Resource Center
	• Extra Credit Teacher Program (ECTP)
	  • May be used for down payment assistance and/or closing cost
	  • In the case of conflicting guidelines, the lender must follow the more restrictive
	  • Must be recorded in the Second Lien Position
	  • For full ECTP underwriting guidelines and details, refer to the ECTP Product Profile, located on the Resource Center
	• **Note: MyHome and ECTP cannot be combined**
	• For retail only, 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
	  • MCC credit may be used for credit-qualifying purposes, per investor guidelines
	  • In the case of conflicting guidelines, the lender must follow the more restrictive
	  • For full CalHFA MCC Tax Credit Program underwriting guidelines and details, refer to the MCC Tax Credit Program Handbook or log onto the MCC Administrator's website at www.ehousingplus.com
	• For full guidelines on the MyHome Assistance Program or the ECTP Program, please refer to the product profiles, located on the Resource Center.

DOWN PAYMENT ASSISTANCE ON CLOSING DISCLOSURE	• All down payment assistance proceeds must be disclosed on the Closing Disclosure, Section L -Paid Already by or on Behalf of the Borrower at Closing. The down payment assistance proceeds must be labeled accurately. For example: "Second loan" is not appropriate if the assistance is a grant or gift. Multi-purpose labels such as Second/Grant/Gift will not be accepted, it must be specific to the transaction. If the borrower is receiving down payment assistance from multiple sources, all assistance sources must be itemized on the Closing Disclosure. Unless the CFPB comes out with guidance restricting it, it is acceptable to place assistance proceeds as "Other Credits" if necessary due to space limitations.

AUS DATA ENTRY REQUIREMENTS OF DPA LIEN	• See Housing Authority Products with Second Liens in FT360 in the Resource Center, which can be located at the following link: http://www.eprmg.net/ResourceCenter/bondhousingauthoritydpaproducts/HousingAuthorityProductswithDPALiensinFT360.pdf
	• In the Secondary Financing of the HUD-92900LT FHA Loan Transmittal screen
	  • Enter the Secondary Financing Source/EIN
	  • Select the Correct Check box (Gov't – A Government Entity is the source of the secondary financing, NP – A Non-Profit Agency is the source of the secondary financing, Family – A Family member is the source of the secondary financing, Other – There is another source of the secondary financing (completed checkbox which will enable if selected)
	  • Enter the Amount of the Secondary Financing

AGENCY LINKS	• For additional reference, CalHFA FHA Loan Programs guidelines posted at CalHFA's website: http://www.calhfa.ca.gov/homeownership/programs/fha.pdf and • http://www.calhfa.ca.gov/homeownership/bulletins/manual.pdf

	• In addition to any Product Profile requirements, you must always meet the published HUD guidelines. If published HUD guidelines are more restrictive then what is allowed in the Product Profile, you must always defer to HUD Guidelines. • All PRMG staff can access all end Agency guidelines though AllRegs Online at http://allregs.elliemae.com. Instructions on how PRMG staff can access the AllRegs service is available in the Resource Center. • Use the following link to access the HUD Housing Handbooks site, and from there, obtain access to the 4000.1 Handbook: • http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgh • Access the All Regs version of the Handbook at: • http://www.allregs.com/tpl/public/fha_freesite.aspx
MINIMUM LOAN AMOUNT	• No Minimum Loan Amount • CalHFA's maximum mortgage worksheet can be found at the following link: http://www.calhfa.ca.gov/homeownership/forms/maxloanworksheet.xls **Standard Balance:** • No Minimum Loan Amount • Note that loan amounts under $30,000 will require special pricing by Secondary Marketing **High Balance:** • 1 Unit $453,101
MAXIMUM PURCHASE PRICE	• $705,000 for all counties in California
MAX. LOAN AMOUNT	• The maximum loan limit is set by HUD and is county specific. • Maximum loan amount by county may be exceeded by only the amount of the financed up front MI (UFMIP) **Standard Balance:** • The lesser of the base loan amount listed below or the particular county's maximum HUD loan limit. HUD Loan Limits can be found here: https://entp.hud.gov/idapp/html/hicostlook.cfm • 1 Unit $424,100 **High Balance:** • The maximum loan limit is set by HUD and is county specific. • Maximum loan amount by county may be exceeded by only the amount of the financed up front MI (UFMIP) • Max Limits for all counties can be found here: *https://entp.hud.gov/idapp/html/hicostlook.cfm*
GEOGRAPHIC RESTRICTIONS	• California only • See State Specific Requirements in Resource Center for state specific information
MORTGAGE TYPES	• 203(b) Home Mortgage Insurance • 234(c) Mortgage Insurance for Condominiums
FEES	**Retail:** • 2.75% Origination Fee must be charged • No other PRMG fee (Processing, Underwriting, etc.) to be charged • In addition to the above fees, other customary third-party fees such as credit report fee, appraisal fee, insurance fee or similar settlement or financing costs may be charged. • In all cases the lender must meet federal and California lending laws regarding fees and charges.

	• Total customary lender origination fees not to exceed the greater of 3% of the loan amount or $3,000 • No additional fees are allowed for ZIP **Wholesale** • PRMG must disclose file for broker: • http://www.prmg.net/tpo-le-disclosure-request/ • Must be a Borrower Paid transaction • Max 2.25% Origination Fee may be charged • $990 PRMG Underwriting Fee to be charged • No other non-third party fees, (including non-third-party-Processing Fees) to be charged • In addition to the above fees, other customary third-party fees such as credit report fee, appraisal fee, insurance fee or similar settlement or financing costs may be charged. • In all cases the lender must meet federal and California lending laws regarding fees and charges. • Total customary lender/broker origination fees not to exceed the greater of 3% of the loan amount or $3,000 • Third-party Processing fees are allowed, but that fee is included in the 3%/$3,000 lender/originator cap. If this cap is exceeded, the broker fee will be reduced to meet the 3%/$3,000 cap. • No additional fees are allowed for ZIP
CALHFA LOAN SCENARIO CALCULATOR	• Use the Loan Scenario calculator to compare CalHFA loans, and determine loan amounts for ZIP, ECTP, and MyHome Assistance • Print out of Loan Scenario calculator must be included in file submission • http://www.calhfa.ca.gov/calc/scenario.html
FT360 SETUP/LOAN SUBMISSION/LOAN DISCLOSURES/LOAN DOCUMENTS	• Special process applies for loan setup process and disclosures • For retail transactions, must follow instructions from the document found at the following link or on the Resource Center for entering loans and creating disclosures: • http://www.eprmg.net/ResourceCenter/bondhousingauthoritydpaproducts/CalHFA-DataEntryandDisclosureProcess.pdf • For wholesale transactions, broker submits first mortgage to PRMG's Setup team who will create all subordinate liens. Follow submission instructions from the document at the following link or from the Resource Center: • http://www.eprmg.net/ResourceCenter/bondhousingauthoritydpaproducts/CalHFATPOBrokerSubmissionInstructions.pdf • For wholesale transactions, PRMG must disclose file for broker: • http://www.prmg.net/tpo-le-disclosure-request/
DOCUMENTATION	• Full/Alt Doc • All loans must have evidence that the tax returns have been validated for all borrowers with any type of qualifying income. If the results cannot be obtained due to an extension, a "No Record Found" message is acceptable, and a validated 4506-T on the previous year is required. W2 transcripts are not allowed, full 1040 transcripts must be obtained. • Transcripts must be provided for the number of years of income documentation required to be in the loan file, in accordance with the AUS findings and/or Agency requirements. Tax transcripts are required to support the income used to qualify the borrower. The purpose of the 4506-T is to verify the income reported is accurate and when utilizing the 1040 tax transcripts to confirm that the employee does not

	have other expenses (such as 2106 expense) that otherwise would not be known. • CalHFA requires 3 years 1040s for all first-time homebuyers. • Tax transcripts must come to lender directly from the IRS or through a third party vendor ordered/obtained by lender • When business tax returns are required by AUS, business income is used to qualify or business income is used to offset a loss on personal tax returns or is included in the loan file, a separate IRS Form 4506-T must be executed (but not processed and must allow enough time to be executed post-closing after delivery to investor) for each business for the required number of years of income documented, for each self-employed borrower on the loan transaction. Allowable signatures (per IRS): 1120/1120S: Borrower must sign name with title and only the following titles are acceptable: President, Vice President, CEO, CFO, Owner, 1065: Borrower must sign name with title and only the following titles are acceptable: General Partner, Limited Partner, Partner, Managing Member, Member • Letter of explanation is required for borrowers who are self-employed or have non-W2 income/loss if there is a variance of 10% or more between the total income on the tax transcripts and the tax returns. • Two years IRS 1040 Transcripts are required on all loans when the borrower is employed by a relative or closely held family business. • For non-self-employed borrowers: Verbal VOE is required to be completed no more than 10 days prior to the note date for wet funding states and escrow states. If the Verbal VOE is completed more than 10 days prior to the funding date, another Verbal VOE should be completed 10 days prior to funding date for escrow states. • For self-employed borrowers: No more than 30 calendar days prior to note date, verify the existence of the borrower's business from a third party that may include a CPA letter (cannot be vague, must state length of time doing taxes and be signed by CPA), regulatory agency, or appropriate licensing bureau; OR verify a phone listing and address for the borrower's business through resources such as the telephone book, directory assistance, internet, or contact the appropriate licensing bureau. Verification may not be made verbally, and a certification by PRMG indicating the information was verified is not allowed. Documentation from the source used to verify the information must be obtained and in the file. Internet sites such as 411.com, Chamber of Commerce sites and Manta.com where they allow the business owner to add their own information are not acceptable. Also single source verifications, such as from superpages.com, yellowpages.com and searchbug.com are not allowed. If **<u>all</u>** other methods of obtaining third party verification have been exhausted, the borrower can provide letters from three clients indicating the type of service performed, length of time of business relationship, frequency of service, payment arrangements, etc. and support the income with current bank statements, deposits, etc. The underwriter must thoroughly investigate that the business, income and proof of business is legitimate. • VOR/VOM required as indicated by the AU approval, but Private Party VOM/VOR as a stand-alone document is not permitted, 12 months cancelled checks are required to document the payment history • With AUS Approval documentation must comply with AUS and TOTAL Scorecard section of the 4000.1 handbook • Amended tax returns cannot be used to qualify if they are amended after the application, initial credit report date or purchase contract date unless the changes made are non-material to the amount of income claimed, and qualification for the mortgage loan. Due diligence must be exercised with close examination of the

	original, and amended returns, to determine if the use of the amended return is warranted and the following documentation should be reviewed when income from the amended return is required: A letter of explanation regarding the reason for the re-filing; evidence of filing (must be validated with a record of account (4506T results); copy of the original 1040; any extensions filed, and evidence of payment of the taxes due (or evidence borrower is on a payment plan in lieu of full payment as long as the borrower qualifies with the payment in the ratios), and the ability to pay, if the check has not yet cancelled. • Profit and loss statement and balance sheet required if more than a calendar quarter has elapsed since date of most recent calendar or fiscal-year end tax return was filed by the borrower. (A balance sheet is not required for self-employed borrowers filing Schedule C income.) Additionally, if income used to qualify the borrower exceeds the two year average of tax returns, an audited profit and loss statement or signed quarterly tax returns obtained from IRS are required. • Income documentation per AUS findings, but VOE as a stand-alone document is not acceptable (must have supporting paystubs) • Preliminary Title policy must be no more than 90 days when the note is signed • Provide a written analysis of the income used to qualify the borrower on the Transmittal Summary or like document(s) in the file. An Income Analysis must be completed for self-employed borrowers. • For self-employed borrowers who have not yet filed the previous year's tax returns, a P&L for that tax year will be required • When paying off any non-transaction related item (i.e., debts, third party payouts, etc.) that has a balance of $5,000 or more, paid for by either borrower or seller, to ensure that the total payoffs are accurate, copies of the actual invoices (statements), an updated (current) credit report/refresh or credit supplement reflecting the current balance with a signed amendment (or similar) authorizing disbursement for these account(s) are required. You cannot use the amount listed on the credit report to document the payoff amount. • All documentation used in qualifying the borrower must be legible and if not in English, will require a full written translation of the entire documentation into English. • Must authenticate documents obtained from an Internet website and examine portions of printouts downloaded from the Internet including the Uniform Resource Locator (URL) address, as well as the date and time the documents were printed. The lender must visit the URL or the main website listed in the URL if the page is password protected to verify the website exists and print out evidence documenting the lender's visit to the URL and website.
DOCUMENT EXPIRATIONS	• Preliminary Title policy must be no more than 90 days when the note is signed • Credit documentation must not be more than 120 days old from the disbursement date • Appraisals are valid for 120 days and must be dated within 120 days of the disbursement date
AUTOMATED UNDERWRITING	• The last AUS finding, which must match the terms of the loan, must be in the loan file. For all loans, the first submission to the AUS must occur prior to the note date (it cannot be the same as the note date.)
DESKTOP UNDERWRITER (DU)	• All loans must be run through FHA's TOTAL SCORECARD decisioning engine via DU. A copy of the findings must be included in the file. • Must receive an Approve/Eligible • All conditions outlined in the Findings Report must be satisfied.

	• If TOTAL Scorecard issues an Approve/Eligible and ANY the following applies or the DU findings indicate you need to downgrade, then the loan must be downgraded to a Refer and not eligible
	  • the mortgage file contains information or documentation that cannot be entered into or evaluated by TOTAL Mortgage Scorecard;
	  • additional information, not considered in the AUS recommendation affects the overall insurability of the Mortgage;
	  • the Borrower has $1,000 or more collectively in Disputed Derogatory Credit Accounts (defined as disputed charge off accounts, disputed collection accounts, and disputed accounts with late payments in the last 24 months; exclusions from cumulative balance include: disputed medical accounts; and disputed derogatory credit resulting from identity theft, credit card theft or unauthorized use. To exclude these balances, the Mortgagee must include a copy of the police report or other documentation from the creditor to support the status of the accounts.)
	  • the date of the Borrower's bankruptcy discharge as reflected on bankruptcy documents is within two years from the date of case number assignment (see credit section for seasoning requirements);
	  • the case number assignment date is within three years of the date of the transfer of title through a Pre-Foreclosure Sale (Short Sale) (see credit section for seasoning requirements);
	  • the case number assignment date is within three years of the date of the transfer of title through a foreclosure sale (see credit section for seasoning requirements);
	  • the case number assignment date is within three years of the date of the transfer of title through a Deed-in-Lieu (DIL) of foreclosure (see credit section for seasoning requirements);
	  • for purchase and non-cash out refinances transactions, if any mortgage trade line reported on the credit report used to score the application, including mortgage line-of-credit payments, during the most recent 12 months reflects: 3 or more late payments of greater than 30 days; OR 1 or more late payments of 60 days plus one or more 30-day late payments; OR 1 payment greater than 90 days late
	  • For a cash out transaction if a mortgage trade line reported on the credit report used to score the application reflects a current delinquency or any delinquency within 12 months of case assignment date or a current delinquency
	  • the Borrower has undisclosed mortgage debt that reflects: (1) a current delinquency; (2) any delinquency within 12 months of the case number assignment date; or (3) more than two 30 Day late payments within 24 months of the case number assignment date
	  • business income shows a greater than 20 percent decline over the analysis period.

LOAN PRODUCT ADVISOR (LPA)	• Not allowed • Formerly known as Loan Prospector (LP)
MANUAL UNDERWRITING	• Not allowed
CAIVRS/DELINQUENT FEDERAL DEBT	• Credit Alert Interactive Voice Response System (CAIVRS) needs to be run • Borrower may not denied solely on the basis of CAIVRS information that has not been verified. Lender must contact the creditor agency using the contact phone number and debt reference number reflected in the Borrower's CAIVRS report

	• If a Borrower is currently delinquent on an FHA-insured Mortgage, they are ineligible for a new FHA-insured Mortgage unless the delinquency is resolved. • Borrowers with delinquent Federal Tax Debt are ineligible. See Qualifying Section for borrowers who have past due federal tax debt and are in a payment plan. • Tax liens may remain unpaid if the Borrower has entered into a valid repayment agreement with the federal agency owed to make regular payments on the debt and the Borrower has made timely payments for at least three months of scheduled payments. The Borrower cannot prepay scheduled payments in order to meet the required minimum of three months of payments. (Payment must be included in DTI.) • Mortgagees must check public records and credit information to verify that the Borrower is not presently delinquent on any Federal Debt and does not have a tax lien placed against their Property for a debt owed to the federal government • To verify a delinquent student loan, or loan paid by a government claim, is not a defaulted federal loan (when not appearing in CAIVRS or clearly listed on the credit report as federal debt or even when reporting as a charge-off on credit report), contact 1-800-621-3115 or DCS_Help@ed.gov • For delinquent federal non-tax debt, including deficiency judgments and other debt associated with past FHA-insured mortgages, must include documentation from the creditor agency to support the verification and resolution of the debt (the Borrower must resolve their federal non-tax debt in accordance with the Debt Collection Improvement Act). For debt reported through CAIVRS, the Mortgagee may obtain evidence of resolution by obtaining a clear CAIVRS report. • For a borrower that had an FHA mortgage foreclosed, that borrower is not eligible to apply/order a case number for another FHA mortgage until three years after the date that HUD paid the insurance claim to the lender.
LDP/GSA REQUIREMENT	• All parties involved with and who handle the loan file (see instructions in the Resource Center for additional information) must be checked against HUD's Limited Denial of Participation (LDP) list at • https://www5.hud.gov/ecpcis/main/ECPCIS_List.jsp and the General Services Administration's (GSA) Excluded Party List at • https://www.sam.gov/portal/public/SAM/ • Any entity noted on either of the LDP and GSA lists must be removed from the transaction or will cause the loan to be ineligible. • The parties to verify include, but are not limited to, Buyers (including AKAs on the credit report), Sellers, Loan Officer, Buyers Agent, Sellers Agent, Escrow Officer, Title Officer, Appraiser, Processor, and Underwriter.
MORTGAGE CREDIT REJECT/SANCTION	• Any mortgage credit reject or mortgage credit sanction will require a second signature from an Operations Manager. The underwriter must justify on their LT why they want to overturn another lender's decline and document the file accordingly. • Loan with a Mortgage Credit Reject/Sanction will not allow paying off revolving debt to qualify
PROPERTY TYPES ELIGIBLE	• Single Family Residence. • HUD Approved Condos • PUDs Attached and Detached • Manufactured Homes
INELIGIBLE	• 2-4 Unit Properties • Condos without HUD Approvals • Mobile homes • Condotels

	• Mixed-Use • Leased Land/leaseholds • Land Trusts • Log Homes • Properties that do not meet FHA requirements • Properties that do not meet California Health and Safety Code requirements • Properties with lot size over five (5) acres • Properties that have a Property Assessed Clean Energy (PACE) loan are not eligible (such as the Home Energy Renovation Opportunity (HERO) Program)
CONDOS	• Must be HUD Approved: https://entp.hud.gov/idapp/html/condlook.cfm • Condo projects involved in monetary litigation may be eligible, if litigation is reviewed and approved through condoreviews@prmg.net . Documentation regarding the litigation (i.e., court documents) must be submitted to condoreviews@prmg.net for review and approval. (If project was by HUD approved after litigation date, the litigation would be considered in the approval and not required to be reviewed as there would be no changes to the project.) • Underwriter must certify that there have been no changes to the project since HUD approval that would cause the project to no longer be HUD approved • For HUD REOs, condominium projects do not need to be currently approved by HUD • Detached condos, meeting HUD's definition of a site condo, do not have to have project approval.
MANUFACTURED HOME REQUIREMENTS	• Second review/signature of the property appraisal is required by Operations Manager or equivalent • Minimum credit score: 660 • Maximum LTV: 96.50% • Maximum CLTV: 105.00% • Singlewide manufactured homes are not eligible • No leasehold properties • No non-occupying co-borrower allowed • No paying off debt to qualify allowed • Manual Underwriting is not permitted • All manufactured homes must meet HUD requirements • Second review/signature of the property appraisal is required by Operations Manager or equivalent • A checklist that can be used to assist in review can be found on the Resource Center or at the following link (designed for use with standard agency products, not all PRMG specific requirements may apply): http://www.eprmg.net/ResourceCenter/Checklists/FHAManufacturedHomesChecklist.pdf • Additional Information can be found in the following document and must be reviewed and complied with: www.eprmg.net/ManufacturedHomeRequirements.pdf
MAXIMUM ACREAGE	• Maximum 5 acres lot size
MULTIPLE PARCELS	• Allowed, must meet HUD requirements
DEED RESTRICTED PROPERTIES	• Allowed • "55 and Older" restricted properties only • "55+ Age Restricted Properties" must be entered in Loan Program Comments section of Investor Overlay Screen in FT360and Secondary must be notified if the loan is locked prior to approval.

	• Must have "Housing Developments - Subject to Age Restrictions" form completed (See Forms section in FastTrac)

LEASEHOLD ESTATES	• Effective for all reservations on or after Thursday, February 1, 2018, CalHFA will accept Leasehold Estate Properties as defined below:
	• A Leasehold Estate is an estate or interest in real property by which the owner gives another pursuant to written agreement the right to occupy or use their land for a period of time as long as the conditions of the agreement are met
	  • Must follow FHA or FNMA guidelines
	  • All Leasehold Estate documentation must be submitted to Lakeview Loan Servicing at time of purchase for review and approval

PROPERTIES WITH UNPERMITTED ADDITIONS	• Allowed
	• The subject addition, improvement or conversion must comply with all HUD guidelines
	• The appraiser demonstrates the property's conformity to the neighborhood and marketability
	• The appraiser comments on quality of the work of the addition, improvement or conversion and it is described in the appraisal and deemed acceptable ("workmanlike quality")
	• The appraiser considers the contributory value or obsolescence of the addition, improvement or conversion. In some cases, the addition, improvement or conversion may not be part of the gross living area (GLA) and may be assigned no value or a negative value
	• If the appraiser gives the unpermitted addition value, the appraiser must be able to demonstrate market acceptance by the use of comparable sales with similar additions and state the following in the appraisal:
	  • Non-Permitted additions are typical for the market area and a typical buyer would consider the "unpermitted" additional square footage to be part of the overall square footage of the property.
	  • The appraiser has no reason to believe the addition would not pass inspection for a permit.

PROPERTIES WITH ACCESSORY UNIT	• Guest houses, granny units and in-law quarters are eligible under the following conditions:
	  • Must be zoned for Single Family occupancy
	  • Cannot be zoned 2-4 units
	  • Must meet investor guidelines and city/county zoning ordinances
	  • May not be income-producing and must be for personal use only

LEGAL RESTRICTIONS ON CONVEYANCE (FREE ASSUMABILITY)	• There may be no legal restrictions on conveyance (transfer of title) in accordance with 24 CFR § 203.41, which would include items like Private Transfer Fees and Community Enhancement Fees unless specifically allowed per 24 CFR § 203.41. (see AllRegs for additional information on 24 CFR § 203.41.) • Underwriter must review and confirm that if are legal restrictions on conveyance, they are allowed in accordance with 24 CFR § 203.41 and are not further restricted by the product profile (for instance allowable deed restriction types).
NEW CONSTRUCTION	• If it is a construction loan that is being paid off, where it is a property the borrower already owns, the LTVs are based on the occupancy requirements set by HUD in the Maximum Loan to Value Ratio section of the 4000.1. • The sale of an occupied property that has been completed less than one year from the issuance of the CO or equivalent is considered as an existing property • For new construction, if the appraisal on the property is subject to completion per

	plans and specs then the final inspection must be done by an FHA Fee Roster Inspector. If the appraisal it is subject to repairs, it can be the original appraiser. Note, if a property is more than 90% complete at time of appraisal it should be done subject to repairs and not done subject to plans and specs
	• Allowed, with the following requirements:
	  • The permanent loan had interim construction financing that was not provided by FHA or the loan proceeds were used to pay off a builder
	  • The loan must meet all FHA policies and documentation requirements for new construction loans
	  • Borrowers must be qualified using the estimated real estate taxes based upon the completed property improvements, not the unimproved lot taxes
	  • FHA Construction Permanent Mortgage Program is not available (where the FHA loan funds are taken as draws and used to finance the construction of the property)
	• If any part of the property (the dwelling and related structures/equipment essential to the property value and subject to flood damage) is located within a Special Flood Hazard Area (SFHA), the property is not eligible unless one of the following is obtained:
	  • FEMA Final Letter of Map Amendment (LOMA) or Final Letter of Map Revision (LOMR) that removed the property from the SFHA; or
	  • Flood Elevation Certificate (form FEMA 81-31) from a licensed engineer or surveyor documenting that the lowest floor (including the basement) of the residential building and related improvements is built at or above the 100 year flood elevation in compliance with NFIP criteria.

CONSTRUCTION TO PERMANENT FINANCING	• Not allowed
OCCUPANCY	• Primary Residence (O/O)
ELIGIBLE BORROWERS	• US Citizen, permanent resident alien or qualified alien • Only first time homebuyers are eligible (unless borrower was affected by a natural disaster in California. Refer to the CalHFA Borrowers Affected by Natural Disasters section) • All borrowers must occupy the property as their primary residence within 60 days of closing • Non-borrowing parties cannot be on the deed, including non-borrowing spouses • ITIN (Individual Tax Payer Identification Numbers) are not allowed; all borrower must have valid and verifiable social security numbers • Borrowers with diplomatic immunity are not allowed • Borrower must take title in individual names, no trusts, LLC, etc. allowed • Borrower's income must not exceed CalHFA's income limits, which can be found at the following link: http://www.calhfa.ca.gov/homeownership/limits/income/income.pdf
CALHFA BORROWERS AFFECTED BY NATURAL DISASTERS	• Effective for loans reserved on or after June 25, 2018, CalHFA will waive its first-time homebuyer requirement for borrowers who were impacted by California natural disasters, beginning with the October 2017 wildfires. • Those borrowers whose owner-occupied home was destroyed or declared uninhabitable may apply for CalHFA first mortgage programs, including the MyHome Assistance Program or School Teacher and Employee Assistance Program for down payment and/or closing cost assistance. • To be eligible for CalHFA Natural Disaster financing: • Previous property must be located in an area declared as a Major Disaster and

	posted on the Federal Emergency Management Agency (FEMA) website • Previous property must have been the borrower's primary residence • Previous property must have been destroyed or declared uninhabitable with supporting documentation supplied from either (i) the insurance company or (ii) the local government jurisdiction • Borrowers affected by a declared Major Disaster are eligible to purchase a new home using CalHFA loan programs within three (3) years of that Major Disaster's declaration date • Borrowers must meet all other CalHFA loan program guidelines, including published income limits for their county, and property sales price limits
US CITIZENS	• Allowed

RESIDENT ALIENS	• Allowed
	• Permanent resident aliens are eligible and must provide evidence of a valid Social Security number.
	• Non-permanent resident alien may be eligible provided:
	  • the Property will be the Borrower's Principal Residence;
	  • the Borrower has a valid SSN, except for those employed by the World Bank, a foreign embassy, or equivalent employer identified by HUD;
	  • the Borrower is eligible to work in the United States, as evidenced by the Employment Authorization Document issued by the USCIS; and
	  • the Borrower satisfies the same requirements, terms and conditions as those for U.S. citizens.
	  • The Employment Authorization Document is required to substantiate work status. If the Employment Authorization Document will expire within one year and a prior history of residency status renewals exists, the Mortgagee may assume that continuation will be granted. If there are no prior renewals, the Mortgagee must determine the likelihood of renewal based on information from the USCIS.
	  • A Borrower residing in the U.S. by virtue of refugee or asylee status granted by the USCIS is automatically eligible to work in this country. The Employment Authorization Document is not required, but documentation substantiating the refugee or asylee status must be obtained.
	• Lenders are required to confirm borrower compliance per the Citizenship, Alienage and Immigration Status list. Lenders should only document compliance in their in-house loan file. Please do not forward documentation to CalHFA during the loan submission process.
	• http://www.calhfa.ca.gov/homeownership/forms/checklist-citizenship.pdf
	• Borrowers under the Dreamer's Act or DACA (EAD Code C33) are not eligible. Although, these individuals may have been granted permission to remain in the U.S. for a period of time, DACA does not grant a legal status. PRMG requires all borrowers to document proof of legal residency in the U.S. Additionally, they must follow the applicable guidelines for income (typically 2 year history and likely to continue for 3 years as applicable.) A borrower with DACA status would not be able to meet the borrower eligibility documentation requirements (i.e., green card or meet applicable agency standard guidelines for income) and therefore is not be eligible.

NON-OCCUPYING CO-BORROWERS	• Not allowed • If a borrower is not occupying the property they cannot be on the deed of trust.
NON-OCCUPYING CO-SIGNERS	• Allowed per FHA guidelines • 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 • Income is not counted towards income limits • Do not have to be a first time homebuyer
CURRENT HOMEOWNERSHIP REQUIREMENTS	• At the time of loan closing, no borrowers may have an ownership interest in any residential dwelling (a manufactured home regardless of the type of property ownership, is considered a residential dwelling for this purpose.) • Exception: The current homeownership requirement is waived when the borrower meets the following definition of a first-time homebuyer: • All borrowers, including co-borrowers, must reside in the home and meet the definition of a first time homebuyer, which is defined as a borrower who has not had an ownership interest in any principal residence during the previous three years (unless borrower was affected by a natural disaster in California. Refer to the CalHFA Borrowers Affected by Natural Disasters section)

HOMEBUYER EDUCATION	• Homebuyer education counseling will be required for one occupying borrower on each loan transaction.
	  • The homebuyer education course must be taken with one of the following:
	    • Online on the eHomeAmerica website
	    • http://ehomeamerica.org/calhfa
	    • In-person through NeighborWorks America
	    • http://www.nw.org/network/nwdata/homeownershipcenter.asp
	    • HUD Approved Housing Counseling Agencies
	    • http://hud.gov/offices/hsg/sfh/hcc/hcs.cfm?weblistaction=summary
	  • CalHFA's required eHome homebuyer education class costs can vary but typically ranges from $50 to $120, including immediate access to their completed certification for printing (must use the http://ehomeamerica.org/calhfa site for this price, other homebuyer education courses prices vary.)
	• Please ensure borrowers do not pay up to $350 for eHome's online homebuyer education class (including a follow-up telephone interview, not required by CalHFA), and tell them to use the link on CalHFA's website (which is listed above) when registering for their homebuyer education.
	• Homebuyer Education Certificates expire after one year

MANDATORY HOME WARRANTY INSURANCE COVERAGE	• All first-time homebuyer(s) obtain a one-year home warranty protection policy • The insurance must cover the following items at a minimum: water heater(s), air conditioning, heating, oven/stove/range • Home Warranty to be paid through the close of escrow • Home Warranty must be disclosed on Final Settlement Statement or copy of insurance declaration page required

POWER OF ATTORNEY	• Power of Attorney must be reviewed and approved by fulfillment center Operation Manager or PRMG's Compliance Group
	• Allowed with the following requirements:
	  • Power of Attorney (POA) must be limited or specific to the transaction
	  • All transaction types allowed
	  • Power of Attorney may not be used to sign loan documents if no other borrower executed such documents unless, the Attorney in Fact is a relative or Attorney at Law.
	  • POA can be used only for closing documents

	• The attorney-in-fact may not be the seller, appraiser, broker, etc. or have any other direct or indirect financial interest in the transaction • A statement that the POA is in full force and effect on the closing date, survives subsequent disability (durable), and has to be revoked in writing, or gives a specific expiration date which survives the closing date • A statement of the borrower's name exactly as it will appear on all closing documents • Notarized signature of borrower (if executed outside the U.S., it must be notarized at a U.S. Embassy or a military installation) • Recorder's stamp, if previously recorded • The attorney-in-fact must execute all closing documents at settlement • Title policy must not contain any exceptions based on use of POA • POA must be recorded along with or immediately prior to the closing documents • If a lender determines a Power of Attorney is required by applicable law (so cannot be restricted by investor requirements), lender must include a written statement explaining use of the Power of Attorney and may also be required to provide supporting documentation. • A written statement that explains the circumstances of the use of the POA must be included in the loan file. • Must met all Agency requirements

LEXIS-NEXIS SEARCH REQUIREMENT	• For any of the following transaction types an email request (which includes a screenshot or snip of the loan in the FastTrac pipeline) must be sent to QC to have a LexisNexis search run on involved parties to the transactions to ensure there is no relationship between the buyer and seller. (Not all items listed may be applicable to this product, review product profiles for what is allowed):
	• Short Sale Purchase
	• Property Flips <= 180 days
	• Contractors on a 203K loan
	• For Sale by Owner (FSBO) required for all except:
	  • If the borrower and seller are related or are landlord and tenant, and the relationship is disclosed and is acceptable per PRMG guidelines
	  • An investor, such as HUD, FNMA, FHLMC, etc.
	  • REO lender who acquired the subject property by Trustee Sale as the Beneficiary

QC AUDIT REQUIRED	• A QC audit is required if the loan has any of the following high risk characteristics (not all items listed may be applicable to this product, review product profiles for what is allowed): • 5-10 financed properties for second home and investment transactions. • 3-4 Units • 2-4 Unit properties in New Jersey • 203K loans (Lexis Nexis is required on all contractors as well) • VOE only used (when allowed by AUS) and not supported by paystub/W2 for Wholesale and Correspondent channels only (not required for retail channel) • If the borrower is employed by a party to the transaction • When the borrower is also a Real Estate Agent for the loan transaction • Retail loans referred to the AFS department any time the referring Loan Officer or the AFS Loan Officer are in "New" or "Watch" status • When the Real Estate Agent is also the Loan Officer on the transaction (not allowed on retail).

	• **NOTE: The above list applies to credit qualifying loans only.**

QC REVALIDATION REQUIRED	• A QC validation is required if the loan has any of the following characteristics (not all items listed may be applicable to this product, review product profiles for what is allowed):
	• A revalidation of the VOE (in addition to the audit) is required by the QC Department if the following is used:
	  • VOE only used (when allowed by AUS) and not supported by paystub/W2 and
	  • Wholesale and Correspondent channels only (not required for retail channel)
	• A revalidation of the VOD is required by the QC Department for the if the following is used:
	  • VOD only used (when allowed by AUS) and not supported by bank statements and
	  • Wholesale and Correspondent channels only (not required for retail channel)
	• Note: A Borrower Authorization in name of PRMG may be required to obtain VOD or VOE revalidation if requested by the verifying institution.

INCOME REQUIREMENTS/LIMITS	• Underwriter has the discretion when evaluating the loan file to utilize a more conservative approach to income/expenses for qualification purposes based on the circumstances of the loan. • All income sources used to qualify borrowers must be legal at the local, state, and federal level. Any income derived from an activity or source that violates Federal, state, or local laws cannot be considered for loan qualification for both self-employed borrowers and wage earners working for a company. • Income calculations must be included in the file • If a borrower is currently on temporary disability (including maternal/parental leave), the borrower must provide a letter of intent to return to work and the employer must provide a letter or other communication of the borrower's right to return to work and a description of the employment terms (same as prior to leave). The temporary disability benefits must be used for loan qualification and must not terminate prior to the borrower returning to work, unless the borrower(s) has liquid reserves sufficient to offset reduced income, covering the gap between the benefits expiration and the return to work dates. See 4000.1 for specific requirements. • For borrowers with gaps in employment of six months or more (an extended absence), the borrower’s current income can be used for qualifying if it can verify and document that: (1) the borrower has been employed in the current job for at least six months at the time of case number assignment; and (2) a two year work history prior to the absence from employment using standard or alternative employment verification. • Follow HUD requirements for non-reimbursed business expenses. If the borrower has claimed automobile depreciation on Form 2106, this expense should be added to the borrower's income. Vehicle depreciation can be calculated one of two ways – by using the standard mileage deduction or actual depreciation expense. The method used by the borrower will be disclosed on the second page of Form 2106. If the borrower used the standard mileage deduction, multiply the business miles driven by the depreciation factor for the appropriate year and add the calculated amount to Total Income. If the borrower claimed the actual depreciation expense, add this amount to Total Income. • For borrowers with rental income, if a lease agreement is required then the lease agreement must executed by the landlord and the tenant and all pages of the lease agreement must be included. • Housing Assistance Payments (HAPs), which are often known as Section 8

	Homeowner Vouchers, where a portion of the mortgage payment is paid directly to the borrower/lender as a subsidy for the mortgage payment on the subject property is not allowed. • VOE as a stand-alone document is not acceptable (must have supporting paystubs) • Future income not allowed
MAXIMUM PROGRAM COMPLIANCE INCOME LIMITS	• Qualifying income is the income used by the lender to determine that the borrowers have the ability to meet their monthly obligation. Qualifying 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. • The income of all borrowers cannot exceed the published CalHFA income limits detailed in the program handbook established for the county in which the property is located. • When multiple CalHFA loan programs are used in combination, the most restrictive income limits will apply. • CalHFA will calculate family income for CalHFA FHA loan eligibility. "Family income" is defined as the annualized gross income of a mortgagor, and any other person expected to: (1) be liable on the mortgage, (2) be vested on title; and (3) live in the residence being financed (all three must apply to be included income limit) . • See CalHFA program guidelines for included incomes and income limits, which can be found at the following link: • http://www.calhfa.ca.gov/homeownership/programs/calplus.pdf
SEASONING REQUIREMENTS	•
RECENTLY DELISTED PROPERTIES	• N/A
TITLE SEASONING/LOAN SEASONING	• N/A

ANTI-FLIPPING POLICY	• For purchases - The property Seller must have taken title to the subject property more than 90 days prior to the contract date on the sale of the property to the applicant.
	• Property flipping is a practice whereby a recently acquired property is resold, often for a considerable profit. If there is a partial continuity of ownership, a quit claim deed transaction is not a sale and is not subject to the rules prohibiting property flipping. The use of a quit claim will not be deemed a flip as long as at least one of the original owners retains an ownership interest in the property after the quitclaim is recorded.
	• The seller's date of acquisition is defined as the settlement date on the seller's purchase of that property.
	• Must obtain a 12 month chain of title documenting compliance with time restrictions on resales.
	• If the seller has taken title within the past 91 to 180 days and the new sales price exceeds the previous sales price by 100% or more, a second FHA appraisal (by another appraiser) is required. The borrower is not allowed to pay for the Second appraisal.
	• The Anti-Flipping requirements do not apply to the exceptions below:
	  • properties acquired by an employer or relocation agency in connection with the relocation of an employee;
	  • resales by HUD under its REO program;
	  • sales by other U.S. government agencies of Single Family Properties pursuant to programs operated by these agencies;

	- sales of Properties by nonprofits approved to purchase HUD owned Single Family Properties at a discount with resale restrictions; - sales of Properties that are acquired by the seller by inheritance; - sales of Properties by state and federally-chartered financial institutions and Government-Sponsored Enterprises (GSE); - sales of Properties by local and state government agencies; and - sales of Properties within Presidentially-Declared Major Disaster Area, only upon issuance of a notice of an exception from HUD. • The restrictions listed above and those in 24 CFR § 203.37a do not apply to a builder selling a newly built house or building a house for a Borrower planning to use FHA-insured financing. • The re-execution of the sales agreement in order to circumvent the 90-day flipping rule is not be permitted • Evidence of required seasoning must be documented in the file.
VALUE FOR LTV/CLTV CALCULATION	• See below to determine Adjusted Value
PURCHASE	• Use lesser of purchase price less any inducements to purchase; or the Property Value (appraised value)
RATE/TERM REFINANCE	• N/A
CASH OUT	• N/A
PURCHASE	• If there is evidence that borrower, a member of the borrower's family or party who has a clearly defined interest in the borrower (i.e., close family friend) previously owned a home being purchased that was a distressed sale (i.e., short sale) or foreclosure by the borrower or borrower's family member, the borrower may not purchase the property, regardless of the length of time since the distressed sale/foreclosure or the number of owners between the distressed sale/foreclosure and current owner. • Per HUD, all purchasers listed on the contract of sale must be borrowers, however family members (as defined by HUD) may be on the contract and not be a borrower. However, CalHFA will not allow non-borrowing parties to be the deed, including non-borrowing spouses. • Purchase contract assignment (assignment of the sales contract) not allowed. • Purchase Transaction Seller Rent Backs of the subject property are limited to 45 days, must be reflected on the sales contract and Closing Disclosure, and are not counted towards borrowers minimum investment requirements. For condos, not allowed between borrower and developer. • The Real Estate Certification is required and must be executed prior to closing, except where indicated below, on all purchase transactions. The document must be signed all borrowers, sellers and the selling real estate agent or broker. A sample of the form will be available in the Resource Center. Note, the Real Estate Certification is not needed when the sales contract contains a provision that there are no other agreements between parties, and the terms constitute the entire agreement between the parties, and all parties are signatories to the sales contract submitted at the time of underwriting. • The Amendatory Clause is required, except where indicated below, on all purchase transactions when the appraised value is not available at the time of purchase contract execution. The document must be signed by all buyers and sellers involved with the loan transaction. It must be complete, including the sales price, printed seller name and date of agreement. A sample of the form is available in the Resource Center. This document, completely executed by all buyers and sellers

	involved with the loan transaction, should be included with the file for loan setup for all channels and should be obtained and executed prior to funding. Note, the amendatory clause is not required on the following transactions: HUD REO sales, FHA's 203(k) loan program or sales in which the seller is Fannie Mae, Freddie Mac, the Department of Veterans Affairs (VA), Rural Housing Services, other federal, state, and local government agencies, a lender disposing of REO assets, or a seller at a foreclosure sale.
RATE/TERM REFINANCE	• N/A
CASH OUT REFINANCE	• N/A
REPAIR ESCROW/ESCROW HOLDBACKS	• Not Allowed
QUALIFYING	• Qualify at note rate • Installment debt can be paid off to qualify. • Installment (closed end) debt does not have to be included if they will be paid off within 10 months and the cumulative payments of all such debts are less than or equal to 5 percent of the Borrower's gross monthly income. The borrower may not pay down the balance in order to meet the 10-month requirement. • Accounts for which the borrower is an authorized user must be included in a borrower's DTI ratio unless documentation shows that the primary account holder has made all required payments on the account for the previous 12 months. If less than three payments have been required on the account in the previous 12 months, the payment amount must be included in the borrower's DTI. • All deferred obligations (excluding student loans), regardless of when they will begin, must be included in the qualifying ratios. The lender must obtain evidence of: the deferral; the outstanding balance; the terms of liability; and the anticipated monthly payment. If the actual monthly payment is not available for installment debt, the lender must utilize the terms of the debt or 5 percent of the outstanding balance to establish the monthly payment. • For cases assigned prior to 6/30/16, for all deferred student loans, if the actual monthly payment is zero or is not available, the lender must utilize 2 percent of the outstanding balance to establish the monthly payment. • For cases assigned prior to 6/30/16, for student loans currently in a standard repayment plan, the required monthly payment is to be used for qualification purposes. For student loans currently in an income based repayment plan (there are various income based student loan repayment plans, some include increasing repayment amounts), utilize the payment noted on the income based repayment agreement. The current payment can be used even if a payment increase is reflected on an agreement. If a monthly payment is not reflected on the credit report then documentation as evidenced by a monthly payment statement, a letter from creditor or a repayment schedule, is required to verify monthly payment. • For cases assigned on or after 6/30/16, student loans must be included in the borrower's liabilities, regardless of the payment type or status of payments (deferred or in payment status). If the payment used for the monthly obligation is: (1) less than 1 percent of the outstanding balance reported on the Borrower's credit report, and (2) less than the monthly payment reported on the Borrower's credit report; then written documentation must be obtained of the actual monthly payment, the payment status, and evidence of the outstanding balance and terms from the creditor. Regardless of the payment status, use either: (1) the greater of:

	(a) 1 percent of the outstanding balance on the loan; or (b) the monthly payment reported on the Borrower's credit report; or (2) the actual documented payment, provided the payment will fully amortize the loan over its term. • For 30 day accounts, must verify the borrower paid the outstanding balance in full on every 30-Day account each month for the past 12 months. 30-Day Accounts that are paid monthly are not included in the Borrower's DTI. If the credit report reflects any late payments in the last 12 months, must utilize 5% of the outstanding balance as the Borrower's monthly debt to be included in the DTI. Must use the credit report to document that the borrower has paid the balance on the account monthly for the previous 12 months. Must use the credit report to document the balance, and must document that funds are available to pay off the balance in excess of the funds and reserves required to close the mortgage. • For revolving accounts, must include the monthly payment shown on the credit report for the revolving charge account. Where the credit report does not include a monthly payment for the account, must use the payment shown on the current account statement or 5% of the outstanding balance. Must use the credit report to document the terms, balance and payment amount on the account, if available. Where the credit report does not reflect the necessary information on the charge account, must obtain a copy of the most recent charge account statement or use 5% of the outstanding balance to document the monthly payment. • If a credit report shows an asterisk next to the payment, it can be an indication that the payment listed is not the required monthly minimum payment amount, and as such will require supplemental documentation to support the payment, as required by the agency or, if revolving, 5% of the balance can be used for the payment. • Paying off revolving debt to qualify is allowed. The debt includes any revolving debt that is being paid off and not included in the ratios. Account must be paid in full prior to or at closing and documentation must be provided evidencing repayment. Source of funds must be documented (proceeds on a cash out transaction are acceptable.) Accounts are not required to be closed. • For non-HELOC loans, when qualifying a borrower that has a non-subject negative amortization or interest only loan, use the fully amortized payment • For any additional properties, obtain a recent payment coupon or other documentation to ensure the loan is qualified using the full PITIA. • The percentage of non-taxable income that may be added cannot exceed the greater of 15% or the appropriate tax rate for the income amount, based on the borrower's tax rate for the previous year. If the borrower was not required to file a federal tax return for the previous tax reporting period, gross up the non-taxable income by 15%. Any additional adjustments or allowances based on the number of the borrower's dependents is not allowed • If the borrower has a tax lien, the underwriter must condition for proof the money owed has been paid in full or paid off in full at closing and must include the current amount of the lien, including all interest and late fees or provide evidence to verify the borrower has entered into a valid repayment agreement with the federal agency to make regular payments on the debt and the borrower has made timely payments for at least three months of scheduled payments. The borrower cannot prepay scheduled payments in order to meet the required minimum of three months of payments. The lender must include the payment amount in the agreement in the calculation of the borrower's DTI ratio. If the 1040s or other documentation reflect the borrower owes money to the IRS for the current tax year (most recent tax filing), the amount must be paid in full or the borrower's must have a payment plan and the

	monthly tax payment amount must be included in the calculation of the borrower's DTI ratio, but there is no minimum months of payment required to have been made. If the 1040s or other documentation reflect the borrower owes money to the IRS for prior tax years, the underwriter must condition for proof the money owed has been paid in full or provide evidence to verify the borrower has entered into a valid repayment agreement with the federal agency owed to make regular payments on the debt and underwriter discretion can be used to determine the minimum months of payment required to have been made. • In community property states, tax liens of any non-borrowing spouse must be paid. The credit history of the non-borrowing spouse in regards to the lien does not have to be considered, but the tax liens have to be paid. • To calculate DTI for loans with subordinate HELOCs (for all properties): If there is a balance, use the payment that is reflected on the credit report. If there is no payment on the credit report, obtain a copy of the billing statement, or note to determine the payment amount, based on the terms of the note, or the statement. If there is no balance, a payment does not need to be included. • For borrowers with collection accounts, if the cumulative outstanding balance of all collections of all borrowers is less than $2,000, the lender is not required to consider or evaluate collection accounts. If the cumulative outstanding balance of all collections of all borrowers is equal to or greater than $2,000, the lender must include monthly payments in the borrower's debt-to-income ratio for accounts that will remain open subsequent to closing or require the collection account to be paid off as described as follows (also see Credit Section): At the time of or prior to closing, payment in full of the collection account (verification of acceptable source of funds required). The borrower makes payment arrangements with the creditor. If the borrower has entered into a payment arrangement with the creditor, a credit report or letter from the creditor verifying the monthly payment is required. The monthly payment must be included in the borrower's debt-to-income ratio. If evidence of a payment arrangement is not available, the lender must calculate the monthly payment using 5% of the outstanding balance of each collection, and include the monthly payment in the borrower's debt-to-income ratio. Note, All medical collections and charge off accounts are excluded from this requirement and do not require resolution. Collection accounts of a non-purchasing spouse in a community property state are included in the cumulative balance. • For borrowers with a court ordered judgment where the borrower has an agreement with the creditor to make regular and timely payments, a copy of the agreement and evidence that payments were made on time in accordance with the agreement, and a minimum of three months of scheduled payments have been made prior to credit approval is required. Note, borrowers are not allowed to prepay scheduled payments in order to meet the required minimum of three months of payments. The payment amount in the agreement must be included in the calculation of the borrower's debt-to-income ratio. Judgments of a non-purchasing spouse in a community property state must be paid in full, or meet the exception guidance for judgments above, unless excluded by state law. • If borrower or non-occupant co-borrower will not be occupying the subject property (i.e., borrower on second home or investment property and any non-occupying co-borrower) does not have a current housing expense, because they state they live rent free on the 1003, proof they live rent free must be provided. Acceptable documentation would include, but is not limited to, an LOE from the owner/landlord of the residence where they currently live.

	• For contingent/co-signed liabilities, follow HUD guidelines which will allow the payment to be excluded from monthly liabilities only if (1) documentation is provided to evidence that the other party to the debt has been making regular on-time payments during the previous 12 months and does not have a history of delinquent payments on the loan; or (2) documentation is provided which verifies and documents that there is no possibility that the debt holder will pursue debt collection against the borrower should the other party default. • If a borrower is on title (has ownership interest) and is on the note to other properties besides the subject property, follow FHA guidelines for contingent liabilities for both the P&I payment as well as the taxes, insurance and additional items (association fees) (TIA). If borrower is just on title, and not obligated on the note for non-subject properties, the TIA does not have to be included in borrower's ratios as long as documentation is provided to show 12 months' satisfactory payments by the other party who is on title and the note, in alignment with contingent liability requirements. If the taxes and insurance are not escrowed or the property is owned free and clear, and the TIA is not paid on a monthly basis (i.e. annually, semi-annually) then a sufficient history of payments made by the other party on title must be presented to make a reasonable conclusion that it will continue. The other party making the payments must be both on the note (if there is a lien) and on title (in all cases) in order to exclude
CURRENT PROPERTIES BEING CONVERTED TO SECOND HOMES OR INVESTMENT PROPERTIES	• N/A
RATIOS	• 45% DTI (regardless of AUS approval)
TEMPORARY BUYDOWNS	• Not allowed
CREDIT	• Must at all times comply with HUD guidelines, subject to any additional restrictions listed in this product profile • DE Underwriter Final Loan Approval Date cannot be after Note Date. • The use of a U.S. address to obtain a credit report for a borrower who resides in another country is not permitted. • If the borrower's credit report contains a FACTA credit alert, the completed Fraud Alert Confirmation form must be in the file (available via Resource Center). • Qualifying FICO score is determined by using the middle of three or lowest of two scores. If there are multiple borrowers, then use the lowest representative score of all borrowers to qualify. If only one score is available, then use the one provided. • A three-repository merged (tri-merge) credit report (TRMCR) or Residential Mortgage Credit Report (RMCR) from an independent consumer-reporting agency is required. • The credit report for the mortgage history must be updated to include the payment made for the most recent month due. • See Qualifying section for capacity analysis for all loans with collections and judgments. Court ordered judgments must be paid off (or provide evidence they have been satisfied). Judgments of a non-borrowing spouse in a community property state must be resolved or paid in full, with the exception of obligations excluded by state law. An exception to the payoff of a court ordered judgment may be made if the borrower has an agreement with the creditor to make regular and timely payments. The borrower must provide a copy of the agreement and evidence that payments were made on time in accordance with the agreement, and a minimum of three months of scheduled payments have been made prior to credit approval.

	Borrowers are not allowed to prepay scheduled payments in order to meet the required minimum of three months of payments. • For loans using TOTAL, not required to obtain an explanation of collection accounts, charge off accounts, accounts with late payments, judgments or other derogatory information. • For all borrowers with judgments, the following documentation must be provided: evidence of payment in full, if paid prior to settlement; the payoff statement, if paid at settlement; or the payment arrangement with creditor, if not paid prior to or at settlement, and a subordination agreement for any liens existing on title • Chapter 7 bankruptcies must be discharged at least 2 years to the case number assignment date and the borrower has re-established their credit or chosen not to incur new credit obligations. • Chapter 13 bankruptcies required 2 year seasoning from discharged date to case assignment date. • Any bankruptcy not discharged 2 years must be downgraded to a manual underwrite and not eligible • Borrowers with a loan modification or short refinance in their credit history are eligible. A mortgage that has been modified must utilize the payment history in accordance with the modification agreement for the time period of modification in determining late housing payments. If mortgage payment history requirements (as required by HUD for mortgage history) since the date of loan modification are not met, a downgrade to a manual underwrite is required and not eligible • Short sales (Pre-Foreclosure Sales) within the last 3 years to the case number assignment date are not allowed • Foreclosure: Foreclosures within the last 3 years to the case number assignment date are not allowed. • For a borrower that had an FHA mortgage foreclosed, that borrower is not eligible to apply for another FHA mortgage until three years after the date that HUD paid the insurance claim to the lender. • Deed-in-lieu of foreclosures are considered foreclosures and require 3 year seasoning to the case number assignment date • Must obtain a credit report for a non-borrowing spouse who resides in a community property state, or if the subject property is located in a community property state. The credit report must indicate the non-borrowing spouse's SSN, where an SSN exists, was matched with the SSA, or the must either provide separate documentation indicating that the SSN was matched with the SSA or provide a statement that the non-borrowing spouse does not have an SSN. Where an SSN does not exist for a non-borrowing spouse, the credit report must contain, at a minimum, the non-borrowing spouse's full name, date of birth, and previous addresses for the last two years. • The debts of a non-purchasing spouse must be included in the borrowers qualifying ratios if the borrower resides in a community property state or the property is located in a community property state unless that debt is specifically excluded by state law. The underwriter must ensure the debt that is not being included complies with state law and the debt can in no way effect the new first trust deed lien. Additionally, if the debt being excluded is a mortgage lien, it is important to ensure the current loan transaction is not being used to provide a bail out for the other mortgage lien. • Non-borrowing spouse's credit history cannot be used when making a credit decision on the loan. Derogatory event on any property held against borrower only if it

	appears on their credit report or if they are obligated on note. Derogatory event not held against borrower even if a property appears on a joint tax return, the borrower lives in a property or the borrower is on title. • In addition to other listed requirements regarding disputed accounts, if a disputed account is a borrower's verified previously delinquent mortgage trade line, which may affect the credit decision of the AUS, information regarding the dispute must be obtained. The underwriter must verify that the AUS is considering the previously delinquent mortgage in the credit decision. If it is unclear if the previously delinquent mortgage is being considered (and based on underwriter discretion, the delinquent mortgage may impact the credit score/AUS decision), the dispute should be removed at the bureau level, credit report re-run to reflect accurate credit message without dispute, and the AUS re-run to include account in the AUS decision. For instance, a zero balance where the last activity is more than 3 years prior to the credit report date may be determined by the underwriter to not require the dispute to be removed. • MERS search must be run on borrower • 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. • PRMG does not allow use of extenuating circumstances in the credit decision for reduced seasoning or satisfactory credit requirements.
CASH RESERVES	• TOTAL Scorecard: None required, however, subject to underwriter discretion or per "DU" recommendation; • Cash saved at home allowed, must meet all HUD requirements to be able to use for the transaction and for verification of funds • The following additional guidelines will apply to all loans when non-traditional credit is used: Minimum two months PITIA reserves after closing (or per product guide if greater) • All verifications of funds, including the most recent asset account statements, must be dated within 45 days of the loan application or an updated statement is required.
REQUIRED DOWN PAYMENT	• Required 3.50% minimum down payment (gifts allowed-see gift section below for details).
REQUIRED DOWN PAYMENT /SOURCE OF FUNDS	• Required 3.50% minimum down payment (gifts allowed-see gift section below for details). • Funds that are brought to closing (i.e., cashier's checks or wire) by the borrower must be verified as belonging to the borrower and from the institution that was sourced in the loan file. If the account number appears on the wire/cashier's check, it must match the account numbers that were verified in the loan file. • For loans with prorated seller paid taxes (taxes that have been prepaid by the seller on the subject property), the prorated taxes can reduce the funds required at closing, however, the loan file must still contain documentation that borrower has 3.5% (or required minimum required investment (MRI) for transaction) of their own funds (or other acceptable source of MRI), even though they may not actually contribute the actual 3.5% (or required MRI) at closing because the seller prorated tax credit is an acceptable source to meet the MRI. In other words, the prorated tax credit cannot be used in the documented assets considered to meet the MRI but can be credited at closing. • Access letter required for any accounts where a non-borrowing party is on the account (including a non-borrowing spouse) • Direct verification by a third-party asset verification vendor (i.e., AccountChek) is not

	allowed. • When borrower's funds-to-close are from a 401k, IRA, or other retirement account, proof of liquidation is required, regardless of Total Scorecard response • Sweat Equity not permitted • Bridge loans are not allowed • Business funds are permitted, but must be documented and business tax returns would be required. Additionally, business funds from a partnership or corporation may not be used to meet any required minimum down payment requirements unless a borrower is 100% owner or the DE Underwriter obtains documentation that the borrower has access to the funds to be used as their required minimum down payment. In all cases, business funds being used for funds to close or reserves are allowed as long as there is a CPA letter or evidence to confirm it will not negatively affect the business. If business is a partnership, written permission from the other partners is required. • All asset sources used to qualify borrowers must be legal at the local, state, and federal level. Any assets derived from an activity or source that violates Federal, state, or local laws cannot be considered for loan qualification for both self-employed borrowers and wage earners working for a company. • Cash deposits, even if less than 1% of the adjusted value and/or that are typical for the borrower's line of work, require an explanation from the borrower as to how they were accumulated in alignment with HUD's requirement for cash on hand. • Cryptocurrency, digital currencies or altcoins (i.e. Bitcoins, Litecoin, Ethereum, etc.) may not be included as financial assets for mortgage qualification purposes and is an ineligible source of funds for down payment, closing costs or reserves unless being converted into U.S. currency. To be used as a source of funds for down payment, closing costs, or reserves, cryptocurrency, digital currencies or altcoins must be converted into U.S. currency and be held within a U.S. Financial Institution and verified prior to underwriting final approval. In addition to the verification of U.S. currency, the borrower(s) must be able to provide acceptable documentation for the source of funds used to initially acquire the cryptocurrency prior to the conversion. • If the borrower's source of funds are from a country included on the OFAC Sanctioned Countries List that is found in the Resource Center, the funds are not eligible for use in the transaction. • Must verify and document the deposit amount and source of funds if the amount of the earnest money deposit exceeds 1% of the sales price or is excessive based on the borrower's history of accumulating savings, by obtaining: a copy of the borrower's cancelled check; certification from the deposit-holder acknowledging receipt of funds; or a VOD or bank statement showing that the average balance was sufficient to cover the amount of the earnest money deposit at the time of the deposit. If the source of the earnest money deposit was a gift, must verify that the gift is in compliance with gifts as allowed per HUD. • Must verify and document the existence of and amounts in the borrower's checking and savings accounts. For recently opened accounts and recent individual deposits of more than 1% of the Adjusted Value of the property, must obtain documentation of the deposits. Must also verify that no debts were incurred to obtain part, or all, of the minimum required investment. • All verifications of funds, including the most recent asset account statements, must be dated within 45 days of the loan application or an updated statement is required.
GIFT FUNDS	• Allowable donors include: • Borrower's family member (as defined by HUD)

	• The borrower's employer or labor union
	    • Charitable organizations
	    • Government agencies
	    • A close friend with a clearly defined interest in the borrower (family members, such as a cousin, who are not considered family members by HUD can be documented as a close friend and still be an eligible donor)
	    • a governmental agency or public entity that has a program providing homeownership assistance to low or moderate income families; or first-time homebuyers.
	• Gift letter required. All gift letters must include the following:
	    • Name, address and phone number of the donor and the borrower.
	    • Dollar amount of the gift.
	    • Relationship between the donor and the borrower.
	    • Specification that no repayment is required.
	    • Signatures of both the donor and the borrower.
	• Must verify and document the transfer of gift funds from the donor to the Borrower in accordance with the following:
	• If the gift funds have been verified in the Borrower's account, obtain the donor's bank statement showing the withdrawal and evidence of the deposit into the Borrower's account.
	    • If the gift funds are not verified in the Borrower's account, obtain the certified check or money order or cashier's check or wire transfer or other official check, and a bank statement showing the withdrawal from the donor's account.
	    • If the gift funds are paid directly to the settlement agent, verify that the settlement agent received the funds from the donor for the amount of the gift, and that the funds were from an acceptable source. (Please note that since funds wired directly to the settlement are not verified in the borrower's account, HUD has indicated that the above bullet point to require evidence of the certified check or money order or cashier's check or wire transfer or other official check, and a bank statement showing the withdrawal from the donor's account applies.)
	• If the gift funds are being borrowed by the donor and documentation from the bank or other savings account is not available, the donor must provide written evidence that the funds were borrowed from an acceptable source, not from a party to the transaction.
	• Regardless of when gift funds are made available to a borrower, underwriter must be able to make a reasonable determination that the gift funds were not provided by an unacceptable source.
	• When a borrower receives a gift from an acceptable source and the donor's bank statement shows a large deposit, no explanation, documentation or evidence of the source of the deposit is required, regardless of the amount. However, the gift letter must indicate that any funds given to the borrower were not made available to the donor from any person or entity with an interest in the sale of the property including the seller, real estate agent, broker, loan officer or any other entity associated with the transaction (or other similar verbiage). Additionally, there can be no evidence that the deposit is from an unacceptable source (i.e., a deposit shows that it was a cash deposit to the branch/ATM).
	• Cash on Hand is not an acceptable source of donor gift funds

CONTRIBUTIONS BY AN INTERESTED PARTY	• 6% of lesser of sales price or appraised value. • Not allowed for payment of condominium fees, personal property or down payment

	assistance

SUBORDINATE FINANCING	• This product may be layered with the following down payment and/or closing cost assistance options, for first-time homebuyers only:
	  • Locality programs to be used for closing costs and/or down payment assistance as per individual requirements
	    • The locality subordinate loans must meet FHA guidelines
	    • The maximum CLTV must meet CalHFA requirement
	    • In the case of conflicting guidelines, the lender must follow the more restrictive
	• Properties that have a Property Assessed Clean Energy (PACE) loan are not eligible (such as the Home Energy Renovation Opportunity (HERO) Program)

ADDITIONAL DOWN PAYMENT ASSISTANCE REQUIREMENTS	• Access the PRMG Eligible DPA list and a link to the synopsis that must be reviewed by the loan officer, processor and underwriter to ensure all requirements for the DPA are met at the following link: http://www.eprmg.net/ResourceCenter/PoliciesProceduresInformation/PRMG%20DPA%20List.pdf
	• All lenders are required to follow the guidelines of the Funded Down payment Assistance from non-profit organizations. These programs are permitted in accordance with FHA guidelines and the following additional restrictions. Originating Lenders are responsible to guarantee that they have verified that the Originating Lender Funded Down Payment Organization has not been listed on the website below. To ensure the non-profit status is acceptable to HUD, the homebuyer must enter into the Sales Contract/Purchase Agreement (including any amendments to purchase price) on, or before, the date the IRS officially announces a termination of the organization's tax-exempt status.
	• Information on status of non-profit organization can be found at:
	• https://www.irs.gov/Charities-&-Non-Profits/Automatic-Revocation-of-Exemption-List
	• A printed copy of this web site page showing the agency has not had their tax-exempt status terminated by the IRS prior to the date of the Sales Contract/Purchase Agreement must be included in each loan file submitted for underwriting.
	  • Originating Lenders may use any non-profit agency acceptable per HUD guidelines, provided however that a copy of the web page discussed in this section supports the tax-exempt status of such agency. It is recommended that Originating Lenders also apply the following additional criteria when approving loans with down payment assistance funds provided by these agencies.
	  • Originating Lender should have on file an IRS Letter of Determination verifying the organization providing gift funds is a non-profit corporation under Section 501© (3) exempt from taxation under Section 501(a) of the Internal Revenue Code. There must not be an identity of interest between the donor (property Originating Lender, builder or developer) and the non-profit organization.
	  • The Federal Tax Identification Number of the non-profit must be entered in the FHA CHUMS field designated for a charitable organization's tax ID#. Failure to do so may result in an uninsurable loan.
	  • The gift should only be used toward the homebuyer's down payment and closing costs. The loan file should contain a Gift Letter stating that no repayment of the gift is required.
	  • Originating Lender should inform the appraiser of the gift transaction and the dollar amount being used as down payment assistance. The sales price should not be increased to accommodate the down payment assistance.

	• The closing agent must confirm the gift funds have been properly deposited in an escrow account and that the gift funds came directly from the non-profit. Gift funds cannot be disbursed from the Originating Lender's proceeds at the borrower's closing.

MORTGAGE CREDIT CERTIFICATES (MCC)	• CalHFA's MCC Tax Credit Closing may be layered with this product for retail transactions
	• CalHFA's MCC is not eligible for wholesale transactions
	• On Wholesale transactions, third party processing (Contract Processing) fee may be charged, as allowed per the Fee section
	• PRMG will not allow MCCs that are paid by the issuer directly to the servicing lender as a supplement to the borrower's monthly payment.
	• The MCC cannot restrict the transfer of ownership or servicing rights of the first Mortgage. In addition, it may not require prior notification or approval from the sponsoring authority in the event of the transfer of the first Mortgage's servicing rights.
	• PRMG must be documented as an approved participant in good standing with the MCC issuing authority.
	• PRMG must confirm that that they will represent and warrant their responsibility for all requirements prescribed by the issuing authority. The MCC must not require any subsequent investor or servicing lender to fulfill any special requirements of the issuer or the IRS, including servicing and/or reporting responsibilities.
	• HUD will only allow the MCC to be included as effective income when the MCC is not paid to the servicer. It cannot be used to reduce the PITIA since PRMG does not allow payments directly to the servicer.
	• Copy of the MCC and associated calculations must be in the file.
	• Must comply with all HUD Requirements
	• Following documents must be in loan file if MCC is being used to qualify:
	  • Copy of the Mortgage Credit Certificate (A Commitment in lieu of the Certificate will not satisfy this requirement)
	  • Copy of the W-4 and worksheet
	  • MCC Worksheet
	• In the case of conflicting guidelines, the lender must follow the more restrictive
	• Must complete the MCC screen in FastTrac and review the below document.
	• Additional information about Mortgage Credit Certificates can be found here:
	• http://www.eprmg.net/MortgageCreditCertificates.pdf

HUD REOS	• Must meet all of HUD's requirements in regards to HUD REOs • Must be owner occupied • Title policy is required • Full "as is" appraisal required • Mortgagees must order a new appraisal that is valid for a HUD REO property financed with an FHA-insured mortgage • The mortgagee must retain copies of all appraisals available to the mortgagee in its loan file. • Effective 9/30/16, HUD must approve any real estate broker wishing to list properties or represent buyers in sales transactions of HUD REO Properties and closing agents must meet the requirements as outlined in the 4000.1 in order to conduct a closing on a sales transaction of a HUD REO Property.
PURCHASING A SHORT SALE	• A borrower purchasing a property from a seller who is selling their home for less than the amount owed to the lender is considered a short sale. Borrowers

	purchasing a home that is being sold under a short sale are generally eligible provided: • The transaction is arm's length involving a realtor and formal sales contract. • There is no relationship or identity of interest between buyer and seller as defined in Handbook 4000.1 • Short sale approval letter from all existing mortgage lien holders accepting the discounted sales price on the subject property must be provided and retained in the loan file. • All liens are extinguished with the sales proceeds. • Any earnest money deposits must be verified with a bank statement or a print out from the bank at the time the earnest money check cleared the borrower's account, regardless of amount. • Full interior/exterior appraisal is required, regardless of AUS. • The borrower is not involved in negotiations with the lien holder(s) to facilitate the short sale. • An in-depth review of the following must be completed for any inconsistencies detected in the transaction. Documentation of the resolution of any questionable items must be included in the loan file: Purchase contract (including all addendums and short sale addendum), Appraisal, Title, Hud-1 • There are cases where the borrower may elect to pay additional fees or payments related to acquiring the property that is typically the responsibility of the seller. In these instances, the following requirements apply: • The borrower must be provided with written details of the additional fees or payments. The additional funds required to complete the transaction must be documented on the purchase contract and/or addendum. • The servicer or servicers agreeing to the short sale must be provided with written details of the fees or payments and has the option of renegotiating the payoff amount to release the lien(s) against the subject property. • All parties (buyer, seller, and servicer) must provide their written agreement of the final details of the transaction which must include the additional fees or payments. • The HUD-1 must include all fees and payments associated with the transaction. • Note: If the borrower pays short sale processing fees or short sale negotiation fees, the fee must be treated as a sales concession if any portion of the fee is reimbursed by an interested party to the transaction.
NON ARM'S LENGTH TRANSACTIONS/IDENTITY OF INTEREST	• Identity of Interest/Non Arm's Length transactions are limited to a max LTV of 85%. • An identity of interest transaction is a transaction for the purchase of a principal residence between parties with a familial or business relationship or business affiliates • The following are NOT considered identity of interest/non-arm's length transactions and are eligible for maximum financing: • A family member purchasing another family member's principal residence • An employee of a builder purchasing one of the builder's new homes or models as a principal residence • A current tenant purchasing the property that the tenant has rented for at least 6 months prior to the sales contract. A lease or other written evidence must be submitted verifying occupancy. • Sales by corporations that transfer employees out of an area, purchase the transferred employee's home, and then resell to another employee. • If the property being sold from one family member to another is the property

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seller's investment property, the maximum mortgage is the lesser of 85% of the sales price or appraised value OR the current maximum mortgage calculation formula unless the family member has been a tenant in the property for at least six months immediately predating the sales contract. A lease or other written evidence must be submitted to verify occupancy..
• If there is an identity-of-interest between the buyer and seller, commission from the sale or listing of the property cannot be used for the down payment.
</td></tr>
<tr><td>REAL ESTATE AGENT ALSO LOAN OFFICER/BROKER</td><td>
• Not allowed on retail transactions.
• QC Audit required
</td></tr>
<tr><td>MORTGAGE INSURANCE</td><td>
• All loans, regardless of LTV require mortgage insurance.
• Mortgage Insurance Premiums are listed below as "Upfront Amount/Monthly Fee."
<table>
<tr><td colspan="4">CASE NUMBERS ASSIGNED ON OR AFTER JANUARY 26, 2015 – ALL LOAN PURPOSES</td></tr>
<tr><td colspan="4">Loan Terms > 15 Years</td></tr>
<tr><td>LTV/Base Loan Amount</td><td colspan="2">≤ 95%</td><td>> 95%</td></tr>
<tr><td><=$625,500</td><td colspan="2">1.75%/.80%</td><td>1.75%/.85%</td></tr>
<tr><td>>$625,500</td><td colspan="2">1.75%/1.00%</td><td>1.75%/1.05%</td></tr>
<tr><td colspan="4">Loan Terms ≤ 15 Years</td></tr>
<tr><td>LTV/Base Loan Amount</td><td>≤ 78%</td><td>>78% and ≤ 90%</td><td>> 90%</td></tr>
<tr><td><=$625,500</td><td>1.75%/0.45%</td><td>1.75%/0.45%</td><td>1.75%/0.70%</td></tr>
<tr><td>>$625,500</td><td>1.75%/0.45%</td><td>1.75%/0.70%</td><td>1.75%/0.95%</td></tr>
</table>
• For all loan terms with LTVs <=90% cancellation of the annual (monthly) premium will occur after the borrower has paid the premium for eleven years
• For all loan terms with LTVs >90% the annual (monthly) premium will continue for the loan term
</td></tr>
<tr><td>APPRAISAL</td><td>
• Additional appraisal requirements can be found in the PRMG Appraisal Guidelines which is available in the Resource Center or at the following link
• http://www.eprmg.net/ResourceCenter/AppraisalForms/PRMG%20Appraisal%20Guidelines.pdf
• CalHFA requires a copy of all appraisals as required by FHA
• Traditional appraisal report completed by a state-licensed and HUD approved appraiser required on all loans.
• Appraisals are valid for 120 days and must be dated within 120 days of the disbursement date.
• PRMG will NOT allow a DE lender to extend the appraisal for 30 days
• A one-time, 120-day extension of an appraisal that is due to expire and lender does not want to order a new appraisal report is allowed using Form 1004D/442 Appraisal Update with the following conditions:
  • The underwriter has not previously extended the original appraisal for 30 days (which PRMG does not allow).
  • May be used for existing properties, or for new construction that is incomplete.
  • Must be completed prior to the original appraisal's expiration date.
  • May not be used if the property value has declined.
  • The original Appraiser must perform the update and be in good standing with FHA at the time of the update. The Appraisal Update must be signed by the original appraiser. A supervisory signature is not permitted.
  • The appraiser must include a completed 1004MC Market Conditions Addendum reflecting current market conditions.
</td></tr>
</table>

	- The appraiser must certify that he/she can observe the improvements that contribute to value (no obstructions), that there are no deficiencies or other significant changes and certify that the property value has not declined. - The appraiser must provide photos from the street and from all angles visible from a public way. - If used by a subsequent lender who is not identified as the Client in the original appraisal report, the appraiser must incorporate the original report by attachment rather than by reference. - Appraisal may not be over 150 days from funding date if lender allows a 30-day extension as permitted in Handbook 4000.1:II.A.A.a.i.(A)(1)(b)(i) - Appraisal may not be over 240 days from funding date if lender allows a 120-day extension as permitted by Form 1004D. - The 30-day extension is not allowed. Only a 120-day extension may be used. - The effective date of the appraisal cannot be before the FHA case number assignment date unless the lender certifies, via the certification field in the Appraisal Logging Screen in FHAC, that the appraisal was ordered for conventional lending or government-guaranteed loan purposes and was performed by a FHA Roster Appraiser. The lender must ensure that the appraisal was performed in accordance with FHA appraisal reporting instructions as detailed in this SF Handbook and the Appraisal Report and Data Delivery Guide. The intended use of the appraisal must indicate that it is solely to assist FHA in assessing the risk of the Property securing the FHA-insured Mortgage. Additionally, FHA and the lender must be indicated as the intended users of the appraisal report. - For HUD REO properties, follow HUD guidelines including appraisal is valid for 120 days from the effective date of the appraisal. Additionally, please note that if the buyer is financing the purchase with an FHA-insured mortgage, a valid HUD REO sales contract must be ratified within 120 days of the appraisal effective date or the lender must order a new appraisal or an appraisal update to support the mortgage transaction. - A 3 year sales history is required on the subject property. - The seller on the sales contract must be the owner of record. - PRMG reserves the right to require additional appraisal reviews/reports at the underwriter's discretion. - If a termite inspection is performed, and the Atlanta HOC is being used, the state mandated pest control form must be used. - Photographs are required for living rooms, bedrooms, kitchens and bathrooms
DISASTER REQUIREMENTS	- An interior/exterior property inspection is required for properties located in an identified FEMA disaster area if the original appraisal was completed prior to the disaster being declared. For 90 days after the disaster date, a full appraisal will be required. - For any loan secured by property located within a Federally Declared Disaster Area (FEMA) a re-inspection/certification of the subject property, with photograph, must be obtained prior to funding/purchase. The re-inspection must state the property is habitable and contains no evidence of damage based on the exterior inspection. - A property inspection is required for any loan secured by a property in the affected area. If the subject property is located in one of the impacted counties and the appraisal was completed prior to the incident period end date, a post disaster inspection is required confirming the property was not adversely affected by the disaster. If FEMA does not identify an area as a disaster, PRMG reserves the right to declare an area not identified by FEMA as a disaster. In these cases PRMG will

	communicate any declarations.
	• The Disaster Policy should be followed during an ongoing disaster and up to 90 days from the FEMA declaration
	• Utilize any of the following re-inspection options to satisfy the post disaster inspection requirement, with a photograph of the subject property:
	    • Property Inspection Report (Fannie Mae Form 2075/Freddie Mac Form 2070)
	    • Appraisal Update and/or Completion Report (Fannie Mae Form 1004D/Freddie Mac Form 442)
	    • Uniform Residential Appraisal Report (Fannie Mae Form 1004/Freddie Mac Form 70)
	    • Exterior Only Appraisal Report (Freddie Mac Form 2055)
	    • Individual Condominium or PUD Unit Appraisal Report (Fannie Mae Form 1073/Freddie Mac Form 465)
	    • Disaster Inspection Certification from a Licensed Certified Inspector
	• 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 purchase
	• Loans with appraisals completed after the dates of the Natural Disaster (FEMA declaration dates) are not subject to the above requirements unless specifically requested by an underwriter.

REVIEW/SECOND APPRAISALS	• A second appraisal is required for properties that are being re-sold within 180 days of acquisition by the seller AND the resale price is 100% or more over the price paid by the seller when the property was acquired. • A second appraisal is required for <= 90 Day Flips with a Sales Price 20% or Greater Than the Sellers Original Acquisition Cost loans, see Anti-Flipping section for additional information. • Review appraisals must be completed by a PRMG approved Appraisal Company.

SALES CONTRACT CHANGES	• PRMG will not accept re-negotiated purchase agreements that increase the sales price after the original appraisal has been completed if:
	    • the appraised value is higher than the contracted sales price provided to the appraiser, and
	    • the new purchase agreement and/or addendum used to modify the sales price is dated after the appraisal is received, and
	    • the only change to the purchase agreement is an increase in sales price.
	• If the purchase agreement is re-negotiated subsequent to the completion of the appraisal, the loan-to value will be based on the lower of the original purchase price or the appraised value, unless:
	    • Re-negotiation of only seller paid closing costs and/or pre-paids when seller paid closing costs/pre-paids are common and customary for the market and supported by the comparables or
	    • An amended purchase agreement for new construction property is obtained due to improvements that have been made that impact the tangible value of the property. In the event of such changes, an updated appraisal must be obtained to verify the value of the modifications/changes.

MULTIPLE LOANS	• Maximum number of residential properties that can be financed are limited to 4, including the subject property. This includes joint or total ownership and is cumulative across all borrowers on the loan.
RESIDUAL INCOME EVALUATION	• Not Required

HIGHER PRICED MORTGAGE LOAN (HPML)	• Allowed within the parameters of Section 35 of CFPB Regulation Z • Must comply with all limitations and requirements of HPML loans as described in PRMG's Compliance Policy regarding HPML-Section 35 loans • HPML loans must have an escrow account, regardless of LTV
SECTION 32 / HIGH COST LOAN	• High cost loans are not allowed: • Loan is not a high cost loan as defined by Section 32 of the Federal Truth-in-Lending Act; and • Loan is not a high cost loan as defined by applicable state laws and/or regulations.
REAL ESTATE COMMISSIONS	• The maximum real estate commission allowed is 8%.
ESCROW ACCOUNT	• Escrows are required for taxes and insurance, regardless of LTV. • Flood insurance must be impounded (escrowed) for all loans with a note date of 1/1/16 or later if the property is in a Special Flood Hazard Area (SFHA), designated as a flood zone beginning with A or V, regardless of LTV and/or federal exemptions and is required for the life of the loan. It is not required to be impounded if the flood insurance is paid through the condominium association, HOA dues, etc. Additionally, the escrow requirement needs to be stated in the Flood Notice that is provided to the borrower. • As required per HUD, Flood insurance in Special Flood Hazard Areas must be obtained through the National Flood Insurance Program (NFIP).
HAZARD INSURANCE	• Hazard insurance is required for the life of the loan. Each borrower will be required to maintain hazard insurance, including fire and extended coverage, of the type that provides for claims to be settled on a replacement cost basis. All policies shall contain a loss payable endorsement to the Lender in an amount equal to the replacement value of the structure improvements established by the property insurer as selected by the borrower, with coverage endorsements for code upgrades. • The selected hazard insurer must be licensed to do business in the State of California and have a current rating in Best's Insurance Guide of BV1 or better. • The policy must have a deductible of no more than $1,000 or 1% of the face amount, whichever is higher; or $2,000 or 2% of the face amount, whichever is higher, if wind coverage is included
UNDERWRITING	• Delegated underwriting allowed, although loan must be submitted to CalHFA for review, see below for submission information • DU underwriting is acceptable provided the loan receives an "Approve" from DU. • All loans that have borrowers with credit bureau scores must be risk-classified by FHA's TOTAL Mortgage Scorecard

SUBMISSION INFORMATION	• Loan Submission information can be found on the CalHFA website, with loan submission requirements at:
	• http://www.calhfa.ca.gov/homeownership/forms/index.htm
	• After loan is approved by PRMG, loan must be submitted for underwriting by CalHFA
	California Housing Finance Agency
	Single Family Lending – MS 910
	500 Capitol Mall, Ste. 400
	Sacramento, CA 95814
	Main phone number: 916.326.8000 Main fax number: 916.326.6424
	• Loan submission to CalHFA must include:
	  ◦ All loans are required to have a HUD 92900-A page 3 signed by the underwriter
	  ◦ The HUD 92900-LT only requires an underwriter's signature on downgraded or

	manually underwritten loans (which is not eligible) • Final Automated Underwriting System (AUS) findings • Findings must be Approve/Accept with non FHA products, but can be Approve or Refer for FHA products) • Final lender in-house approval with list of conditions • Final loan application • Preliminary Title Report (separate title report for the second is not required) • Appraisal • CalHFA Borrower Affidavit • CalHFA Tax Return Affidavit • Three (3) years 1040s are required (all first time homebuyers borrowers) and one year 1040 for non-first-time homebuyers • CalHFA Tax Return Affidavit and Verification of Rents – Only required for borrower(s) not required to file 1040s • The CalHFA FHA loan is not subject to Recapture Tax
LOAN RESERVATION PROCESS	• All loans must be reserved through the CalHFA Mortgage Access System (MAS). • Loans may not be registered/locked until after underwriter approval • Lender must reserve loans including ZIP, ECTP, and MyHome Assistance using MAS prior to loan submission to CalHFA • If the loan has been rate locked with CalHFA email any changes to the reservation (including spelling corrections, etc.) to RateLocks@calhfa.ca.gov. If the loan is currently floating the loan can be cancelled and re-reserved, but the loan will be subject to the guidelines in effect as of the date of the new reservation/rate lock. • Locks are available for a 40-day period, as determined by Secondary. • For wholesale, Account Manager will reserve and lock loans in MAS, including ZIP, ECTP, and MyHome, after loan approval • For retail, the AFS team will register and lock the loan in Lender Portal. Loans will only be reserved/locked in by the AFS team once underwriter has issued conditional approval. Once the loan is locked with the Portal, the AFS team member will forward the locked registration confirmation to Secondary to complete the lock process in FT360
INDEX	• N/A
MARGIN	• N/A
INTEREST RATE CAPS	• N/A
INTEREST RATE CHANGES	• N/A

CalHFA Single Family Lending Loan Process – FHA

Step 1:

A. Lender reserves loans(s) in MAS System
    a. The Loan Officer/Processor will lock the loan with CalHFA's Mortgage Access System (MAS). Once CalHFA's Mortgage Access System (MAS) provides the lock confirmation the Loan Officer/Processor will upload the confirmation to FT360 and then complete PRMG's Manual Lock Request Form and email it to secondary@prmg.net by 5:00 p.m. PST on the day a lock is requested. The Manual Lock Request Form is available from the Secondary Manual Lock Registration Form in the Forms section of FT360 or as an editable PDF from the Resource Center.

B. Lender underwrites file
C. Lender submits file to CalHFA for conditional approval
D. CalHFA conducts a pre file log in review
E. If key items are missing, file is not put in line for review until all suspended items are received from lender

Step 2:

A. File is put in line for compliance review
B. CalHFA reviews file for compliance
C. If the file is suspended by CalHFA, lender submits all suspended items

Step 3:

A. CalHFA issues conditional approval
B. Lender draws docs
C. Lender funds
D. Lender submits 1st mortgage purchase package to Lakeview Servicing AND subordinate loan package to CalHFA within 10 business days

Step 4:

A. Lakeview Servicing reviews purchase package on 1st mortgage and CalHFA reviews subordinate loan package
B. If file is suspended by CalHFA and/or Lakeview Servicing, lender submits all suspended items
C. CalHFA and/or Lakeview Servicing purchases loan

Step 5:

Effective immediately and in an effort to avoid process delays, all FINAL DOCUMENTS must be sent to Indecomm Global Services.

Indecomm Global Services
FD-BV-9902
1260 Energy Lane
St. Paul, MN 55108